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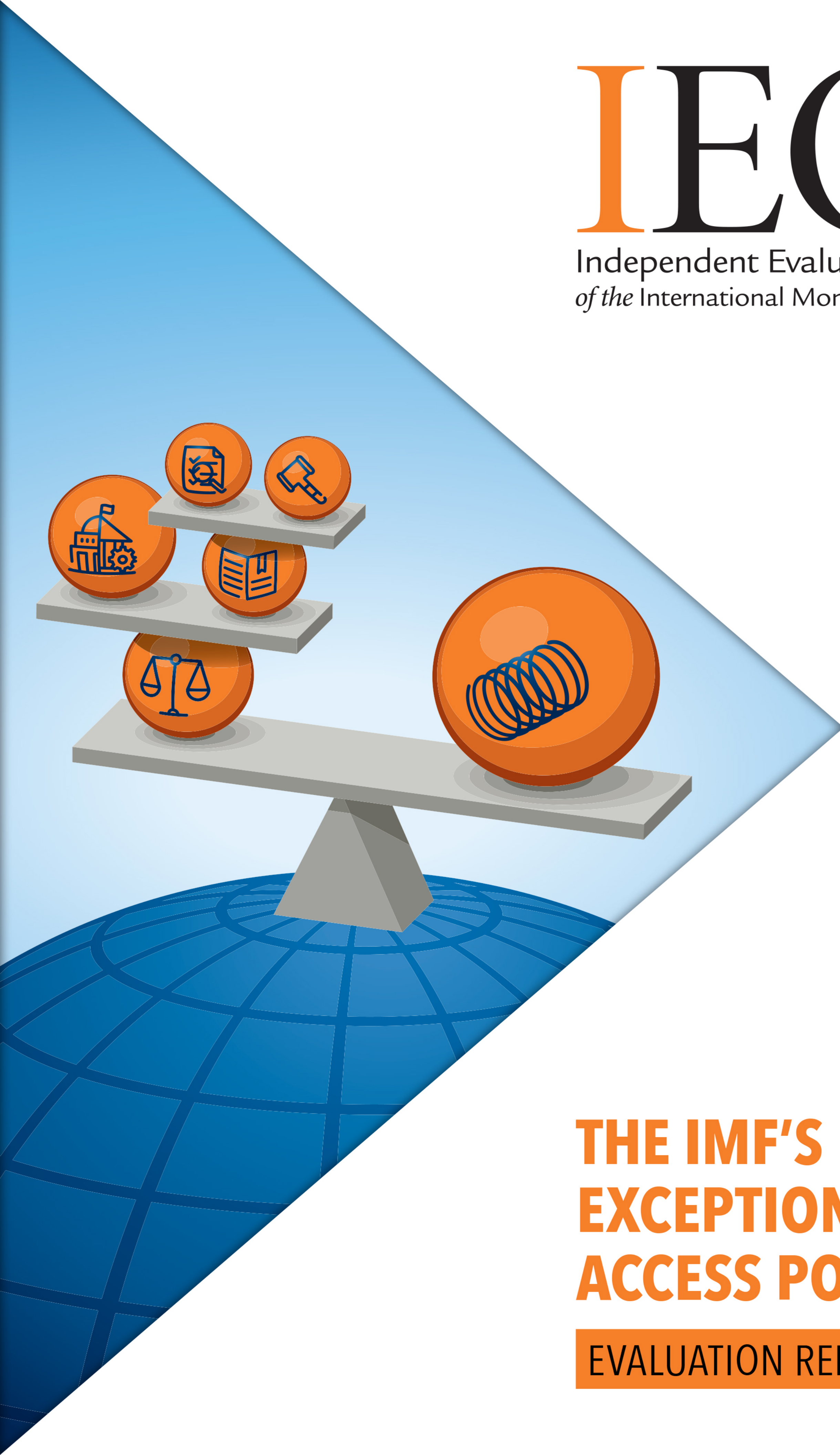

THE IMF'S EXCEPTIONAL ACCESS POLICY

EVALUATION REPORT DEC **2024**

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The following conventions are used in this publication:

- An en-dash (–) between years or months (e.g., 2023–2024 or January–June) indicates the years or months covered, including the beginning and ending years or months.
- The abbreviation FY (e.g., FY2023 or FY24) or a slash (/) between years (e.g., 2024/25) indicates a fiscal or financial year.
- "Billion" means a thousand million.

FOREWORD

This evaluation examines the Exceptional Access Policy (EAP) that the IMF adopted in September 2002 to guide its decisions to support members facing needs for exceptional access to the Fund's general resources. In recent decades, global financial and economic integration has outpaced the changes in IMF quotas, and members' balance of payments needs have sometimes required exceeding the Fund's normal access limits, which are set as a percent of members' quotas. The EAP was initially applicable to capital account crises and was extended in 2009 to all types of IMF exceptional access lending. The policy was designed to address the concerns associated with the Fund's previous ad hoc approach to exceptional access by clarifying expectations about Fund support, enhancing safeguards for Fund resources, ensuring uniformity of treatment of members, and providing a more inclusive decision-making process. The EAP was built on the Fund's longstanding principle that higher access must be accompanied by stronger safeguards by adding three elements: a set of criteria that members seeking exceptional access must meet, enhanced decision-making procedures, and the requirement of ex post evaluations for all exceptional access programs.

The evaluation finds that the EAP is an improvement relative to the previous ad hoc approach by compelling staff, management, and the Executive Board to consider key aspects of exceptional access programs in a structured manner. It represents a further step in the Fund's effort to better balance rules with flexibility in assisting members with their financing needs. At the same time, the evaluation finds gaps in the design and implementation of the policy. Some of the criteria need clearer guidance on their implementation and how they can provide enhanced safeguards for exceptional access relative to normal access programs. There is also room for improvement in the implementation of the enhanced EAP decision-making procedures, the content and use of ex post evaluations, and the alignment between the EAP and the IMF's enterprise risk management policy. The application of the EAP has been subject to tensions when strategic considerations or unforeseen circumstances called for the approval of a program or a review in situations where the fulfillment of all the criteria was hard to ascertain. Further, the evaluation finds that EAP program forecasts have an optimistic bias, and the programs have not fully succeeded in resolving members' balance of payments problems, addressing debt vulnerabilities, and catalyzing private capital inflows.

The report makes five recommendations: (i) conducting regular EAP reviews that take due account of overarching factors, such as the adequacy of access limits, including attention to the erosion of quotas, and the need to balance rules and flexibility; (ii) clarifying the fundamental role of sound program design in providing higher safeguards in exceptional access cases, with clear justification for policy choices and trade-offs, and disclosure of related risks to the Executive Board;

(iii) addressing technical gaps in the criteria to facilitate better alignment with the EAP's objectives and enhance evenhandedness; (iv) strengthening the application of the EAP's enhanced procedures and better leveraging ex post evaluations; and (v) establishing greater coherence between the EAP and the IMF's enterprise risk management policy.

I am encouraged by the positive response of the Managing Director and by Executive Directors' appreciation of the analysis and broad endorsement of the recommendations when the Executive Board met to discuss the evaluation in December 2024. I look forward to the management implementation plan to address the recommendations endorsed by the Board.

PABLO MORENO
Director, Independent Evaluation Office

CONTRIBUTORS

This report was prepared by an IEO team led by Vivek Arora with Miguel de Las Casas as Lead Evaluator. The team included Yasemin Bal Gündüz, Jérémie Cohen-Setton, Kelsie Gentle, Jiakun Li, Carmen Rollins, and Sandra Saveikyte.

The external consultants included Alisa Abrams, Laura Alfaro, Ajai Chopra, Aitor Erce, Marcelo Giugale, G. Russell Kincaid, Chris Lane, Peter Montiel, and Carlos Pérez-Verdía.

The team is grateful to Arun Bhatnagar and Amy Gamulo for administrative and editorial support and to Marina Primorac for editing the report.

The evaluation also benefited from discussions and interviews with current and former IMF Executive Directors, management, and staff, as well as member country officials and experts from academia, civil service organizations, and think tanks. The final judgments are the responsibility of the IEO alone.

The report was approved by Pablo Moreno.

ABBREVIATIONS

AE	Advanced Economy
BOP	Balance of Payments
CFM	Capital Flow Management Measure
DSA	Debt Sustainability Assessment
DSF	Debt Sustainability Framework
EA	Exceptional Access
EAC	Exceptional Access Criteria
EAP	Exceptional Access Policy
EC	Exceptional Circumstances
ECF	Extended Credit Facility
EFF	Extended Fund Facility
EFM	Emergency Financing Mechanism
EMDE	Emerging Market and Developing Economy
EPE	Ex Post Evaluation
ERA	Enterprise Risk Assessment
ERM	Enterprise Risk Management
FCL	Flexible Credit Line
FIN	Finance Department (IMF)
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GRA	General Resources Account
GRQ	General Review of Quotas
HCC	High Combined Credit
LIC	Low-income Country
NA	Normal Access
ORM	Office of Risk Management (IMF)
PCL	Precautionary Credit Line
PLL	Precautionary Liquidity Line
PRGT	Poverty Reduction and Growth Trust
PS-HCC	Policy Safeguard for High Combined Credit

RFI	Rapid Financing Instrument
ROC	Review of Program and Design Conditionality
SBA	Stand-By Arrangement
SDR	Special Drawing Rights
SFF	Supplementary Financing Facility
SLL	Short-term Liquidity Line
SPR	Strategy, Policy and Review Department (IMF)
SRDSF	Sovereign Risk and Debt Sustainability Framework
SRF	Supplemental Reserve Facility
TOC	Theory of Change

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EXECUTIVE SUMMARY

This evaluation assesses the IMF's Exceptional Access Policy (EAP) from its adoption in 2002 through the launch of the evaluation in mid-2023. Member countries' access to IMF lending is guided by the normal access (NA) limits, which are established as a percent of members' quota and reviewed periodically. With the size and distribution of quotas changing slowly relative to the rapid growth in financial and economic integration, members' financing needs have sometimes exceeded their NA limits. The EAP applies to lending from the IMF's General Resources Account (GRA) above the normal limits. It was initially applicable only in the context of capital account balance of payments (BOP) needs but was later extended, in 2009, to all exceptional access (EA) lending.

The evaluation encompasses the EAP's objectives and design, its successive reforms, and the experience with its implementation. The EAP builds on the Fund's long-standing principle that higher access must be accompanied by higher safeguards, which are sought principally through program design. It adds three elements: (i) four exceptional access criteria (EAC)—relating to the size of BOP needs, debt sustainability at a suitably high standard, prospects for market access, and reasonably strong prospects for program success; (ii) enhanced decision-making procedures; and (iii) ex post evaluations (EPEs). The Fund has reviewed the EAP only once, in 2004, although it modified the policy in 2009, 2010, and 2016. The evaluation draws on the experience with the 38 EA arrangements during the evaluation period. It includes a series of thematic background papers and case studies, including of the three largest completed arrangements since the EAP's last reform in 2016—with Argentina (2018), Ecuador (2020), and Egypt (2020).

The Fund has tried to find a balance between rules and flexibility in order to serve its members, while adopting adequate safeguards. Prior to the EAP, the Fund provided EA in an ad hoc manner, using the "exceptional circumstances" (EC) clause. This approach raised concerns in terms of expectations about Fund involvement, safeguards to Fund resources by controlling the Fund's assumption of risk, and uniformity of treatment among members. The EAP was designed to allow the Fund to support its members facing exceptional financing needs in resolving their BOP problems, while seeking enhanced lending standards by addressing the above concerns and providing clearer benchmarks for Board decisions on program design and access. It provided a framework of higher scrutiny for EA cases with built-in flexibility mainly through room for judgment in assessing the EAC. During 2002–09, the Fund retained the EC clause to approve EA in a few cases where not all the EAC were met or that involved a non-capital account crisis. The clause is understood to no longer be applicable since 2009.

While the EAP has improved upon the Fund's previous more discretionary approach, it has not enhanced the standards of IMF lending as envisaged. The EAP has provided guardrails by obliging the institution—including the staff, management, and the Board—to consider in a structured manner key aspects of EA programs. It has enhanced decision-making procedures through greater Executive Board engagement and provided a vehicle for learning lessons and enhancing accountability through the EPEs. However, the EAP has not provided a substantively higher standard for EA programs compared with NA programs, and it has not fully settled expectations about the Fund's lending and assumption of risk nor addressed concerns about uniformity of treatment. EA programs have generally been ineffective in catalyzing private capital inflows, and they rarely involved debt restructuring. While they have sometimes resolved members' BOP problems, in a number of cases problems have remained, as reflected in members' repeated use of Fund resources and continued debt vulnerabilities.

Amendments to the policy usually have been made in the context of specific country cases, rather than at regular reviews, giving rise to an impression of a lack of evenhandedness. In some cases, the staff's assessments of the EAC have been perceived as having an optimistic bias, or even being "reverse engineered" in response to pressures from both outside and within the Fund to move ahead with a program. While the evaluation does not find direct evidence of reverse engineering, such cases have eroded the credibility of programs and the Fund's reputation. Regular reviews would provide a venue to assess implementation and update the policy in a systematic and transparent manner. The EAP reviews should take account of the adequacy of existing access limits for members given quota erosion (the declining trend of some members' quotas relative to key economic indicators) and the balance between rules and flexibility within the EAP framework. Here, the evaluation proposes considering the reintroduction of an EC clause when not all criteria are met but the Fund considers a program to be important based on broader strategic considerations. Such instances would be expected to be rare and accompanied by adequate safeguards, including program design.

Experience with the EAP reveals gaps in the design and application of the EAC. Except with respect to debt sustainability, the EAC do not provide an explicitly higher standard for EA programs relative to NA programs. Further, there are no frameworks or consistent metrics and guidance for assessing the criteria on prospects for market access and program success. While recognizing the need to retain an important measure of judgment in assessing the criteria, there is scope to address these gaps by: (i) setting a framework that places greater focus on the strength of program design rather than only on political assurances; (ii) increasing the level of scrutiny on the gray zone cases, both in terms of the assessment of the effects of EA on future stability and catalytic financing, and in terms of the expectation of restoration of debt sustainability with high probability during the program period; and (iii) developing forward-looking guidance to assess market access, and clarifying the distinct roles of domestic and external public debt and of the types of creditors.

There are also design and implementation gaps in the enhanced decision-making procedures, EPEs, and the interaction of the EAP with the Fund's enterprise risk management (ERM) policy. While the enhanced decision-making procedures and informal consultations with the Board have generally been observed and have helped to involve the Board more closely in decision-making, there is scope to update and enhance the timing and content of the procedures. EPEs have sometimes been useful but have not fulfilled their potential. The procedures for staffing and clearing the evaluations may have inhibited their independence and scope, the Board's attention to the evaluations has been limited, and the Fund has no systematic method of following up on recommendations. The EAP and the ERM policy adopted in 2022 should be more fully aligned, including to take account of the risks associated with EA programs, their mitigation by the EAP, and the consistency of the residual risks in EA programs with the Fund's risk tolerance, as well as the risks associated with a lack of adequate Fund support.

The evaluation proposes the following set of recommendations to address these issues. The recommendations seek to place a greater emphasis on the strength of program design, the standards and clarity of the criteria, and clear consideration of risks while at the same time providing the Fund with adequate flexibility and transparency in the decision-making process.

Recommendation 1. Exceptional Access Policy Review: The Fund should conduct a dedicated review of the EAP and schedule subsequent reviews on a regular basis. EAP reviews should take due account of strategic considerations, including the adequacy of existing access limits and the balance between rules and flexibility within the policy.

Recommendation 2. Program Design: The Fund should clarify the fundamental role of sound program design in providing higher safeguards in EA cases relative to NA. Program staff reports should provide justification for the policy choices and trade-offs embedded in program design and how they support reasonably strong prospects for program success, including the authorities' political and institutional capacity to implement the program. Related risks should be clearly disclosed to the Board.

Recommendation 3. Exceptional Access Criteria 1–3: To address technical gaps in the EACs, facilitate better alignment with the policy's objectives, and enhance evenhandedness, the Fund should (i) increase the level of scrutiny for access decisions; (ii) clarify expectations when debt is in the "gray zone," revisit its terminology to strengthen signaling, and clarify the distinct roles of the different types of debt and creditors for debt sustainability; and (iii) develop consistent analytical guidance to assess market access prospects.

Recommendation 4. Exceptional Access Policy Procedures and Ex Post Evaluations: The Fund should strengthen the application of the EAP's enhanced procedures and adopt measures to better leverage EPEs for risk mitigation, accountability, and learning.

Recommendation 5. Enterprise Risk Management: The Fund should establish greater coherence between the EAP and the IMF's ERM policy. It should seek to ensure a common institutional understanding of how the EAP serves to mitigate enterprise risks consistently with the Fund's risk tolerance in lending.

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INTRODUCTION

The IMF's Exceptional Access Policy (EAP) was adopted in September 2002 to guide lending in situations when normal access (NA) limits were not sufficient to address members' balance of payments (BOP) needs. The size and volatility of global BOP flows over the past several decades have had fundamental implications for the IMF's lending policies and toolkit. IMF lending to members is calibrated in terms of members' quota in the Fund, with NA limits set as a percent of quota. With the size of quotas increasing only gradually over time and their distribution changing relatively slowly, large and volatile external flows have frequently led to circumstances in which members' financing needs substantially exceeded their NA limits—notwithstanding the Fund's regular reviews of access limits to address their erosion against relevant metrics like gross domestic product (GDP), trade, and capital flows. The EAP applied to Fund lending from the General Resources Account (GRA) in amounts exceeding NA limits to members facing capital account crises (IMF, 2002a). The policy became fully operational in February 2003. In 2009, the Fund introduced a related but distinct framework applying to requests for EA to the concessional resources through the Poverty Reduction and Growth Trust (PRGT) (IMF, 2009e) and later revised this framework in 2021. In addition, a Policy Safeguard for High Combined Credit (PS-HCC) under the GRA and PRGT was introduced in 2020.[1]

The EAP established specific requirements for members seeking exceptional access (EA), enhancing the broader set of lending policies that allow the Fund to provide larger financing accompanied by higher safeguards against higher risks. Under its Articles of Agreement, the Fund has a mandate to assist members to solve their BOP problems in a manner consistent with the provisions of the Articles and with adequate safeguards for the temporary use of the Fund's general resources. These safeguards are provided through strong program design supported by a combination of lending policies, including those on access limits, capacity to repay, credit tranches, conditionality, and financing assurances. The EAP established additional requirements for EA relative to NA, comprising a set of criteria to justify EA, enhanced procedures for management and staff to consult with the Executive Board, and an ex post evaluation (EPE) of each EA program. The purpose was to allow the Fund to support members facing exceptional financing needs while clarifying expectations among members and markets about Fund support, strengthening safeguards for Fund resources, establishing benchmarks for related decisions, and enhancing uniformity of treatment.

The Fund has modified the EAP several times, but it has not conducted a dedicated review of the policy since 2004. At the time, future reviews of the EAP were envisioned to occur concurrently with reviews of the IMF's access limits policy. The EAP was modified significantly in 2009 and again in 2010 and 2016, with the latter changes mainly relating to debt sustainability considerations. There have also been reviews of several related policies such as access limits and aspects of the lending framework.

[1] In October 2024, the Fund completed a review of the PRGT.

TABLE 1. GRA ARRANGEMENTS: EXCEPTIONAL ACCESS

	2002-23			2016-23		
	TOTAL	EXCEPTIONAL ACCESS	PERCENT OF TOTAL	TOTAL	EXCEPTIONAL ACCESS	PERCENT OF TOTAL
Number	111	38	34	26	4	15
Committed Fund Financing (SDR billions)	359	290	81	93	51	55
Disbursed Fund Financing (SDR billions)	235	193	82	67	40	60

Sources: Monitoring of Fund Arrangements (MONA) database, IMF Finance Department; IEO calculations.
Note: The table includes General Resources Account (GRA) arrangements approved and completed/expired between 2002 and July 2023. The table does not include blended arrangements, short-term liquidity line (SLL), or flexible credit line (FCL) programs, as Exceptional Access Policy (EAP) does not apply to them. Total is the sum of normal access (NA) and exceptional access (EA) arrangements. Committed Fund financing includes precautionary arrangements. GRA disbursement under EA arrangements includes GRA disbursement within and beyond NA limits.

EA arrangements accounted for around one-third of GRA arrangements during 2002–23 (Table 1). Given their large size, they accounted for over 80 percent of Fund GRA resources committed and disbursed during the period. Use of the EAP was especially pronounced in the aftermath of the Global Financial Crisis (GFC) and during the euro area crisis. It has declined subsequently, with only six arrangements approved between 2016 and July 2023—of which four were concluded during the evaluation period, including the unprecedentedly large arrangement with Argentina (2018 Stand-By Arrangement (SBA)).[2]

This evaluation assesses the EAP's rationale, evolution, and implementation from its adoption in 2002 through 2023. It assesses whether the EAP has helped the Fund achieve the objectives envisioned during the policy's adoption and evolution, whether it strikes a good balance between rules and discretion, and the policy's relevance, coherence, effectiveness, and usefulness for the Fund. The standards against which the EAP is evaluated include the objectives of the policy as well as the extent to which EAP provides higher safeguards relative to NA programs. The evaluation focuses on the Fund's experience with the 38 GRA EA arrangements approved and ended during September 2002–July 2023.[3] It assesses the Fund's performance, policies, and frameworks, not those of the authorities or other stakeholders. The focus is on drawing lessons from the program experience for the EAP, not on assessing each program. The evaluation takes into account Fund policies and frameworks that have a bearing on the EAP, such as IMF quotas, surcharges, financing assurances, and lending into arrears and official arrears, but it does not evaluate them.

The evaluation relies on various sources of evidence and is informed by "theories of change" and the Fund's enterprise risk management (ERM) policy. The evidence includes: (i) desk review and analysis of documents, including IMF policy and program documents, records of Executive Board meetings, research papers, EPEs, and previous IEO evaluations,[4] as well as external research and commentary on EAP-related issues; (ii) interviews with country authorities and local stakeholders, civil society organizations and think tanks, current and former IMF staff, management, and Executive Directors, multilateral partners, and experts and academics; (iii) analytical and empirical work by the evaluation team; and (iv) workshops with external consultants. Theories of change—a standard tool in evaluation—have been used at both the policy and implementation levels (Annex 2). They helped to guide

[2] The other arrangements approved during this period were a precautionary arrangement with Panama (2021, PLL) and disbursing arrangements with Argentina (2022, EFF); Ecuador (2020, EFF); and Egypt (2020, SBA; 2022, EFF). In addition, the 2020 RFI for Egypt involved use of the EAP.

[3] Consistent with the IEO's terms of reference, the paper does not evaluate programs that were ongoing as of July 2023. The evaluation focuses on the EAP applicable to the GRA, as the very small number of completed PRGT EA cases limits their potential for drawing lessons. Only four PRGT-EA or HCC programs were approved during 2009–23—with Benin (2022, EFF-ECF), Chad (2020, ECF), Ethiopia (2019, EFF-ECF), and Somalia (2020, EFF-ECF)—of which three were still ongoing at the end of the evaluation period. Annex 1 compares the design of the GRA EAP with the PRGT EAP and PS-HCC.

[4] Past IEO evaluations that have examined EAP application in particular country contexts include the evaluations on the IMF's involvement in capital account crises (IEO, 2003), Argentina (IEO, 2004), and the crises in Greece, Ireland, and Portugal (IEO, 2016).

the analysis and interviews and to facilitate a comparison between how the EAP is supposed to work in principle and how it was implemented in practice. The evaluation uses the methodology of the IMF's ERM framework to discuss the residual risks associated with the EAP and how the recommendations may contribute to mitigate them.

The evaluation draws on 10 background papers comprising both cross-cutting thematic studies and analysis of country programs that form a key part of the evidence base (Annex 3).[5] The thematic papers analyze specific issues relevant for the objectives, design, and implementation of the EAP from both a conceptual and an operational point of view, allowing for the extraction of cross-country lessons. The country studies focus on the experience with EAP in disbursing arrangements and represent diverse regions and circumstances—Greece (2012), Jordan (2012), Latvia (2010), Pakistan (2008), and Ukraine (2014 and 2015)—while focusing on the major individual EA programs concluded since the last change to the policy (2016): Argentina (2018, SBA), Ecuador (2020, EFF), and Egypt (2020, SBA and RFI).

The paper is structured as follows. Section 2 sets out the rationale and evolution of the EAP; Sections 3–5 evaluate, respectively, EA program design and outcomes, the exceptional access criteria (EAC), and the enhanced decision-making procedures and EPEs. Section 6 consolidates the key findings of the evaluation, and Section 7 provides a set of recommendations.

[5] These papers were prepared by team members and external consultants and will be made available on the IEO website, IEO.IMF.org. While the papers are inputs for the evaluation, they represent their authors' views and not necessarily the views of the IEO or the evaluation team.

RATIONALE AND EVOLUTION OF EXCEPTIONAL ACCESS POLICY[6]

BACKGROUND

Under its Articles of Agreement, the IMF makes available its financial resources to help "members to solve their BOP problems" while requiring "adequate safeguards for the temporary use of the general resources of the Fund" (Article V, Section 3 (a); IMF, 1944). Over the years, as members' challenges and needs have changed, and as the IMF itself has evolved, the institution has adapted its approach to balancing these considerations. A central issue has been how to deal with the financing needs of countries when these needs are large relative to those anticipated in the IMF's standard policies and procedures. A guiding principle has been to seek appropriately greater safeguards when providing larger financing.

Access limits, defined in terms of members' quotas, play a key role in allowing the Fund to assist members facing BOP needs while seeking to manage related risks by safeguarding the revolving nature of Fund resources. An overarching issue for the Fund's lending has been how to strike the right balance between having adequate flexibility to respond to members' circumstances and foster global stability without creating undue risks to its financial position and its commitment to uniformity of treatment.[7] Access limits play a key role in this regard by linking member's access to Fund's resources to their relative size as defined by their quota. The IMF's Articles of Agreement set limits on members' access to IMF lending at 200 percent of their quota in the Fund but allow the Fund to waive these access limits in certain circumstances.[8] In this respect, adjustments in IMF quotas have historically lagged behind the global economic developments, leading to members' BOP needs in dollar terms occasionally exceeding NA limits as a percentage of quota notwithstanding the Fund's regular adjustments of access limits.

Over the years, in a context of growing member needs, the Fund established supplementary policies, instruments, and facilities to facilitate access beyond the limits set in the Articles (Annex 4). In order to better support members facing exceptional financing needs, the Fund approved the possibility to provide ad hoc supplementary financing (1977), a Supplementary Financing Facility (SFF, 1979), a policy on enlarged

[6] Abrams and Arora (2024) further discuss the rationale and evolution of the EAP.

[7] Boughton (2001) and Schadler (2013) provide background on the Fund's efforts to play this central role in the international monetary system.

[8] Under Article V, Section 3 of the IMF's Articles of Agreement, a member's purchases cannot cause the Fund's holdings of a member's currency to exceed 200 percent of quota. However, under Article V, Section 4, the Fund may waive these limits at its discretion taking into consideration, among other things, the "exceptional requirements" of the member requesting the waiver. Such a waiver has been routine in Fund lending for several decades. Once separate lending facilities were introduced, separate access limits were set for each facility.

access (1981), an exceptional circumstances (EC) clause (1979, 1983),[9] an emergency financing mechanism (1995), and a Supplemental Reserve Facility (SRF, 1997). These policies and instruments established ways for the Fund to provide access above normal limits, in some cases supplementing Fund financing. The SRF had no limit on access, a feature that was replicated in the EAP. Also notable was the adoption of the EC clause in the Fund's lending framework that allowed it to approve the use of Fund resources by a member in excess of NA limits if the Executive Board determined the member faced exceptional circumstances. The clause did not provide a definition of such circumstances, leaving it to the Board's discretion.

In the 1990s, the Fund approved a series of EA programs that brought to the fore a number of interrelated (albeit not new) issues for the Fund. In the context of growing integration of global financial markets, some members occasionally experienced large and rapid capital flow reversals that gave rise to exceptional BOP needs. The Fund responded with sizable lending programs, 11 of which involved EA starting with Mexico (1995).[10] It did so by invoking the EC clause and, where relevant, the SRF. The experience raised issues having to do with, among others, the general principles for IMF financing, private sector involvement and debt restructuring, moral hazard among debtors and private creditors, and program design.

Like all Fund lending, EA lending needed to conform with the purposes of the Fund, be temporary in character, and help to resolve the member's BOP problems. While Article VI restricts members' ability to use the Fund's general resources to meet a large or sustained outflow of capital, it was well understood at the time that the restriction did not prevent the Fund from financing BOP difficulties associated with the capital account, only from financing "large or sustained" capital outflows.[11] The Articles did not define the concepts of "large" or "sustained;" nor did the Fund's policies and procedures do so, recognizing a need for judgment based on circumstances. In practice, internal documentation and interviewees saw the Fund's judgments in this context as being focused on ensuring the use of its resources was consistent with the purposes of helping members overcome BOP problems and regain medium-term external viability. Program design was seen as key for achieving these purposes.[12]

The Fund recognized the need for more private sector involvement in helping to share the burden of resolving crises. It sought to make progress following the Prague Framework for crisis resolution agreed in 2000.[13] The Fund recognized its own role in catalyzing voluntary private sector financing, which depended on private creditors' confidence in the member's stability. Confidence in turn depended on the size and timing of official financing and adjustment consistent with a credible path to stability. Where financing needs were larger than a credible adjustment path and official financing could handle,

[9] The SFF (1979) provided for access above normal limits "in special circumstances," which established what would become the exceptional circumstances (EC) clause in 1983. The EC clause was separate from the routine waiver required whenever the IMF's holdings of a member's currency exceed 200 percent of quota. The EC clause stated that, "the Fund may approve Stand-By or extended arrangements that provide for amounts in excess of these access limits in exceptional circumstances" (IMF, 1984).

[10] The other cases were Indonesia, Korea, Thailand (in 1997); Brazil, Russia (in 1998); Argentina, Brazil, Türkiye (in 2001); Türkiye and Uruguay (in 2002).

[11] Article VI, Section 1(a) states, "A member may not use the Fund's general resources to meet a large or sustained outflow of capital except as provided in Section 2 of this Article, and the Fund may request a member to exercise controls to prevent such use of the general resources of the Fund." This prohibition does not cover all capital account transactions, treating some transactions normally regarded as capital flows instead as current (for example, interest payments, moderate amounts of amortization, and capital transactions required in the ordinary course of trade, banking, and other business).

[12] If the Fund judged the design of a member's program as being sufficiently strong to help stem capital outflows, catalyze inflows, maintain adequate international reserves, and restore market confidence, then the approval of Fund financing was seen as not giving rise to large or sustained capital outflows in the context of Article VI. Conversely, the Fund would not approve a program or review that was not strong enough to address the member's BOP difficulties.

[13] The Prague Framework—so called as it was laid out in the communique of the 2000 IMF-World Bank Annual Meetings held in Prague—was based on the principles that official financing is limited, debtors and creditors should take responsibility for their decisions, and contracts should be honored (Fischer, 2002). Under the framework, decisions regarding burden sharing with the private sector would be left to the discretion of IMF management and the Board. It called for restructuring debt through voluntary approaches or "a broader spectrum of actions" by private creditors, but it gave no direction on procedures for doing so (Schadler, 2013).

the question arose as to how the Fund could facilitate orderly debt workouts. However, the Prague Framework did not provide adequate incentives for prompt restructuring and the Fund's proposal to establish a sovereign debt restructuring mechanism (SDRM) did not gain sufficient shareholder support.

EA programs raised concerns at the Fund and outside about moral hazard on the part of private creditors and borrowing countries. If private creditors expected to be "bailed out" in the event of a crisis through borrowers' access to substantial Fund resources, that may lead them to extend more risky credit than was prudent or optimal for the borrower. This concern called for constraining the size of members' access to Fund resources.[14] The concern about borrowers was that large-scale financial assistance, along with mechanisms for debt relief, could encourage unsustainable policies. On balance, the Fund viewed the benefits of EA as outweighing the risks of moral hazard. Managing Director Camdessus (IMF, 1998) noted that private creditors in fact took heavy losses during crises and, regarding borrowing countries, that, "the economic, financial, social, and political pain is simply too great. … countries [do not] show any great desire to enter IMF programs unless they absolutely have to." In addition, conditionality was seen as a safeguard against such moral hazard.

These factors raised important considerations about program design. The trade-off between official financing and external adjustment in such cases was somewhat different than in more traditional IMF-supported programs.[15] While the latter programs entailed relatively smooth financing adjustment trade-offs, in "confidence crises" the size and speed of financing were essential as a key priority was to address the loss of confidence and catalyze private capital flows relatively quickly. Program design in the context of these crises was tailored toward these considerations, for example with the phasing of disbursements being frontloaded to address the need to restore confidence.

While the Fund was able to support members facing crises with EA by using the EC clause on an ad hoc basis, the approach came to be seen as raising a number of concerns that were untenable. The ad hoc approach raised concerns such as whether the large degree of discretion it entailed may compromise the Fund's uniformity of treatment of members, exacerbate moral hazard (notwithstanding the above discussion), lack clarity about the size of EA and about when the Fund would or would not provide exceptional support, expose the Fund to political pressure to provide EA even when the prospects for success were poor or the sovereign debt burden likely unsustainable, and increase risks for the Fund's financial position (IMF, 2002a).

DESIGN AND RATIONALE OF THE EAP

In September 2002, with a view to addressing these concerns, the IMF approved the EAP (Box 1).[16] The EAP applied to Fund support in capital account crises, given the context in which EA needs had generally arisen in the preceding period. It entailed a set of criteria, a higher "burden of proof" in program documents, and EPEs of EA programs (discussed below). The policy sought to allow the Fund to provide meaningful support to members facing capital account crises while strengthening the safeguards on its discretion for doing so and ensuring that "exceptional access remains exceptional" (IMF, 2002b). The EAP was seen as more practical than other alternatives contemplated at the time for ensuring the Fund's capacity to provide exceptional financing with adequate safeguards. Some called it "constrained discretion," that is, the EAP's rules and procedures constrained the wide discretion that the Fund had used under the previous approach.

The policy had four specific objectives that sought to address the concerns with the Fund's previous approach. The objectives reflected in the Summing Up (IMF, 2002b) were to: (i) shape members' and markets' expectations regarding Fund support; (ii) provide clearer benchmarks

[14] Haldane and Kruger (2001) set out a position along these lines. Earlier, in writing about the Asian crisis, Milton Friedman (1999) stated, "The IMF has been a destabilizing factor in East Asia … by sheltering private financial institutions from the consequences of unwise investments."

[15] Ghosh and others (2002) present a comprehensive analysis of the capital account crises during this period, how Fund-supported programs responded to them, and how the Fund's lending framework adapted.

[16] As discussed below, the new framework became fully operational following the February 2003 adoption of enhanced Board procedures (IMF, 2003a).

BOX 1. KEY ELEMENTS OF THE EXCEPTIONAL ACCESS POLICY

The key elements of the Exceptional Access Policy (EAP)—including its original (2002) and current (2016) iteration—and its associated procedures for access to the General Resources Account in excess of NA limits for members facing exceptional needs are as follows:

Criteria to Justify Exceptional Access

CRITERIA	ORIGINAL EAP (2002)	CURRENT EAP (2016)
EAC1: BOP Needs	The member is experiencing exceptional balance of payment (BOP) pressures on the capital account resulting in a need for Fund financing that cannot be met within the NA limits.	The member is experiencing or has the potential to experience exceptional BOP pressures on the current account or the capital account, resulting in a need for Fund financing that cannot be met within the normal limits.
EAC2: Debt Sustainability	A rigorous and systematic analysis indicates that there is a high probability that debt will remain sustainable.	A rigorous and systematic analysis indicates that there is high probability that the member's public debt is sustainable in the medium term. Where the member's debt is assessed to be unsustainable ex ante, exceptional access (EA) will only be made available where the financing being provided from sources other than the Fund restores debt sustainability with a high probability. Where the member's debt is considered sustainable but not with a high probability, EA would be justified if financing provided from sources other than the Fund—although it may not restore sustainability with high probability—improves debt sustainability and sufficiently enhances the safeguards for Fund resources. For purposes of this criterion, financing provided from sources other than the Fund may include, inter alia, financing obtained through any intended debt restructuring. This criterion applies only to public (domestic and external) debt. However, the analysis of such public debt sustainability will incorporate any potential contingent liabilities of the government, including those potentially arising from private external indebtedness.
EAC3: Market Access	The member has good prospects of regaining access to private capital markets within the time Fund resources would be outstanding, so that the Fund's financing would provide a bridge.	The member has prospects of gaining or regaining access to private capital markets within a timeframe and on a scale that would enable the member to meet its obligations falling due to the Fund.
EAC4: Program Success	The policy program of the member country provides a reasonably strong prospect of success, including not only the member's adjustment plans but also its institutional and political capacity to deliver that adjustment.	The policy program of the member country provides a reasonably strong prospect of success, including not only the member's adjustment plans but also its institutional and political capacity to deliver that adjustment.

Decision-making procedures. (i) A higher burden of proof is needed in EA program documents—including thorough discussion of need and the proposed level of access, a rigorous analysis of debt sustainability, and an assessment of risks to the Fund arising from the exposure and its effect on the Fund's liquidity. (ii) There are enhanced requirements and expectations regarding early Board consultations for EA cases.

Ex post evaluations (EPEs). An EPE of lending programs supported by EA is required within one year of the end of the arrangement, to be led by staff not involved in the conduct of the program.

Sources: IMF (2002a; 2002b; 2004a; 2004b; 2009c; 2009d; 2016).
Note: The evolution of the EACs during 2002–16 is described in Annex 5.

for Board decisions on program design and EA; (iii) safeguard the Fund's resources by controlling the Fund's assumption of risk; and (iv) help ensure uniformity of treatment of members. The Fund rejected the notion of a ceiling or norm on EA, viewing such a limit as fundamentally constraining the Fund's ability to respond to crises and posing practical challenges.[17] It also decided against adopting a maximum exposure limit for a single member. The Fund agreed that even when members' needs were large, its financing should play a catalytic role for private and other official financing rather than fully fund the need. It also agreed that given the role of quotas in the Fund's financial and governance framework, quotas should remain the metric for calibrating access limits. However, recognizing the effects of quota erosion, it required EA program documents also to gauge access levels against other relevant metrics.

The 2002 EAP and 2004 EAP review papers elaborated further, representing the framework as an attempt "to find a sensible balance among [several] objectives for exceptional access" (IMF, 2002a; 2004a). These were to: "define more narrowly and clearly cases when EA may be appropriate, with increasing constraints as higher access is considered; provide more clarity on the criteria used by the Fund to determine when it may be appropriate to consider EA and when a restructuring of private claims is warranted; provide a better basis for judgments on the appropriate scale of access in capital account crises; put in place internal safeguards to ensure these judgments are made carefully, risks are appropriately weighed, and the Board involved; and preserve the Fund's financial position and safeguard its resources." The Board reiterated that EAP was a key pillar of the Fund's risk management framework (IMF, 2004b).

While the EAP became the definitive policy for EA in capital account crises, the EC clause remained operational for some cases. The Fund accepted that for non-capital account crises, EA requests would continue to be handled by invoking the EC clause, although in a more constrained manner than before 2002 as they would be assessed "in light of" the EACs (although not required to meet the criteria). For capital account cases, while the EACs were required to be met, the EC clause was not explicitly superseded, leaving open the possibility of using the EC clause in some circumstances.

The elements of the EAP were seen as constituting higher safeguards relative to NA, consistent with the requirements in the Articles of Agreement. As noted, among other objectives the policy sought to enhance the constraints and safeguards accompanying higher access. The four EACs were framed differently than the requirements for NA programs, but they were not substantively different than those requirements (except for the one on debt sustainability, EAC2). However, they required more explicit scrutiny and justification. The enhanced procedures and the EPEs were additional relative to NA requirements.

The criteria were intended to work together as part of a coherent whole. For example, Schadler (2013) noted that "the underlying logic of the four criteria was unassailable" and that the criteria formed "an integrated framework." The market access test (EAC3) and debt sustainability test (EAC2) were mutually reinforcing—and also supported the member's capacity to repay the Fund—and neither was likely to be met in conditions of significant BOP pressures (EAC1) unless policies were credible and there were reasonable prospects for program success (EAC4). The assessments of the criteria relied importantly on staff judgment, supported in the case of EAC2 by the Fund's debt sustainability assessment (DSA) framework.[18]

Under the Fund's conditionality guidelines, higher access must be accompanied by greater assurances from the member regarding the temporary nature of the use of Fund resources. The Fund's conditionality

[17] The PRGT-EA policy established in 2009 did include caps on EA, owing to the relatively limited resources under the PRGT. Those caps were removed in 2021.

[18] The tools for assessing debt sustainability have evolved, but what they try to do is to assess public debt projections over a 10-year horizon in the context of the staff's macroeconomic framework. The assessment analyzes both the baseline projection and its sensitivity to a range of shocks in order to determine whether feasible policies are likely to produce sustainable debt. The notion of "high probability" was not defined concretely at the outset of the EAP in 2002 but was made more concrete over time and especially in 2016.

guidelines codify this principle as, "all else being equal, higher access would generally be associated with a stronger program, stronger track record of policy implementation, and stronger capacity to repay."[19] The Fund can only lend when it assesses that the member's policies will enable it to resolve its BOP problems.[20] The EAP as part of the Fund's lending framework and the higher safeguards associated with it (especially the EACs) should, therefore, be seen as enhancing the assurances provided by program design. Aside from debt sustainability (EAC2), however, there was little explicit linkage between the criteria and program design.

The enhanced decision-making procedures, which included procedures for early informal consultations with the Board and a higher burden of proof in EA program documents, sought to strengthen the oversight role of the Executive Board in EA cases. They involved enhancing the flow of timely and candid information to the Board, with protections to maintain strict confidentiality. This was done with a view to ensuring the Board was the locus for key EA-related decisions and to avoid having critical decisions "taken outside the Board in direct interactions between management and key shareholders" (IEO, 2004). They were complementary to the higher "burden of proof" in EA program documents that were required to discuss the need for and appropriate level of access; rigorous debt sustainability analysis; credit and liquidity risks to the Fund; systematic and comprehensive information on the member's capacity to repay the Fund; and an explicit recognition of costs to borrowers and creditors of members incurring arrears to the Fund.

The EPEs represented a vehicle for additional accountability and learning.[21] They are a form of "self-evaluation" in the Fund and provide a means to evaluate the effectiveness of the Fund's involvement with a country, analyze program design and performance, and draw relevant lessons. Specifically, EPEs aim to determine whether the justifications presented for individual programs were consistent with Fund policies and to review program performance. They are designed to reinforce incentives for careful and systematic assessments of sustainability in staff reports, and to give more credibility to judgments about whether exceptional Fund exposure was prudent in view of the higher risks involved.

Relatedly, the EAP does not fully articulate the degree of risk mitigation that its application may provide. When the Fund approves a program, implicitly it accepts the residual risks that remain after the risk mitigation provided by program design and related safeguards. However, the EAP documentation does not substantiate this point and nor does it fully articulate the risks associated with not proceeding with EA support. The Fund's ERM policy adopted in 2022 sets the Fund's risk tolerance, with all GRA lending having to be consistent with the requirements for Fund lending that include adequate safeguards (Box 2). Given that the EAP was created before the Fund had an ERM policy, there was no obvious vehicle in the Fund's lending framework—as there is now—to have such transparent considerations of enterprise risks and the consistency of program approval decisions with the Fund's risk tolerance.

[19] See IMF (2024a), paragraph 26. See also IMF (2002c; 2004a).

[20] The Fund is allowed to seek additional assurances by requiring the member to provide collateral; in practice the Fund has preferred not to do so, in part because seeking collateral could go against the catalytic role of Fund financing.

[21] Chopra and Li (2024) analyze the design and implementation of EPEs and draw lessons that inform this evaluation.

BOX 2. THE EXCEPTIONAL ACCESS POLICY AND ENTERPRISE RISK MANAGEMENT

In December 2022, the IMF Board approved an ERM framework to manage enterprise-wide risks and enhance risk-based decision-making in the fulfillment of the IMF's mandate. The Office of Risk Management (ORM) works across IMF departments as a second line of defense to ensure a consistent approach to risk mitigation, tolerance, governance, culture, and processes, supported by strong IMF-wide communication and reporting across numerous key areas, including strategic, business, financial, operational, and reputational risks.

The ERM Policy calls for the provision of an independent view of assessments of enterprise risk for lending in consultation with IMF departments and requisite Risk Control Self-Assessments to be conducted "on the end-to-end process of an EA program and on the review process." This provision was expected to be implemented in FY2024 or later, although the exact timing of when the assessments would be fully integrated into exceptional access cases was not indicated. Prior to 2022, ORM did not have a mandate to review individual IMF-supported programs. Upon request from other departments, it reviewed two EA programs for Egypt and Ecuador in 2020.

The EAP seeks to meet the objectives of the IMF Articles of Agreement, in particular Article V, Section 3, which provides that the Fund shall adopt policies on the use of its general resources that will assist members to solve their BOP problems in a manner consistent with the Articles and that will provide adequate safeguards for their temporary use. All IMF programs feature conditionality, phasing of disbursements, and assessments of capacity to repay, which serve inter alia to mitigate risks related to the revolving nature of IMF resources and the success of IMF-supported arrangements. The EAP was conceived as a pillar of the Fund's enhanced risk management framework (IMF, 2004a), involving higher safeguards to mitigate the higher risks associated with the higher level of access. However, it does not directly address operational risks, including risks related to human capital resources.

Sources: IMF (2004a; 2022); IEO desk review and interviews.

EVOLUTION OF THE EAP

In the absence of regular dedicated reviews of the EAP after 2004, the EAP evolved in an ad hoc manner, reflecting an effort to adapt the policy to challenges revealed by recent or immediate program cases. These adaptations occurred in 2003–05, 2009, 2010, and 2016 (Box 1 and Annex 5). The EAP reduced the scope for discretion relative to the Fund's previous approach and in principle helped to enhance safeguards, evenhandedness, benchmarks, and expectations about Fund support.

In 2003, the Fund further enumerated the enhanced Board consultation procedures to engage the Board in a timely manner (Box 3). It was agreed that the enhanced procedures would apply to all EA cases, not just capital account crises. The procedures included the requirement that the Board be consulted before staff concluded program discussions and before any public statement on proposed access levels.

Executive Directors agreed that access in restructuring cases would normally be expected to be within NA limits, although there could be "rare circumstances" warranting EA. The implication was that the Board could approve EA by using the EC clause even if not all the criteria were met. In September 2003, the Board approved an EA SBA for Argentina, which was undergoing a restructuring and did not meet the debt sustainability and market access criteria (EAC2 and EAC3).

In 2004, the Fund conducted its only dedicated review of the EAP as a whole. The Board did not make changes to the policy but agreed that future EAP reviews should be undertaken regularly at the same time as access policy reviews and reaffirmed several guidelines, including the following. First, EA cases should be few in number, in order to safeguard the revolving nature of Fund resources and manage financial risks. Second, the Board did not support the notion of applying EAP for precautionary purposes or for non-capital account crises, preferring to retain the flexibility to grant

BOX 3. ENHANCED BOARD CONSULTATION PROCEDURES FOR GRA EXCEPTIONAL ACCESS

The enhanced Board consultation procedures in EA cases had several features:

- Once management decides that EA may be appropriate, it will consult with Board promptly in an informal meeting that will provide the basis for consultation with capitals and help identify issues that would be addressed in a further informal session.
- Directors are to be provided a concise note circulated at least two hours before the informal meeting that includes as fully as possible: (i) a tentative diagnosis of the problem; (ii) the outline of the needed policy measures: (iii) the basis for judgment that EA may be necessary with a preliminary evaluation of the four substantive criteria, and including a preliminary analysis of external and sovereign debt sustainability; and the likely timetable for discussions.
- Before the Board's formal consideration of the Use of Fund Resources staff report, additional consultations will normally be expected to keep the Board abreast of program-financing parameters including: (a) assumed rollover rates; (b) economic developments; (c) progress in negotiations; (d) any substantial changes in understandings; and any changes to the initially envisaged timetable for Board consultation.
- In this connection, staff will provide the Board with a separate report evaluating the case for EA based on further consideration of the four substantive criteria, including debt sustainability. Where time permits, this report will be provided to the Board in advance of the circulation of program documents. In all cases, this report will be included with the program documents.
- Management will consult with the Board specifically before concluding discussions on a program and before any public statement on a proposed level of access.
- Strict confidentiality will need to be maintained and public statements by members, staff, and management should take special care not to prejudge the Board's exercise of its responsibility to take the final decision.

Sources: IMF (2003b; 2003c; 2004c).

EA under the EC clause.[22] In connection with exit strategies, Directors recognized that BOP difficulties of countries then receiving EA appeared to be of a medium-term nature and did not rule out the possibility of continued Fund financing for some of these countries for a period of time.

In 2009, reflecting the 2002–09 experience as well as the GFC, the Fund made significant changes to the EAP.

- Revisiting its positions of 2004, the Board approved the use of EAP for non-capital account crises and for meeting potential BOP needs (that is, for precautionary programs). To explain the change, the policy paper (IMF, 2009a) noted the asymmetry in the treatment of capital versus non-capital account crises in the existing approach, whereby there was greater flexibility for non-capital account EA cases as these were assessed "in light of" the criteria but not required to meet them. The asymmetry led to a perception that access decisions in non-capital account cases were ad hoc and unpredictable and that EA in capital account crisis cases was more constrained. The paper recognized the potential crisis prevention role of the EAP.

[22] Concerns about EA as insurance against potential (as opposed to actual) BOP needs included that it could create moral hazard, weaken the role of conditionality, and lead to exaggerated market expectations about the size of Fund support. It would also have required changing the criteria (EAC1). Regarding non-capital account crises, Directors recognized that a need for EA could arise in such situations, but these were expected to be rare. They did not believe it was appropriate for the Fund to develop a separate set of EAC for such cases, which would also be hard to implement as a sharp distinction between the drivers of a crisis may not be immediately apparent. The staff paper noted that for non-capital account cases the request would be judged "in light of the four substantive criteria" but the approval of the request would not be conditioned on meeting the criteria.

- While there was no Board decision that explicitly dropped the EC clause, the extension of the EAP in 2009 effectively ensured the clause no longer applied. During 2002–09, the Fund had applied the EAP to several capital account crisis cases, while also making use of the EC clause, including for a few capital account cases (Table 2). The applicability of the EAP to both capital and non-capital account crisis cases, whether to meet actual or potential BOP needs, effectively brought all GRA EA programs within the control of the EAP.[23, 24]

- EAC2 and EAC3 were clarified. EAC2 was revised to refer clearly to public debt (both external and domestic), where previously the focus was on external debt (both public and private). Further, while previously EAC2 was based on assessing debt sustainability based on the member's existing (not future) policies, it was now to be applied in a forward-looking manner that took into account future programmed fiscal adjustment and any explicit commitments by the member to restructure public liabilities. EAC3 was modified to recognize first-time issuers as being eligible for EA, it removed the reference to Fund financing as "a bridge" to private financing, and it dropped the reference to "good" prospects for market access in an effort to acknowledge that the horizon was only when Fund payments came due and not when the program ended.

- The Fund also introduced an EA policy for lending from the PRGT (Annex 1). The criteria were informed by the GRA-EAP although the BOP criterion required the member to experience an actual BOP need, the market access criterion was framed differently,[25] and the debt sustainability criterion took into account members' risk of debt distress. The policy included the system for early Board consultations adapted from the GRA-EAP. The PRGT-EAP also had hard caps on EA (150 percent of quota annual, 450 percent cumulative), reflecting the relatively constrained nature of PRGT resources.[26] The PRGT-EAP included a requirement that the relevant program and the member's ability to repay the Fund be "comparatively strong." The requirement was deemed not to be met by countries at high risk of debt distress, or in debt distress, absent debt relief or restructuring.

In the same year, an ad hoc review of access limits doubled the normal annual and cumulative access limits. Historically, adjustments in IMF quotas have not always kept pace with changes in the global economy. That is, quotas have "eroded" as a share of GDP and other metrics for a number of mainly emerging and developing countries. Periodic quota reviews and changes in access limits have temporarily alleviated the erosion, which has however continued over time (Box 4 and Annex 6). Given that access limits are set as a percent of quota, an implication of quota erosion has been that members' BOP needs in dollar terms sometimes substantially exceeded their NA limits.[27] The increase alleviated for some time the effect of "quota erosion" on access that, however, resumed over time.

[23] The Flexible Credit Line (FCL) was created in 2009 as a window within the credit tranches, allowing for potential EA but not falling within the coverage of the EAP given its rigorous qualification requirements and the fact that its procedures are substantially similar to the EAP (IMF, 2009a). FCLs are not regarded as IMF "programs" given their lack of ex post conditionality and related features.

[24] From early 2003, when the EAP became fully operational, through 2009, the Fund approved 19 EA programs, of which 12 were approved using the EAP and 7 were approved using the EC clause. Of the latter, 4 programs related to capital account crises: the Brazil (2002) program and its 2003 augmentation; the second Argentina (2003) program, which involved debt restructuring for which the Board made an exception for EAC2 and EAC3; and the Uruguay (2005) and El Salvador (2009) programs which were precautionary—involving a potential but not actual EA need, hence, not meeting EAC1.

[25] Members must have Gross National Income per capita at or below the prevailing operational cutoff for assistance from IDA and must not have had sustained past access to international financial markets (IMF, 2009e). This criterion was modified in 2021 (see Annex 1).

[26] These caps were removed in 2021 in the context of a broader reform of the PRGT-EAP. In September 2020, additional safeguards were put in place to apply when PRGT-eligible countries sought access to Fund financial support using a mix of GRA and PRGT resources that on a combined basis exceeded the EA thresholds in the GRA or the PRGT, even though taken separately they may not exceed EA thresholds under the GRA or PRGT.

[27] However, access levels in most EA programs were well above NA limits, suggesting that erosion may have had only a limited role. The empirical results in Bal Gündüz (2024) suggest a member's quota relative to its economic size matters more for the access level itself than for whether a program is likely to be EA.

BOX 4. ACCESS LIMITS AND THE "EROSION" OF QUOTAS

Changes to access limits have generally (but not always) been linked to the General Reviews of Quotas (GRQs) and effectiveness of quota increases.[1] During 1994–2008, annual and cumulative access limits remained constant at 100 percent and 300 percent of quota, respectively. After the 45 percent increase in quota in 1998, related to the 11th GRQ, access limits were maintained as a percent of quota, resulting in an increase in SDR terms.

In 2009, an ad hoc review of access limits resulted in the doubling of annual and cumulative access limits, which were later reduced following the 14th GRQ. Annual and cumulative limits were raised to 200 percent and 600 percent of quota, respectively (IMF, 2009a). In 2010, the Board approved a doubling of quotas during the 14th GRQ that took effect in 2016 leading to a reduction of access limits in terms of quota to 145/435 percent (annual/cumulative), which corresponded to an average increase of 45 percent in SDR terms (IMF, 2016).

More recently, since the COVID-19 crisis, the Fund has undertaken temporary adjustments to access limits to better support the membership in a context of extraordinary exogenous shocks. In July 2020, in the context of the COVID-19 pandemic-related shock, the annual access limit was temporarily raised from 145 percent to 245 percent of quota, initially for 12 months and later extended through end-2021 (IMF, 2020a), and reverting to 145 percent in 2022. At the time, the policy paper evaluated the possibility of "carving out" emergency financing (EF) from the calculation of annual and/or cumulative access limits, an option that would have allowed for additional borrowing space (so-called "additionality") under the EF without triggering the EAP (IMF, 2020a). While this option received some support, overall, it was viewed as favoring specific types of Fund financing, like EF, over others such as UCT-quality arrangements. Instead, the Fund preferred the option of temporarily raising the annual access limits across the board and staff argued that such a proposal provides "at least as much benefit to all borrowers as would a complete carve-out of all emergency borrowing for one year." The cumulative access limit was left unchanged at 435 percent. In March 2023, both annual and cumulative access limits were temporarily raised to 200 percent and 600 percent of quota (IMF, 2023). This increase was initially approved for a period of 12 months and was subsequently extended until end-2024.

During 2002–23, aggregate quotas as a share of relevant metrics trended down ("erosion"), reflecting declines relative to GDP, current payments, and capital flows, affecting especially emerging market and developing economies (EMDEs) (Annex 6, Figure A6.1, panel A). Periodic quota and access limits reviews temporarily interrupted the erosion, which however continued over time and was pronounced for a number of mainly emerging and developing countries. By 2023, EMDEs' access limits in relation to their GDP, current payments, and especially capital flows were lower than in 2002 (Annex 6, Figure A6.1, panel B). For advanced economies (AEs), the picture is different. AEs' access limits in relation to the same variables on average have trended upward since 2009. The global average in turn reflects the AEs' influence, although aggregate quotas relative to current payments dipped below their 2002 level in 2022.

The erosion of quotas relative to other metrics for several countries reflects the relatively slow increases in quotas and access limits relative to such metrics. It implies that, all else equal, absent an increase in quotas, countries' BOP needs can exceed the NA limits. Further, in countries with very small quotas, quota levels might not be sufficient to address BOP needs. Further, in countries with very small quotas, quota levels might not be sufficient to address BOP needs.[2] Meeting these needs would require an increase in quota (so that quota-based access limits deliver increased financing in SDR terms), or higher access limits, or EA. In order to maintain annual access limits relative to GDP at their 2002 level, in 2023, annual access limits as a percent of quota would have needed to be around 245 percent for EMDEs (201 percent excluding China; Annex 6, Figure A6.1, panel E), and 99 percent for AEs. Cumulative access limits would have needed to be around 735 percent for EMDEs (604 percent excluding China), and 296 percent for AEs.

Sources: IMF (2009a; 2016; 2020a; 2021b; 2023); IEO calculations.

[1] This box discusses access limits in the GRA. For the PRGT, access limits are linked to comprehensive reviews of low-income countries facilities.

[2] For example, the IEO evaluation on *IMF Engagement with Small Developing States* discussed how the very low quotas of such members constrain the size of their NA limits in nominal terms (IEO, 2022).

In 2010, the IMF altered EAC2 by creating the so-called "systemic exemption clause."[28] The clause was created in the context of the Greece (2010) SBA to allow EA to proceed even though debt sustainability did not meet the "high probability" bar on the grounds that not proceeding with the SBA would create systemic spillovers given the absence of financial firewalls in the euro area. The Board approved the program and, through this decision, altered the EAP to include the systemic exemption. The manner in which the change was made gave rise to evenhandedness concerns at the time.[29] The exemption was then also applied for the Ireland and Portugal programs, as well the successor program with Greece, where the staff reports were not able to assure debt sustainability with high probability.

In 2016, the Fund revisited EAC2 removing the systemic exemption clause and introducing the so-called "gray zone." It deemed that the clause had proved unreliable in mitigating contagion and had the potential to increase "subordination risk" for private creditors, delay the restoration of debt sustainability, and aggravate moral hazard. At the same time, the Fund widened the scope for a member to have EA when its debt was sustainable but not with high probability, that is the gray zone, by providing a way to avoid costly debt restructuring. If debt was in the gray zone, EA could proceed provided that the member was able to obtain non-Fund financing that improved debt sustainability and enhanced the safeguards for Fund resources. One way it may be able to do so was by "re-profiling" the debt (seen as an extension of maturities without a reduction in face value) that may be less costly and disruptive than a full restructuring.

When the EAP was introduced, the Fund did not see much scope for increasing the rate of charge (surcharges) to discourage EA (Annex 7). Surcharges were introduced before the EAP came into being, with the intention of providing members with incentives to repay the IMF early, limit the size of IMF borrowing, and diversify their sources of financing. Over time, surcharges have become a source of Fund income and precautionary balances. There is also much public discussion about their appropriate role, but that is beyond the scope of this evaluation.[30]

The EAP is part of the array of policies in the Fund's lending framework and has linkages with other key policies.[31] In terms of the Fund's lending instruments, during 2002–09 all EA programs were SBAs but since 2010, several EFFs have been approved that recognize members' medium-term BOP and structural reform needs (starting with Ireland, and including Argentina, Ecuador, Egypt, Greece, Portugal, Ukraine). The Fund's financing assurances policy seeks to ensure a member's program is fully financed and sets out standards for credible assurances in the near term and medium term, including in the context of debt restructuring if relevant. The Fund's lending into arrears (to private creditors) and lending into official arrears (LIOA, to official creditors) can also be relevant for EA programs. Motivated in part by significant delays in gaining official creditor assurances in recent programs involving debt restructuring, in April 2024, the Board approved a set of reforms that included new LIOA procedures that would apply to EA programs. The debt limits policy includes a transparency requirement with respect to information about debt holders. Such information is important for assessing EAC2, which requires a granular understanding of the investor base.

[28] Separately, in 2010 the IMF created the Precautionary Credit Line (later changed to the Precautionary Liquidity Line, PLL). The PLL could be used by countries that faced potential (not actual) BOP needs and had sound fundamentals, policies, and frameworks but whose remaining vulnerabilities precluded them from using the FCL. PLL arrangements were subject to the GRA access limits and to the EAP, but they also had separate qualification criteria that were somewhat broader than the EACs.

[29] The IEO evaluation of the euro area programs (IEO, 2016) noted there was a strong perception among stakeholders that the way in which the systemic exemption was introduced—in the staff report for the Greece (2010) program request (IMF, 2010a) rather than through a separate policy paper—gave many Executive Directors little opportunity to reflect duly on the policy change (de Las Casas, 2016). See also Schadler (2016).

[30] After the evaluation period, in October 2024, the Board approved an increase in the threshold for level-based surcharges and a reduction in the rate for time-based surcharges effective November 1, 2024.

[31] Among others, these include the policies on access limits, capacity to repay, credit tranches, conditionality, debt limits, debt sustainability, facilities, financing assurances, lending into arrears/official arrears, non-toleration of arrears, and phasing. These linkages are explained further in Abrams and Arora (2024) and Erce (2024).

The fact that changes to the EAP were not made on a regular schedule but often in response to high-profile cases created a perception of lack of evenhandedness. The evolution of the policy as described above sought to encompass the 2002–09 experience in a comprehensive manner in 2009, but after that it responded to specific cases. The 2010 systemic exemption was introduced for the case of Greece and was used only in the euro area EA cases and the gray zone introduced in 2016 has so far been used for EA lending only to Argentina and Egypt. A perception among several stakeholders has been that the Fund accommodated changes for high-profile cases but was less flexible for others.

EXPERIENCE WITH EA PROGRAM DESIGN AND OUTCOMES[32]

As noted, the Fund's lending guidelines require that higher access be accompanied by stronger safeguards, notably through program design. Under the EAP, in EA cases the EACs and procedures are intended to provide higher safeguards and an additional layer of scrutiny, including robust ex ante assessments of EAC4 that ideally involve clear justifications for proposed policies, discussions of trade-offs, and realistic projections.

In practice, these higher safeguards were not apparent based on the experience during the evaluation period with 38 GRA EA arrangements. The arrangements cover a diverse set of countries and used a variety of lending instruments, comprising mainly SBAs but also, since 2010, EFFs and PCL/PLLs (Table 2). Except with respect to debt sustainability, where EAC2 sets a higher threshold than is required for NA programs, the EACs do not appear to have noticeably influenced EA program design. Several interviewees indicated, however, that there should be linkages. For example, they indicated that program design should try to address previous vulnerabilities associated with market access so that regaining market access after the program avoids re-creating previous problems.

Policy choices across EA programs were broadly similar despite differing initial conditions and challenges. Countries' challenges differed, ranging from those with moderate adjustment needs to those with multiple simultaneous crises, while the policy choices were broadly similar and characterized by fiscal adjustment, monetary tightening, greater exchange rate flexibility (where applicable), and structural reforms. Debt restructuring was relatively rare, as were capital flow management measures (CFMs), and macro-prudential changes. Only 5 of the 38 programs considered in the evaluation incorporated debt restructuring in program design.[33] No member used the reprofiling option to secure EA. The extent of adjustment varied with the size of the problems, for example programs dealing with multiple crises tended to involve larger fiscal consolidation than others (Figure 1). However, it is hard to draw conclusions about evenhandedness from these observations as staff reports generally did not articulate fully the reasons for particular policy choices or how they managed related trade-offs. Programs sought increasingly to protect the vulnerable, relying on social spending floors as the primary form of quantitative conditionality to do so.

[32] The following evaluation assessments are based on the evaluation background paper by Montiel, Cohen-Setton, and Li (2024).

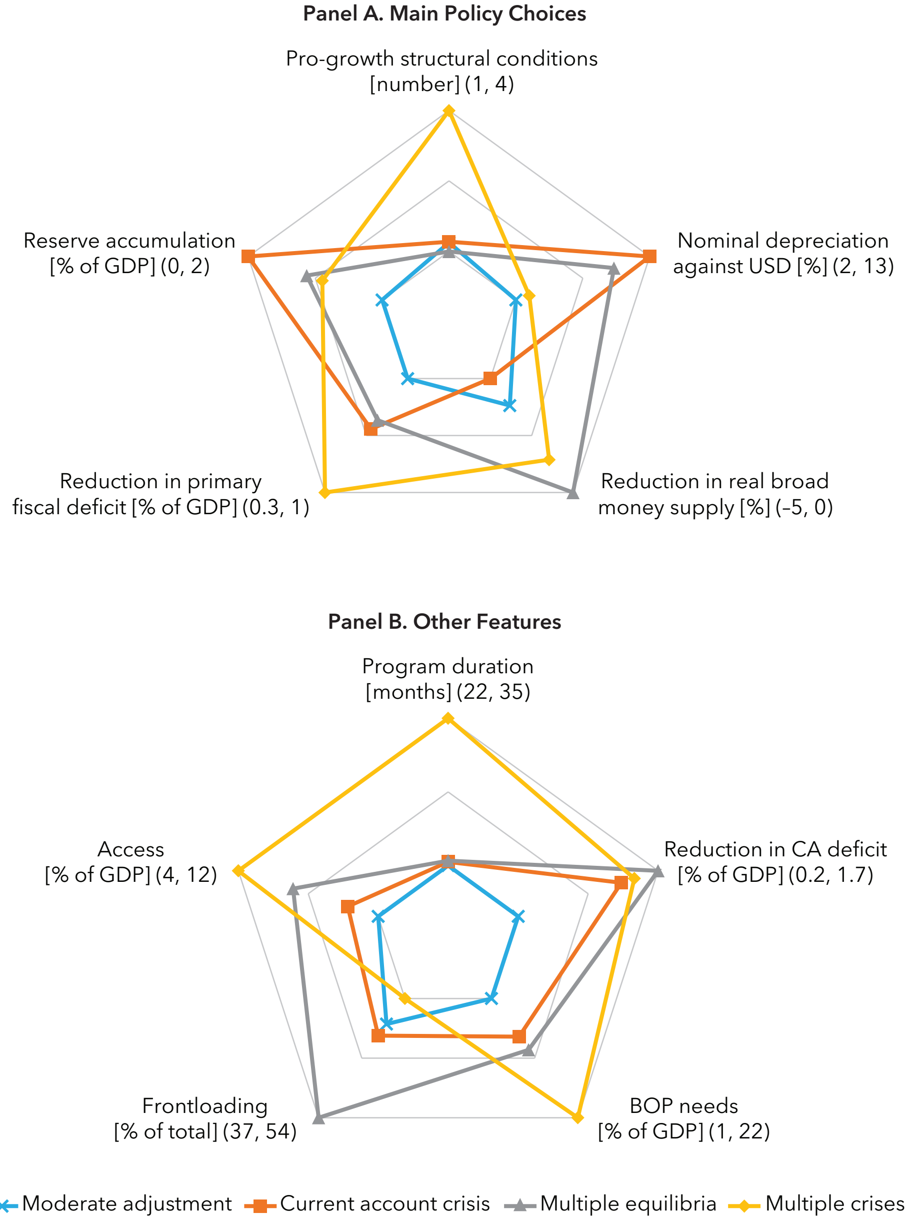
[33] These were Argentina (2003), St. Kitts and Nevis (2011), Greece (2012), Ukraine (2015), and Ecuador (2020). Greece (2010), Ireland (2010), and Portugal (2011) had debt that was sustainable but not with high probability and they were approved for EA under the systemic exemption.

TABLE 2. EXCEPTIONAL ACCESS PROGRAMS, 2002–23

COUNTRY	PROGRAM PERIOD	PROGRAM TYPE	AMOUNT APPROVED (SDR MILLIONS)	AMOUNT DISBURSED (SDR MILLIONS)	USE OF EAP OR ECC[1]
Brazil	Sep 2002 – Mar 2005	SBA	27,375	17,200	ECC*
Argentina	Jan 2003 – Aug 2003	SBA	2,175	2,175	ECC*
Argentina	Sep 2003 – Jan 2006	SBA	8,981	4,171	ECC*
Türkiye	May 2005 – May 2008	SBA	6,662	6,662	ECC
Uruguay	Jun 2005 – Dec 2006	SBA	766	264	ECC*
Georgia	Sep 2008 – Jun 2011	SBA	747	577	EAP
Ukraine	Nov 2008 – Jul 2010	SBA	11,000	7,000	EAP
Hungary	Nov 2008 – Oct 2010	SBA	10,538	7,637	EAP
Iceland	Nov 2008 – Aug 2011	SBA	1,400	1,400	EAP
Pakistan	Nov 2008 – Sep 2011	SBA	7,236	4,936	ECC
Latvia	Dec 2008 – Dec 2011	SBA	1,522	982	EAP
Belarus	Jan 2009 – Mar 2010	SBA	2,270	2,270	ECC
El Salvador	Jan 2009 – Mar 2010	SBA	514	0	ECC*
Serbia	Jan 2009 – Apr 2011	SBA	2,619	1,368	EAP
Armenia	Mar 2009 – Jun 2010	SBA	534	350	EAP
Mongolia	Apr 2009 – Oct 2010	SBA	153	123	EAP
Costa Rica	Apr 2009 – Jul 2010	SBA	492	0	EAP
Guatemala	Apr 2009 – Oct 2010	SBA	631	0	EAP
Romania	May 2009 – Mar 2011	SBA	11,443	10,569	EAP
Sri Lanka	Jul 2009 – Jul 2012	SBA	1,654	1,654	EAP
Greece	May 2010 – Mar 2012	SBA	26,433	17,542	EAP
Ukraine	Jul 2010 – Dec 2012	SBA	10,000	2,250	EAP
Ireland	Dec 2010 – Dec 2013	EFF	19,466	19,466	EAP
Macedonia, FYR	Jan 2011 – Jan 2013	PCL	413	197	EAP
Romania	Mar 2011 – Jun 2013	SBA	3,091	0	EAP
Portugal	May 2011 – Jun 2014	EFF	23,742	22,942	EAP
St. Kitts and Nevis	Jul 2011 – Jul 2014	SBA	53	47	EAP
Greece	Mar 2012 – Jan 2016	EFF	23,785	10,225	EAP
Jordan	Aug 2012 – Aug 2015	SBA	1,364	1,364	EAP
Morocco	Aug 2012 – Jul 2014	PLL	4,117	0	EAP
Romania	Sep 2013 – Sep 2015	SBA	1,751	0	EAP
Ukraine	Apr 2014 – Mar 2015	SBA	10,976	2,973	EAP
Morocco	Jul 2014 – Jul 2016	PLL	3,235	0	EAP
Ukraine	Mar 2015 – Dec 2018	EFF	12,348	6,178	EAP
Argentina	Jun 2018 – Jul 2020	SBA	40,714	31,914	EAP
Egypt	Jun 2020 – Jun 2021	SBA	3,764	3,764	EAP
Ecuador	Sep 2020 – Dec 2022	EFF	4,615	4,615	EAP
Panama	Jan 2021 – Jan 2023	PLL	1,884	0	EAP

Sources: IMF Fund Arrangements since 1952 dataset; IEO calculations.
[1] Program approval was based on use of exceptional circumstances clause (ECC) or exceptional access policy (EAP).
* Indicates use of ECC for capital account crises.

FIGURE 1. INITIAL CONDITIONS AND PROGRAM DESIGN
(Average)

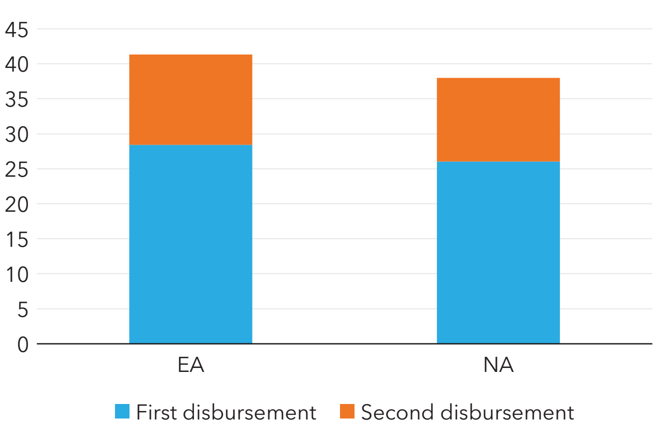


Sources: Monitoring of Fund Arrangements (MONA) database; program documents; IEO calculations.
Note: The chart shows average planned annual adjustment (calculated by dividing total programmed change by program duration) by analytical groups, based on program projections at program approval. The outer (inner) grid indicates the maximum (minimum) of program group averages for each indicator. The numbers in parentheses indicate the range of program group averages for each indicator. Frontloading is defined as the first two disbursements out of total financing at program approval. BOP needs are calculated following 2018 ROC methodology and only available for drawing arrangements. Reduction in real broad money supply is not applicable for euro area programs. For some arrangements, data are incomplete in MONA.

Program design often assumed strong confidence effects of program policies. This assumption may have reflected the original logic of the EAP whereby liquidity support in capital account crises—featuring, for example, frontloaded disbursements—could help to restore confidence and catalyze inflows. Indeed, EA programs were relatively frontloaded in terms of financing (Figure 2). However, the expected confidence effects relied more on assumption than on analytical explanation. For example, where programs involved large frontloaded fiscal adjustment, it was assumed that this would work better than alternative options, such as gradual adjustment accompanied by restructuring, to generate investor confidence. The assumed impact of adjustment on confidence was sometimes overstated.[34] In fact, the catalytic effect of EA financing on private inflows was negligible overall, and even negative at times. Separately, as illustrated by the cases of Argentina (2018) and Ecuador (2020), frontloading of disbursements can carry high risks for programs, especially if not accompanied by frontloaded adjustment.[35]

While overoptimism in program growth and fiscal assumptions has long been a feature of IMF forecasts, it was more pronounced in EA programs than NA programs (Figure 3, and Lane and Saveikyte, 2024). The fact that forecasts exceeded outcomes more starkly in EA cases may also reflect the relatively difficult challenges that EA programs had to deal with. More conservative assumptions would also, all else equal, imply even larger ex ante financing gaps that would need to be filled with more financing or adjustment. Across program cases, there may have been pressures on staff to reach a satisfactory agreement, as the IEO has previously found (for example, IEO, 2021). Overoptimistic assumptions help to improve the consistency of DSAs with EAC2, reducing the need for debt restructuring before EA could proceed. Interviewees characterized overoptimistic assumptions as "the opposite of higher safeguards." Erce (2024) notes, "IMF programs entail finding the correct combination of policy adjustment, financing, and (if needed) debt restructuring. If macroeconomic projections and DSAs are optimistic, Fund access effectively becomes a substitute for necessary restructuring." As noted, debt operations were relatively rare in EA cases. Contingency plans for instances when outturns fell short of projections were prepared only in some cases and typically discussed only internally among staff and management.

FIGURE 2. FRONTLOADING OF DISBURSEMENTS
(Percent of total)



Sources: Monitoring of Fund Arrangements (MONA) database; IEO calculations.
Note: Frontloading is measured as share of first two disbursements out of total scheduled disbursement at program approval.

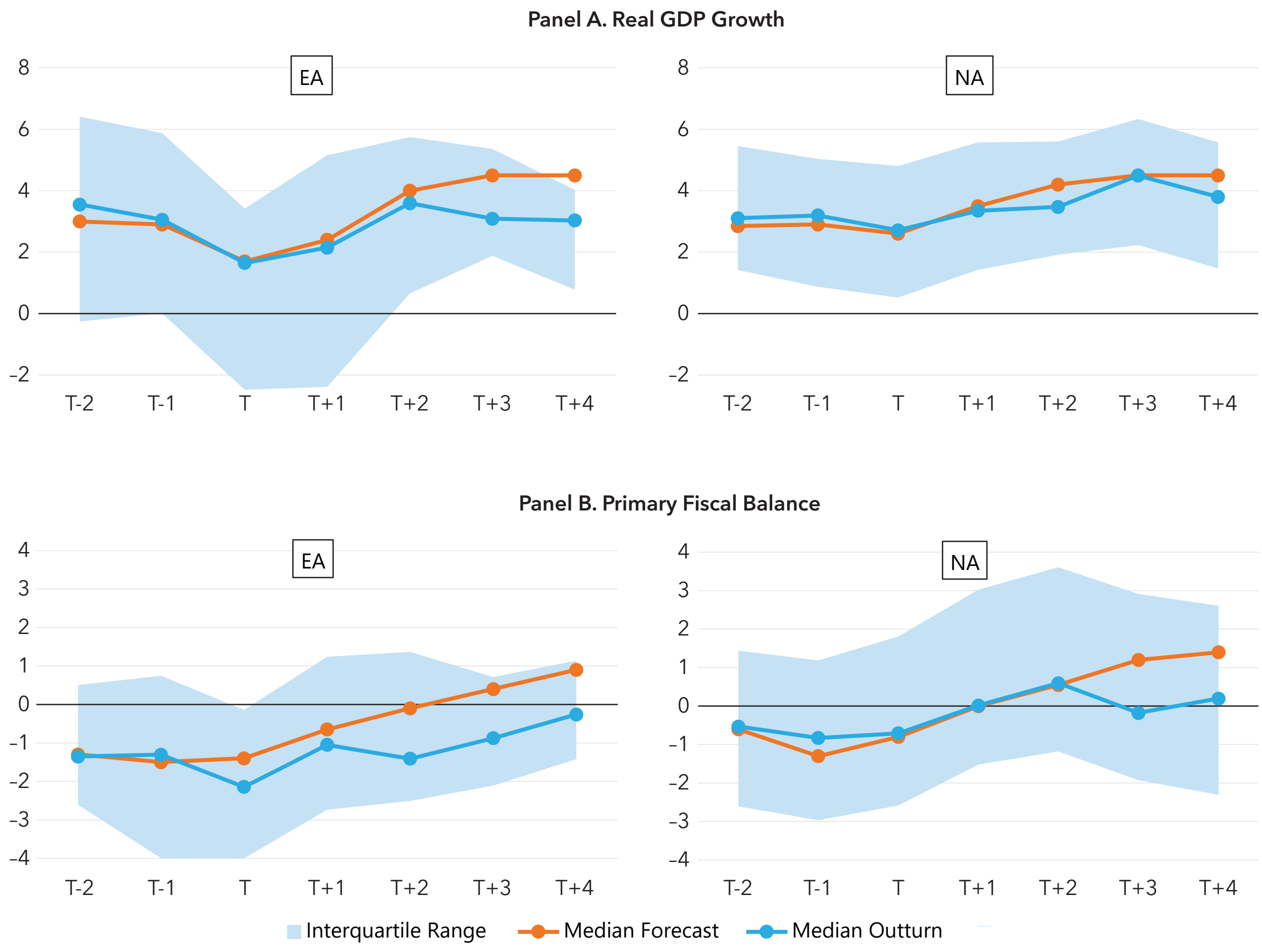
EA program completion and compliance rates were comparable to those of NA programs (Table 3). Completed EA programs accounted for 45 percent of total EA programs, and largely implemented programs for another 11 percent. These rates are roughly the same as for NA programs. A large fraction of quantitative performance criteria (90 percent) were met and nearly the same proportion of structural conditions were met, some with a delay. Using the 2018 Review of Program Design and Conditionality (ROC) definition of program success—where success is defined in terms of no successor disbursing program nor high remaining vulnerabilities—the success rates of EA and NA programs were broadly similar during the period at around one-third of all programs. Social outcomes were broadly similar in EA and NA programs with health and education spending protected as a percent of GDP and, on average, no significant increases in inequality or unemployment.[36]

[34] IMF (2010b) and Krugman (2012) express skepticism about these effects.

[35] See de Las Casas and Pérez-Verdía (2024) and Alfaro and de Las Casas (2024) for a discussion of the Argentina (2018) and Ecuador (2020) programs, respectively.

[36] Montiel, Cohen-Setton, and Li (2024) provide further discussion.

FIGURE 3. PROGRAM FORECASTS AND OUTCOMES
(Median; percent of GDP)



Sources: Program documents; World Economic Outlook; IEO calculations.
Note: Interquartile range is calculated using outturns.

The significance of program outcomes needs to be interpreted carefully, as EAP is about ensuring adequate safeguards ex ante, including through program design, while program outcomes reflect these and a host of other factors. The EAP itself is not clear about the relative expected outcomes of EA versus NA programs. Indeed, all GRA programs are expected to help resolve the member's BOP problem. Some interviewees thought the stronger safeguards provided by the EAP should contribute to stronger program outcomes. Others noted that EA countries often start from more difficult initial conditions, and program outcomes cannot be reasonably expected to be better despite stronger safeguards.

The catalytic effect of EA financing on private inflows was relatively weak. It was weaker for EA than for NA programs.[37] Some of the country evidence suggests that, beyond a point, the provision of large Fund and other official financing may have deterred private creditors by exacerbating their concerns about the subordination of private claims to the large volume of preferred official credit—concerns that were only amplified by high debt

[37] Bal Gündüz (2024), Box 2; and Montiel, Cohen-Setton, and Li (2024) discuss further the related literature and empirical evidence.

TABLE 3. COMPLETION OF REVIEWS AND OBSERVANCE OF CONDITIONALITY
(Percent of total)

	ALL NA	ALL EA	MODERATE ADJUSTMENT	CURRENT ACCOUNT CRISIS	MULTIPLE EQUILIBRIA	MULTIPLE CRISIS
Completion of program						
Completed	42	45	50	27	60	50
Largely implemented	11	11	21	9	0	0
Off-track	47	45	29	64	40	50
Observance of QPCs						
Met	88	90	94	88	87	89
Not met	12	10	6	12	13	11
Observance of SCs						
Met	72	75	74	67	78	76
Met with delay	13	13	11	29	9	14
Not met	15	12	16	5	13	11

Sources: Monitoring of Fund Arrangements (MONA) database, IMF Finance Department; Program documents; IEO calculations. Note: EA = Exceptional Access; NA = Normal Access; QPC = Quantitative Performance Criteria;
SC = Structural Conditions. Program completion rates are calculated using the 2018 ROC methodology and data from the MONA database. The data and calculations are therefore comparable between EA and NA cases. In Montiel, Cohen-Setton, and Li (2024), the MONA data for EA cases are adjusted further to reflect information on review cancellations and rephasing identified through desk review of program documents and EPEs. Observance rates only reflect the observance of completed reviews; they do not reflect programs that went off-track because of unobserved QPCs or SCs.

levels and optimistic DSAs. Accordingly, EA programs were not accompanied by a significantly lower need for the repeated use of Fund resources than NA programs. In fact, the repeated need for Fund resources was broadly comparable between EA and NA cases.[38] The repeated use of Fund resources does, however, in some cases reflect countries' vulnerability to recurring shocks, including geopolitical shocks.

No presumption emerges regarding the optimal type of instrument to use in EA cases. EA program instruments and durations have varied. Until 2010, all EA programs were SBAs, reflecting the relatively short-run presumption in the capital account crises that informed the adoption of the EAP. Subsequently, after the GFC, they have included EFFs (starting with Ireland, 2010)—given the need to address structural problems that may take longer—and PCL/PLLs. Durations have varied, with EFFs naturally being longer than the other programs. Success rates have not been systematically different by type of instrument.

However, some cases suggest that when program duration is short relative to the problems being addressed, programs have not successfully resolved BOP needs and have been followed by successor programs. Recent examples have included Ecuador (2020) and Egypt (2020),[39] with the latter being an SBA of just one year in duration (in the specific context of COVID-19). Both were followed by successor programs. A related issue with short programs is that large purchases in a concentrated period of time result in correspondingly large, bunched repurchase obligations in future whose implications for medium-term BOP stability need to be carefully considered.

[38] Lane and Saveikyte (2024) provide further discussion of repeated use of Fund resources in the context of EA. Furthermore, during 2002–July 2023 about one-half of members with NA programs, and only slightly less than half of members with EA programs, had successor Fund arrangements within three years after the end of the previous arrangement.

[39] Giugale and Bal Gündüz (2024) analyze the 2020 SBA and RFI with Egypt from the perspective of the EAP.

THE FOUR CRITERIA

In general, the EACs played a disciplining role by compelling staff and other stakeholders to deliberate carefully on each of the related requirements. Evidence on country cases over time—buttressed by the view of different stakeholders including Executive Directors, staff, and management—suggests the EAP constituted a helpful guardrail that contributed to systematic thinking, triggered discussions on the key program issues, and guided judgment. However, problems have emerged with respect to the EAC's formulation, clarity, and implementation that relate to the design of the criteria.[40] These concerns cover both the overall framework that the EACs provide, and the specific EACs themselves.

THE EAC FRAMEWORK

The EACs do not provide substantively stronger safeguards relative to NA programs. In principle, the EACs should provide higher substantive standards in order to be fully consistent with the spirit of the conditionality guidelines, which imply a need for stronger safeguards when access is higher. As noted above, however, in the EAP the substantive difference between the EACs and the requirements for NA programs is limited to debt sustainability. While the text, design, and interpretation of the other criteria are different from NA requirements, the differences do not represent a higher standard as such.[41] The criteria also do not seem significantly to affect program design. Most of the higher "evidentiary standard" in the EAP comes, therefore, from the higher level of scrutiny of the criteria and the procedures for reviewing their soundness.

The role of judgment in assessing the criteria generates questions. Each of the criteria involves a measure of staff judgment in assessing whether they are met, which is necessary for providing the Fund with appropriate flexibility to take into account country circumstances. The use of judgment by the Fund is not unique to the EAP; it applies across many Fund policies. However, a concern raised during the EAP evaluation was the extent to which the scope for judgment has diminished the EAP's effectiveness and left open the possibility that the Fund's assessments of the criteria may be unduly influenced at times by the Fund's strategic considerations—including the difficulty of denying financial assistance to a member in need, staff incentives, or external pressures and reduce the transparency of decisions.

The widespread perception of biased assessments in some EA cases is concerning. Outside the Fund, there is a strong perception of political pressures in some high-profile cases affecting the assessment of EACs. Internally, this perception is shared by many and the analysis for this evaluation confirms that pressures on staff and management, exerted directly or indirectly, were strong in high-stakes cases. The majority view among staff is

[40] Bal Gündüz (2024) and Erce (2024) provide key evidence for the discussion of the EACs.

[41] The EAC1 requirement of higher BOP needs than NA limits provide is a definitional statement. Reasonable prospects of program success (EAC4) and regaining market access (EAC3) are not explicit requirements for NA programs according to the conditionality guidelines, but it is difficult to see how a program could be approved without a reasonable prospect of success.

that the EACs have not sufficed to shield the Fund from the pressure in favor of lending when the fulfillment of the criteria is questionable and, therefore, the effectiveness of the framework hinges on staff and management's determination to apply it rigorously. These perceptions affect the credibility and reputation of the Fund, which is seen as being more flexible in some cases depending on the pressure exerted.

Notwithstanding pressures on the Fund, the evaluation did not find direct evidence of reverse engineering of EAC assessments. The evidence suggests that when staff and management presented programs to the Board for approval, they judged the EACs to be met, thought such programs had a reasonable chance of success, and presented the risks involved clearly and explicitly. In several cases, however, such as Argentina (2018)[42] and Greece (2010), there were strong dissenting views among staff about both the substantive compliance with the EAP and the way the decision-making processes were handled. Eventually, those views were resolved by management in exercise of their prerogatives.

In difficult cases where there may have been doubts about whether all of the EACs were met but the Fund had compelling broader reasons to proceed with an EA program, an EC clause might have been useful to consider. These cases were rare, typically involved concerns about the impact of a lack of Fund support on a swathe of the membership, or even on the Fund's standing in the international monetary system, and they involved the provision of assurances from sources unforeseen in the EAP (such as backstops to assure capacity to repay, or strong financing assurances from sections of the membership). Some interviewees felt that if program design was sound and basic principles of the Fund's lending safeguards were met (such as debt sustainability and capacity to repay), then an EC clause could have provided a useful "escape valve" in such circumstances by being more transparent and not stretching the EAP like the current approach may have done. Use of an EC clause would have also allowed the Fund to deal better with situations where IMF repayments were the main source of the BOP need, and to more clearly assign ownership of decisions to support members that may involve higher residual risks.

Alternative views were based on concerns about the implications of an EC clause for evenhandedness and safeguards. Concerns included the risk that problems associated with previous use of the EC clause may recur, including with respect to: evenhandedness (how to ensure that not only members favored by powerful shareholders were treated as exceptional); the risks of proliferation (how to avoid cases being unduly proposed to be "exceptional"); and the Fund's leverage to ensure sufficiently strong programs if EACs were not met. Finally, some suggested the problems with the EAP called for a move to a more "disclosure based" approach rather than use of an EC clause. Under such an approach, once debt sustainability was assessed positively, instead of having to make binary (yes/no) judgments related to criteria, the staff would instead present programs to the Board with a thorough disclosure of the trade-offs and risks associated with an EA program, its design, and the alternatives of providing normal access or of providing no program at all, and the related risks for the membership and the Fund.

A third concern relates to the assessment of EACs at program reviews. Before 2016, it was unclear whether the EACs needed to be assessed at each review. Staff reports for several early programs (for example, Latvia) did not present such assessments during reviews. Staff interviewees clarified that in fact the assessments were always checked, but not required to be explicitly discussed in the staff reports. Related, there is some evidence that EAC assessments may be less rigorous in reviews than at program approval, with assessments rarely changing once a program is underway and with changes rarely being so large as to change the thrust of the program, perhaps providing a false sense of security. The EPEs for the euro area programs questioned whether EAC2 was in fact met during program reviews that took place after firewalls had been established. But there are important qualifications, as in notable cases (including Argentina in 2019, Greece in 2013, Ukraine in 2014), programs were interrupted when staff assessed that one or more EACs were no longer met.

[42] De Las Casas and Pérez-Verdía (2024) analyze the 2018 SBA for Argentina from the perspective of the EAP.

EAC1

Program documents generally justified proposed access levels in terms of an "adding-up" exercise to fill residual financing needs rather than on an analytical or empirical basis. EAC1 does not clarify how access proposals are to be made beyond the principles noted in the Fund's conditionality guidelines that higher access would generally be associated with a stronger program, stronger track record of policy implementation, and stronger capacity to repay.[43] EA program documents do not clearly associate EA with these features.

It is unclear from the evidence whether access levels, which varied widely across EA programs, reflected differing circumstances or uneven treatment. Access levels varied from 103 percent of quota (Argentina, January 2003) to 3,212 percent of quota (Greece, 2010) and from 1.4 percent of GDP (Egypt, 2020) to 19 percent of GDP (Ukraine, 2015). While countries' circumstances were significantly different, cross-country analysis shows that among members with comparable BOP needs, some received EA support while others did not. All else equal, smaller and poorer countries were more likely to receive programs with NA rather than EA.[44] However, it is hard to ascertain if these facts point to uneven treatment as access levels depend on a variety of factors. Program documents do not regularly present cross-country comparisons of access levels. Area Departments do not maintain systematic information on cases where members expressed interest in an EA program but where an EA program was not agreed.

When debt is sustainable but not with high probability, that is, in the gray zone, program documents indicated no additional scrutiny of the implications of EA for future BOP stability. The empirical literature indicates weak, and sometimes negative, catalytic effects of EA when debt is in the gray zone. For example, while EA may attract private and official flows by signaling efforts to address macroeconomic problems, Bal Gündüz (2024) and Montiel, Cohen-Setton, and Li (2024) show that especially where debt is in the gray zone it may also deter private creditors whose claims are subordinate to the rising stock of preferred-creditor claims. However, access decisions require no additional scrutiny, such as realism checks, of the expected impact of EA on catalytic financing in such cases. Further, some empirical evidence suggests that larger outstanding IMF credit is correlated with a higher likelihood of successor programs, suggesting delays in problem resolution.

Conversely, when BOP conditions turned out stronger than the program envisaged, EAC1 usually was still deemed to be met. There was generally no mechanism other than reserve accumulation to capture the upside risk, such as exit strategies that considered reductions in access or a switch to precautionary programs supported by effective communications to avoid adverse market reactions. Only in a few cases—such as Brazil (2002), Hungary (2008), Latvia (2008), and Uruguay (2005)—did the authorities not draw fully on the approved access and treat the remainder of the program as precautionary. In most cases, EAC1 was considered met, disbursements continued as scheduled, and future repurchase obligations built up further. An alternative could be moving to clearer member statements about early repayment, in the event overperformance persists.

EAC2 AND EAC3

The design of EAC2 and EAC3 may not sufficiently recognize the strong links between them. Debt sustainability and market access prospects reinforce each other, and, in practice, their assessments have often been linked. These linkages were acknowledged when the EAP was formulated but the evaluation found that their significance has grown with the evolution of the EACs, and—especially since 2016—can imply a gap in the safeguard that they provide in the absence of an analytical framework for EAC3.

EAC2 is intended to support the EAP's objective in at least two important ways. First, it sets clear expectations on how public debt sustainability affects the IMF's lending decisions, including about when the Fund cannot proceed

[43] See IMF (2024a).

[44] Bal Gündüz (2024) substantiates this finding. With poorer countries often having relatively less institutional capacity, it might be harder for them to meet all of the EACs. If so, this would be an unintended consequence of the criteria, as the Board was clear in 2002 about the need to avoid a bias toward larger members that would be inconsistent with uniformity of treatment.

with EA if the proposed program is not designed to restore debt sustainability to the required standard under EAC2. Second, it seeks to ensure the risks are appropriately weighed with a view to designing a successful program and safeguarding Fund resources.

EAC2 represents a higher bar for debt sustainability in EA programs than in NA programs. EA programs require sustainability with "high probability" while for NA programs there is no such requirement (as long as the debt is not unsustainable). The assessments involve a measure of staff judgment, which has been supported by increasingly sophisticated tools, starting with basic deterministic DSAs focused on debt-GDP and gross financing needs thresholds, the MAC DSA (since 2012), the HP tool (an internal tool to assign probabilities to debt sustainability, since 2015), and the Sovereign Risk and Debt Sustainability Framework (SRDSF) to replace the MAC DSA in 2022. These tools contributed to an improvement in the rigor and consistency of the assessments over the evaluation period.

EAC2 has evolved in ways that can be seen to reduce the stringency of the safeguard it provides. In 2002, the DSA reflected an assessment of ex ante debt sustainability. In 2009, it became "forward-looking" by recognizing policy changes under the program that had yet to be implemented. In 2010, it provided for the systemic exemption. In 2016, while the systemic exemption was removed, other ways (such as re-profiling) were introduced for members to secure EA when debt was in the gray zone. The introduction of the gray zone recognized that in uncertain circumstances where it is hard to assess debt sustainability accurately, a reprofiling may be less costly than a deep debt operation aimed at restoring debt sustainability with high probability. Nevertheless, when debt operations are needed, the requirements for meeting EAC2 differ for red and gray zone cases: if debt is unsustainable (red zone), the debt operation must restore sustainability to "high probability;" while if it is in the gray zone there is no such requirement (unlike in the case of the PRGT-EAP during the evaluation period). Given that EAC2 is the only criterion that substantively differentiates EA from NA requirements, the above trend suggests a lowering of EAP's relative standards. The fact that debt can remain sustainable but not with high probability beyond the program period may reduce the strength of program adjustment and the urgency of debt restructuring even where it is warranted. At the same time, this feature provides the Fund with flexibility for continued program engagement in difficult and rare cases where the resolution of problems might take time.

The definition of the gray zone has been hard to communicate. While the term "sustainable but not with a high probability" has a logic within the framework of the EAP and DSA, it has proved confusing to many outside the Fund, including market participants. A particular point of confusion has concerned whether the point of the assessment is "sustainable" or "not with a high probability." While the term may have been intended to provide reassurance that debt was not unsustainable, in fact it often has had the opposite effect, generating uncertainty (see de Las Casas and Pérez-Verdía, 2024).

EAC2 does not fully recognize the differing risks posed by domestic versus external public debt nor by resident versus non-resident creditors, which reduces its clarity. While in 2009, the perimeter of the DSA was clarified as being public debt, both external and domestic, EAC2 itself makes little distinction between the differing risks associated with external versus domestic debt. The SRDSF—which applied to cases after the sample for this evaluation—makes some of these distinctions; and experience with the SRDSF may help to provide sharper guidance for how to apply the criterion going forward.[45] Further, although domestic debt is a major component of public debt in many countries, when DSAs are close—notably in gray zone cases—the staff has tended to focus on external debt when estimating the fraction that is "restructurable."

EAC3 was intended to ensure that Fund financing was temporary, and that the member used it to recover market access, return to external sustainability, and be able to repay the Fund. Members are required to have prospects to access private capital markets by the time their repurchases to the Fund start falling due and until the Fund has been repaid. For NA programs, by contrast, the requirement under the Fund's conditionality guidelines is that the program has prospects to strengthen the BOP (without specifying whether that occurs through the

[45] Erce (2024) provides some further discussion of the SRDSF in this context.

current account or capital market access). This may reflect the origins of the EAP in capital account crises.

EAC3 is ambiguous about whether it refers to international or also to domestic market access and is also silent about other relevant features. While EAC2 is about public debt (both external and domestic), EAC3 is about market access without specifying if that refers only to external market access or also domestic market access. Staff views have differed on this point. On one side, the logic of EAC3 is understood as regaining BOP stability and repaying the Fund, which requires access to international markets. Another view, informed by euro area programs and others, understands that domestic market access is also directly relevant for the member's capacity to repay the Fund when non-resident investors are involved in them. Indeed, the fact that the government had some form of domestic market access was used to justify EAC3 in several instances (such as Argentina, 2018). Given the linkages between EAC2 and EAC3 and given the explicit focus of EAC2 on both external and domestic public debt, the ambiguity in EAC3 bears clarification.

The Fund lacks an analytical framework to assess the fulfillment of EAC3. Unlike EAC2, staff lacks the guidance and tools to analyze market access prospects in a systematic, comparable, and sound way. Evidence shows that this has led to the adoption of a variety of inconsistent approaches and assessments of this criterion across cases. It has been hard to assess market access prospects for countries (such as Jordan) that previously did not have market access, and for those (such as Greece) that had reasonable expectations of long-term official support. In some cases, backward-looking assessments have sufficed for meeting EAC3. The criterion does not indicate on what terms market access should be considered (re)gained, for example, that access should be on sustainable terms in order to be consistent with BOP stability and the member's capacity to repay the Fund. Several authorities made the point that programs should seek to ensure that market access is regained in ways that manage the risks associated with the inflows before the crisis. They noted that private investors are often quick to come back to troubled environments in search of high returns, assuming that risks are safeguarded by the Fund program. EAC3 assessments could be informed by assessment of the member's current debt management practices to identify key constraints to balancing the cost of financing with prudent risk management, including refinancing or rollover risks.

The absence of consistent guidance for EAC3 effectively loosens EAC2. Since 2016, EA has been possible even if debt is in the gray zone provided that other forms of financing are available. One such form of financing is market access. Favorable market access assumptions, therefore, support debt sustainability. The absence of an analytical basis or consistent guidance for how to assess market access prospects is a gap in the framework. In practice, EAC3 judgments have often been backward looking, based on current or recent access (Ecuador 2020, Egypt 2020), rather than on prospects. Separately, some stakeholders noted a tension in how restructurable debt is considered in staff's assessments of EAC2 and EAC3. The assessments tended to view a sufficiently high share of restructurable debt as strengthening assessments of EAC2. But the signal sent by treating private debt as restructurable could risk undermining the prospects for regaining private market access.

EAC4

EAC4 has often been interpreted very narrowly in terms of political and institutional capacity to implement the program, rather than on the overall soundness of program design. This criterion requires reasonably strong prospects of success, including not only the member's adjustment plans but also its institutional and political capacity to deliver that adjustment. That is, EAC4 requires assurances about prospects of program success, taking into account national ownership and implementation capacity. In practice, however, assessments of this criterion have often focused on the member's political and institutional capacity, rather than on establishing that program design is solid enough to provide reasonably strong prospects of success in resolving the member's BOP problem. From this angle, EAC4 would be the most important of the EACs, requiring that the program as a whole, including aspects related to the other three criteria, will address the member's problems in a timely and effective manner.

Relatedly, EAC4 does not establish a substantively higher expectation for program success relative to NA programs. Any Fund program should have at least "reasonably strong" prospects of success in order to be approved, and it should be realistic in terms of the authorities' political and institutional capacity to implement the adjustment. In line with the conditionality guidelines, which assert that higher access should be accompanied by stronger safeguards, it seems prudent to require stronger ex ante justification of program adequacy for EA programs,[46] taking into account the tensions that may exist between the requirement of a reasonable prospect for program success and the elevated program risks and challenges in EA cases.

The Fund does not have a framework or consistent guidance for how to assess prospects for program success, including institutional and political capacity. Prospects are assessed more or less on an ad hoc basis, justified by country circumstances. But that makes it hard to assess the soundness of assessments, the standards, and comparisons. Suggestions for such guidance raised during the evaluation included taking into account the member's history of Fund engagement and program experience with certain measures (which may help inform assessments of ownership and prospects for success relating to similar measures), the full suite of DSA realism tools, and the adequacy of social protection measures, as well as tailoring program design, duration, and instruments to the nature of BOP pressures.[47]

EAC4 assessments were particularly difficult in cases with potential changes in government during the program period. The Fund's conditionality guidance has clear advice on gaining political assurances, including if elections are upcoming. Nonetheless, meaningful assurances can be hard to obtain ahead of elections. This difficulty can be exacerbated if the program's phasing involves frontloaded disbursements but backloaded adjustment. The staff teams nonetheless sought and received political assurances in a variety of forms—from private assurances by stakeholders across the political spectrum to presidential or parliamentary letters supporting the program—and in many cases set out the associated risks clearly in the staff reports—including, for example, for Argentina (2018) and Ecuador (2020).

[46] Higher relative safeguards already apply in other parts of the Fund's lending framework; for example (although in a different context), the FCL has more demanding qualification criteria than the PLL.

[47] The conditionality guidance (IMF, 2024a) requires staff to discuss two subsets of the SRDSF realism tools on (i) fiscal adjustment and growth; and (ii) growth and the output gap. To strengthen the higher evidentiary standard for EA programs, more robust realism checks could include substantiating EAC4 by discussing the full set of SRDSF realism tools and integrating them with the macro framework (Bal Gündüz, 2024; Erce, 2024; and Giugale and Bal Gündüz, 2024 discuss this point further).

5 EAP PROCEDURES

DECISION-MAKING PROCEDURES[48]

The enhanced EAP decision-making procedures have provided a higher level of Board engagement in EA than in NA programs. The procedures have been applied across the EA programs during the evaluation period. The Board was engaged early and provided with the information required by the procedures, and the EA-related documents included additional information relative to NA programs. As noted in Box 3, the procedures set out that management "will consult" with the Board informally but promptly once it decides EA may be appropriate, as well as before concluding discussions on a program and making any public statement on a proposed level of access. In addition, it is expected (but not required) that additional informal consultations with the Board would take place before the formal approval request.

However, while the procedures have entailed a higher standard, in some respects their application has fallen short of what the EAP envisioned. In addition, some of the EAP's expectations themselves seem outdated. The required content and timing of the material to be provided to the Board—established in the context of capital account crises two decades ago—is not always enough to enhance decision-making in the more modern context, nor does it reflect the speed and impact of current communications. Furthermore, the Board has not always been consulted before program discussions were concluded and public statements made on access levels. The informal Board consultations that were expected to occur between the initial consultation and formal program approval were only sometimes conducted. The risk information, while useful, is not sufficiently independent to provide a "challenge" to internal decision-making as a more traditional second line of defense in ERM would provide.

The concise notes for the informal sessions prior to program negotiations generally covered the subjects set out in the EAP but were sparse in some areas. The notes provided the required information but often were seen as general and lacking crucial details. Typically they did not provide additional information—for instance on preliminary DSAs or, in about a third of the cases, on preliminary estimates of Fund access and phasing (even though proposals had been made to management)—limiting Directors' basis to assess the program and its risks and the capacity to repay the Fund.[49] The reasons why more information was not provided include the policy requirement of a "concise" note, the need for sufficient management and staff flexibility in negotiations, the fact that the Board sessions occurred before the authorities themselves had been presented with these positions, and staff concerns about possible leaks of information. As staff interviewees argued, some flexibility is needed regarding the frequency, timing, and format of Board engagement, taking into account country circumstances and resource implications.

[48] Kincaid (2024) analyzes decision-making procedures under the EAP.

[49] In PRGT-EA cases, by contrast, preliminary access and related information was included in the Board materials.

While the time requirement for these informal sessions (at least two hours ahead of meetings) was met, it was often not enough for Directors to consult with capitals. The materials were provided to the Board on average 2½ days ahead of informal sessions. But in nearly half of the cases, the period was one day or less, which Directors in several interviews said provided insufficient time to consult with capitals, particularly in different time zones. The minimum circulation period of "at least two hours" was established at a time when the EAP applied exclusively to capital account crises, which often involve fast-moving market events, but it has not been reviewed even though the EAP now also applies to current account crises and in a precautionary setting.

Some Board consultation requirements were not observed consistently, and expectations of additional informal consultations were met only in high-profile cases. While the Board is supposed to be consulted before EA program discussions are concluded and before any public statement is made on a proposed level of access, in practice, Executive Directors were rarely consulted and were only occasionally informed—the Board calendar lists informal sessions prior to public announcements in only one-third of the EA cases, and often on the same day as the announcement (for Egypt's RFI and SBA (2020), the authorities' EA request was announced before the informal Board session). Further, additional "normally expected" consultations to keep the Board abreast of program developments after the initial consultation were not standard practice, except in high profile cases—according to the Board calendar, they occurred in only about one-fifth of EA programs before staff level agreement was reached, including the programs with Argentina (2018), Greece (2010, 2012), Ireland (2011), Portugal (2011), Romania (2009), and Ukraine (2015). These gaps may have undermined the Board's role and suggested an uneven treatment of members.

Beyond compliance with the EAP procedures, experience shows the importance of good communications for the success of the program and the Fund's reputation. For example, in 2016, the IEO found that when internal and external communications do not follow the spirit of the EAP procedures, either in their timing or content, they can affect the Fund's reputation and legitimacy via perceived un-evenhandedness (de Las Casas, 2016). The evidence in this evaluation on the 2018 SBA for Argentina shows how problems in communications—for example, regarding the nature and characteristics of the arrangement, or the progress of the negotiations—can affect the credibility and success of a program, undercutting the intended confidence effects. They can also affect program design by limiting recourse to adequate policies and delay implementation. By contrast, the 2020 Ecuador EFF shows how carefully coordinated communications can help program effectiveness, even in extremely difficult circumstances.

The EA documents did not clearly demonstrate a higher burden of proof relative to NA programs. While they provided additional information relative to NA programs, it is hard to conclude that overall, this information constituted a stronger justification relative to NA program documents with respect to financing need, proposed access levels, debt sustainability, and prospects for market access and program success. In addition, NA program documentation now also requires a thorough analysis of BOP need and proposed access as well as a rigorous DSA. The question that arises is whether the unchanged standards for EA documents remain sufficiently "higher" relative to NA cases.

The financial risk supplements in EA cases represent a higher standard relative to NA but gaps in their content and procedures limit their usefulness for decisions. The financial risk supplement is prepared at the end of the program cycle (as material for the formal Board meeting) rather than at its outset (for the informal Board sessions), has a formulaic assessment of capacity to repay, and lacks a standardized bottom-line assessment. While the supplement is supposed to be circulated to the Board in advance of program documents "where time permits," it has nearly always been circulated after the staff report. Consequently, its impact on the Fund's access decisions has been limited. The supplement is cleared by the Strategy, Policy and Review Department (SPR), which also clears the staff report for the program, making it unlikely that the supplement would provide the Board with an independent view on associated risks. Since 2022, ORM has been included in the interdepartmental review process and provided comments on the supplement along with other departments for management clearance. It has not been given responsibility for preparing a financial risk supplement itself, potentially limiting the "challenge role" associated with a traditional second line of defense.

In addition to the financial risk supplements, over the last two years staff have introduced an enterprise risk assessment (ERA) that accompanies EA (and selected other) programs. While the ERAs appear to be a useful innovation, they were not prepared for the cases in the sample and the same concerns about process and independence would apply to them as to the financial risk supplements. They also raise a question as to whether the ERA and financial risk supplements should be combined given that enterprise risks also encompass financial risks.

EX POST EVALUATIONS[50]

While there have been several strong EPEs, overall EPEs have not fulfilled their potential. EPEs are an important mechanism for the Fund's self-evaluation of EA programs, with a role to play in fostering accountability, credibility, and learning. EPEs in general have focused on assessing the consistency of programs with IMF policies (including with the EAC) and of program performance with objectives, which are key parts of the EPEs' mandate. However, they have generally not questioned the appropriateness of program design and fundamental assumptions, nor discussed the merits of alternative approaches. They have tended to avoid criticizing big decisions—for example, when the assessment of an EAC was "finely balanced," EPEs tend to give the Fund's judgments the benefit of the doubt. Notable exceptions, which may be instructive for the Fund to reflect on, were the EPEs on Ecuador, Greece (2012), North Macedonia, and St. Kitts and Nevis—each of which analyzed the constraints on adjustment and financing and assessed whether the mix that was chosen was appropriate.

EPEs have tended to be inward-looking exercises, with little input from external stakeholders or the authorities—limiting the opportunity for broader debate and potential criticisms of programs. The authorities' early input is generally not sought, which limits scope for EPEs to address key concerns the authorities may have. One reason for the lack of early engagement is ambiguous guidance—many EPE team leaders expressed frustration that the guidance note was unclear about the procedures and timing for engaging authorities on the EPE. While it is right that EPEs are not negotiated with the authorities, there seems little to be gained (and traction lost) by the established practice of presenting authorities with the conclusions late in the process—once the EPE has been approved by management—effectively to inform them of the results. Authorities' views are presented separately in the EPE in a self-contained annex. In several cases, for example Argentina 2018 and Greece 2014, authorities felt the EPEs missed important concerns on which it would have been useful for the Fund to reflect. EPEs have also not paid much attention to the views of external stakeholders—including other institutions and civil society—limiting the opportunity for broader analysis and debate.

The way that EPEs are assigned among staff and cleared among departments may create incentives that limit independence and discourage questioning of program design and fundamental decisions. The role of the area department in choosing the team leader, controlling the timing of the EPE, and clearing the report before it goes to management for approval can raise conflict of interest concerns, given that it is the same department that conducted the program. Likewise, the role of SPR, which clears the program papers, in also clearing the EPE can create a conflict of interest or, at a minimum, a perception of conflict that limits credibility. While team leaders of sufficient seniority and stature may be less influenced by these features of the EPE process, the process seems set up to limit rather than encourage independence.

EPEs are only marginally discussed at the Executive Board and there is no mechanism to follow up on their lessons. Consistent with the guidelines, EPEs have been discussed by the Board in combination with Article IVs or postprogram monitoring discussions rather than in standalone sessions. Combining EPEs with other agenda items has resulted in little systematic discussion of EPEs' lessons and guidance on priorities. In the reverse direction, there is no mechanism to inform the Board periodically about the follow-up to EPEs' lessons. Even when those lessons are clear and actionable, there is no method for systematic follow-up, leading to lessons being repeated and re-learned. EPEs thus play only a limited role in strengthening the IMF's accountability and institutional learning. They often are prepared very close to the time of a successor program when there is one, providing little scope for informing future program design.

[50] Chopra and Li (2024) assess the experience with EPEs and institutional learning.

6

MAIN FINDINGS

The rationale of the EAP and the relevance of any changes will remain linked to the evolution of quotas and access limits. The quota-based nature of the Fund makes quota the formal basis for measuring access to Fund resources, but the relevance of quota-based access limits for members' BOP needs must be regularly examined. An effective EAP will depend on a sensible definition of access limits that recognizes members' changing financing needs relative to their quota shares and is mindful of the erosion of quotas relative to relevant metrics for several countries. At the same time, in the context of individual EA programs it will remain important for program documents to discuss access relative to a range of metrics in order to assess the relevance of proposed access levels for members' BOP needs.

The EAP marked an improvement on the Fund's previous ad hoc approach to EA. While retaining some flexibility for the Fund to help members resolve their BOP problems, it provided more guardrails to the wide discretion under the previous approach. In particular, it required the institution to consider deliberately and systematically key aspects of EA programs and related safeguards before moving ahead with approval of programs or reviews. The EACs provided a clearer basis for the Fund's decisions in EA cases, the enhanced procedures represented a more inclusive and systematic method of consulting the Board, and the EPEs provided a vehicle for learning and accountability.

Overall, while it has served a useful purpose, the EAP has not fulfilled its potential to provide stronger ex ante assurances in EA programs relative to NA programs. Due to design and implementation issues, such as gaps in clarity and guidance concerning some of the criteria and questions about some of the assessments, the EAP has only achieved partial success in delivering on that potential. It has been unable to fully achieve its objectives in terms of shaping expectations, providing clear benchmarks for program design and EA, safeguarding the Fund's resources by controlling risks, and ensuring uniformity of treatment. EA program completion and compliance rates were comparable to those of NA programs and, similar to NA programs, only a third of EA programs were successful.

The shortcomings in the design and implementation of the EAP have had costs for the Fund and for members. Key findings in this regard relate to the need for regular reviews of the EAP, perceptions of a lack of evenhandedness, a need to clarify in the EACs the higher standard relative to NA as well as the central role of program design, and the need to further strengthen EAP procedures, EPEs, and the alignment and coherence between the EAP and ERM. The use of the EAP at times may have led to delaying debt resolution problems and it has not catalyzed private financing to the extent the Fund envisaged when it was adopted. Like NA cases, EA programs have often been associated with successor programs or the repeated use of Fund resources, which in turn has resulted in a concentration of Fund exposure to a small group of countries with EA in recent years (Argentina, Egypt, Ukraine), with implications for how the Fund interacts with these members (to avoid arrears), its overall financial position, and its technical credibility.

Attempts to improve the EAP will require achieving a balance in the continuum between rules and flexibility and a recognition that any such choice will entail a cost-benefit trade-off. In adopting the EAP in 2002, the Fund avoided extreme solutions: it decided to move away from a largely discretionary framework while retaining flexibility for the Fund to play its mandate in the global financial safety net. For example, the Fund rejected the notion of adopting hard caps on EA, incorporated a measure of judgment in assessments of the EAC, and for some years kept open the option of using the EC clause when not all of the criteria were met. However, the analysis of the experience under the EAP, a largely rules-based framework, reveals that it has often led to certain tensions when flexibility was needed to address broader strategic considerations. Thus, there seems to be merit in the idea of improving the design and applicability of the criteria that guide EA decisions, while adopting a mechanism that provides for flexibility in a manner that is transparent and subject to sufficient justification. Any framework will entail a trade-off between costs and benefits, and it will depend crucially on decision-makers' willingness and capacity to implement it.

EVENHANDEDNESS AND TRANSPARENCY

The lack of dedicated reviews of the EAP since 2004 missed opportunities for the Fund to consider experience with the policy in a comprehensive manner. In 2004, Directors agreed that future reviews of the EAP should be undertaken at the same time as regular reviews of access policy in the credit tranches. The modifications of the EAP on several occasions, as well as reviews of related policies, have involved deliberation over particular aspects of the EAP (such as the debt sustainability criterion). But, by not periodically reviewing the EAP, the Fund has missed opportunities to examine how the policy as a whole is working relative to its objectives, those objectives themselves, EAP implementation, the coherence of the policy's various components, and its relevance and effectiveness. It has also led to a situation where the EAP has been adjusted not on a regular basis but in response to the circumstances of particular countries, giving rise to perceptions of un-evenhandedness.

There has been a tension between the rules represented by the EACs and the flexibility that the Fund has needed to address members' different circumstances and to accommodate higher-order strategic considerations. These tensions have been resolved by ad hoc changes to the EAP (for example, the systemic exemption in 2010), adjustments in related policies (for example, the higher access limits in 2022–23 that allowed some programs to keep within NA limits and not be subject to EAP), or reviews of the EAC (for instance, the introduction of the gray zone, which effectively relaxed EAC2). However, at times they have been harder to resolve, and doubts have arisen about how the Fund reached judgments that the EAP was being met. Before 2009, the Fund used the EC clause to approve EA in the event that one or more EACs were not met. After 2009, however, the EAP became binding across EA cases.

A pervasive criticism has been that, in the face of internal or external pressure, staff had to "reverse engineer" the assessment of the EACs. Even without such pressure, staff's professional incentives may have led to biases in favor of moving ahead with programs. In some cases, there were strong disagreements within staff on the diagnosis on EACs' fulfillment and concerns about how the decision-making processes were handled. While internal and external perceptions of biased assessments have persisted, eroding the credibility of programs and the Fund's reputation, this evaluation did not find direct evidence of reverse engineering. The evidence suggests that when staff and management presented programs to the Board for approval, they judged the programs to have reasonable chance of success and presented the risks involved clearly and explicitly.

The Fund would be well served to develop options for achieving more evenhanded and transparent application of the EAP. Doing so would require balancing better the Fund's need for adequate flexibility and pursuing the objectives of the EAP. Any effective solution would entail a transparent recognition of the risks and trade-offs involved in program design, clearer ownership of decisions across the Executive Board, management, and staff, as well as closer involvement of the Board in decision-making on EA programs as originally envisaged. Ideally, regular reviews would be the appropriate vehicle for adapting the EAP in response to experience and emerging circumstances. However, in between regular reviews, there may be situations when a member does not clearly meet all of the EACs but strategic considerations may warrant the

Fund providing EA. In this context, stretching the flexibility within the EACs can provide a false sense of security, set difficult precedents for the interpretation of the EAP criteria, and raise risks for the credibility and evenhandedness of the EAP and related decisions.

An option in such circumstances is to conduct an interim review of the policy. With this alternative, any changes to the policy would be well defined, explained, and justified through a Board paper and then applied consistently to all other members. While an interim policy review would help transparency, there may not be time for due deliberation in times of crisis, also given the current context of a shock-prone global economy. It can also generate credibility and uniformity of treatment issues—if the policy is perceived to be changed only for high-stakes cases and pressures from part of the membership—and lead to too many changes in the policy if modifications are later perceived as ad hoc (for example, the experience with the introduction and later removal of the systemic exemption clause).

Another option is use of an EC clause in rare, well-justified cases as a way to preserve the strengths of the EAP, enhance transparency, and mitigate reputational risks. In cases where the Fund may wish to consider an EA request for strategic reasons even if one or more of the EACs are not met, an EC clause would provide a more transparent way to do so. This option would need to be invoked rarely, with each case being justified on its own terms, having appropriate safeguards, including sound program design and capacity to repay the Fund, and clearly disclosing related enterprise risks before approval by the Board. Pressures from the membership would be made more explicit as the majority of the Board would have to approve the program with an EC clause, possibly with additional safeguards provided by some of its members. The Fund will need to pay careful attention to evenhandedness and to communications that mitigate adverse market reactions. The 2002–09 experience with concurrent use of the EC clause and EAP may provide useful lessons.

EA PROGRAM DESIGN AND OUTCOMES

Policy choices in EA programs did not differ significantly from NA programs. The policy framework for EA program design, like that for other programs, reflected the broader professional consensus in terms of fiscal and monetary policy, as well as structural reforms, for promoting macroeconomic and external stability. However, while initial conditions differed across EA cases, the policies adopted were broadly similar, comprising fiscal adjustment, monetary tightening and greater exchange rate flexibility where relevant, and structural reforms to lift potential growth; while largely avoiding debt restructuring, CFMs, and macro-prudential policy changes. The EACs seemed to have had little effect on program design. The ex ante justification for EA policy choices provided in staff reports often relied on the argument that they would restore investors' confidence, and thus capital inflows, although the argument was usually asserted rather than explained analytically. Similarities in program design across countries in different circumstances may contribute to perceptions of lack of evenhandedness.

Program outcomes in EA programs were little different from NA programs. While the EAP is about ensuring adequate ex ante safeguards, it is also instructive to examine program outcomes. Completion and implementation rates of EA programs were similar to those of NA programs. Using the 2018 ROC definition of program success (which is defined in terms of no successor disbursing program in the years immediately after the program nor high remaining vulnerabilities), about one-third of programs can be considered successful and another third partially successful. The pattern suggests that BOP problems were often not fully resolved, leaving high remaining vulnerabilities after EA programs and a need for successor programs. The fact that high implementation rates did not lead to high success rates suggests a need to reexamine the adequacy of program design. The greater overoptimism in EA programs' growth and fiscal forecasts relative to NA programs represents a potential design issue. EA programs also had weaker, and even negative, catalytic effects. Some of the country evidence suggests that the build-up of IMF credit may have deterred private investors whose claims are subordinate to Fund and other official claims and prolonged members' BOP needs.

The succession of programs raises questions about lending instrument and program phasing. While success rates have not been systematically different by type of lending instrument, some country cases have raised issues of short program duration relative to the BOP problems being addressed, resulting in successor programs. Further, the extension of the EAP in 2009 to non-capital account BOP crises raises questions about length and frontloading of programs. While the original EAP was designed for capital account crises, which often required frontloading of disbursements to address confidence effects, the need for frontloading is less clear in non-capital account crises, where there is a larger need to address structural problems. Normally, the phasing of disbursements and adjustment should be broadly aligned in order to ensure that the member benefits from Fund support as it undertakes adjustment measures. Where the two are not aligned—for example, if disbursements are frontloaded but adjustment is backloaded—the justification needs to be clearly articulated and the risks laid out (see, for example, Alfaro and de Las Casas, 2024). In addition, EAC4 assessments prove particularly difficult when the program's phasing involves frontloaded disbursements but backloaded adjustment, as they may go beyond the concurrent political cycle.

Program design in EA cases would benefit from a clearer disclosure of trade-offs and risks. Given that EA arrangements typically are designed and implemented in conditions of fundamental uncertainty, they should require an explicit recognition and explanation of the risks involved, matching them with adequate measures in coherent program design—including in terms of phasing and frontloading, type of facility, and length of program. In building and explaining strong programs, staff should more clearly articulate and justify the specific policy choices and related trade-offs, including the ways in which debt sustainability will be achieved or maintained. This extra layer of ex ante justification would not necessarily imply additional fiscal adjustment or more demanding conditionality, but it would provide an ex ante corroboration of program adequacy and ownership.

EAP CRITERIA AND PROCEDURES

The EACs have served a useful purpose by compelling a considered deliberation of key safeguards, but their usefulness for fulfilling the objectives of the EAP has been undermined by gaps in both design and application. Key gaps include: (i) on EAC1, once the BOP need has been determined to be above NA limits, there is little additional scrutiny of the access level to assess related risks and uniformity of treatment; (ii) on EAC2, the acceptance of debt being in the gray zone beyond the program period may be associated with less urgency for restructuring and for stronger program design although, at the same time, this allows the Fund flexibility to remain engaged in difficult cases where problems may be extended; (iii) the terminology for EAC2 in the gray zone—"sustainable but not with a high probability"—has been confusing for many stakeholders; (iv) the linkage between EAC2 and EAC3 is not sufficiently analyzed, as EAC2 can effectively be met by a reliance on market access assumptions (EAC3) that are not grounded in any consistent framework; and (v) the absence of frameworks or sharper guidance for assessing EAC3 and EAC4, and a lack of clarity about how they provide a substantive higher standard relative to NA programs. In this respect, EAC3 lacks clarity on whether market access refers only to external or also to domestic market access and on the terms at which market access can be considered regained (for example, access at unsustainably high rates should not be deemed consistent with EAC3). Finally, the application of EAC4 is assessed on an ad hoc basis driven by country circumstances with a strong focus on assessing the institutional and political capacity to deliver the adjustment rather than on a clear explanation of the policy program and its prospects for success.

Once a program is underway, assessments of the EACs during program reviews have rarely changed. For example, increases in BOP needs have led to program augmentations, but positive BOP surprises have only rarely led to reductions in access or exits from programs with little change in assessments of EAC1. More generally, with a few notable exceptions, assessments of the other EACs also have generally remain unchanged, raising a question about whether they continue to provide the higher standard associated with EA programs once the program is underway.

The enhanced decision-making procedures under the EAP have helped provide additional information to the Board, but overall they have fallen short in facilitating the intended level of Board involvement. Informal sessions with the Board were held promptly after staff had informed management that a member needed a Fund program with EA, and the Board was provided with a concise note ahead of these sessions. However, overall, the Board has not been given enough information and time to provide meaningful inputs, nor has it always been consulted as the policy intended. While due regard needs to be paid to staff and management's room for maneuver in negotiations, the authorities' prerogatives, and confidentiality, the application seems to have fallen short of expectations.

The timing and procedures for the separate analysis of financial risks for EA cases may have limited its usefulness for decision-making. The financial risk supplement provides considerable additional information relative to staff reports for NA cases. However, its impact on the Fund's access decisions is limited because it is prepared toward the end of the program cycle rather than at the outset, when the informal Board consultations are held. Also, the supplement has generally been circulated to the Board after, not before, the program documents. In terms of signatory authority, the supplement is cleared by SPR, which also clears the program documents. A similar practice applies to the ERAs that recently have started to accompany EA program documents. In all such cases, ORM provides comments in the course of the internal review process but that falls short of the challenge function a second line of defense could play to ensure robust ERM.

The analysis of EA cases under the EAP shows the importance of careful management of communications for program credibility and effectiveness and for the Fund's reputation. The evaluation shows how communications problems—such as those that lead to uncertainty regarding the status of negotiations, the nature of the program, or access levels and phasing—can undermine program credibility, execution, and success. By contrast, careful and well-coordinated communications can contribute to program goals. Good communications are important beyond EA cases but, as arrangements grow larger and riskier, the sensitivity to communications grows. This points to the need for clear guidance, maybe within the EA framework, to help ensure successful program communications between staff and authorities, and joint communications of the authorities and the Fund with third parties.

The Fund has not used EPEs to their full potential. The sample studied includes several strong EPEs, but in aggregate EPEs' effectiveness has varied. EPEs assessed relatively well programs' consistency with IMF policies and performance against program objectives. But generally, they are weaker at assessing the appropriateness of program design because there is insufficient questioning of fundamental assumptions and limited evaluations of the pros and cons of alternative approaches. Typically, EPEs do not influence the design of subsequent programs, they do not successfully identify common issues across countries, and they do not inform the development of IMF policies and procedures. Even when EPEs are strong and present clear lessons, the lack of an adequate follow-up mechanism diminishes their usefulness and effectiveness. The role of area departments in selecting the EPE team lead and of SPR in clearing EPEs may limit the independence and candor of the evaluations.

ENTERPRISE RISK MANAGEMENT

The EAP and the Fund's ERM policy are complementary but came into being at different times and are not yet fully coherent and aligned. While the rationale and design of the EAP include elements of ERM, such as the mitigation of financial risks through associated safeguards, and of reputational risks through enhancing expectations and uniformity of treatment, these were not articulated in terms that are consistent with the Fund's ERM policy adopted in 2022. Conversely, the ERM policy does not articulate how application of the EAP affects risk mitigation and the level of residual risks associated with EA programs as well as their comparison with the Board-approved risk tolerance statements. The linkage between these risk tolerance statements and assessments of financial and other enterprise risks in EA cases needs to be clarified and quantified. The policies also need to reflect the risks associated with the Fund not providing EA support, especially when there may be doubts about whether the EACs are met.

RECOMMENDATIONS

Based on the foregoing analysis, the evaluation proposes five recommendations that aim to improve the usefulness of the EAP. The recommendations cover both strategic and technical elements and seek to improve the balance between rules and flexibility and to strengthen transparency and accountability, while ensuring that higher access is accompanied by adequate safeguards, consistent with the Fund's lending guidelines.

Recommendation 1. Exceptional Access Policy Review: The Fund should conduct a dedicated review of the EAP and schedule subsequent reviews on a regular basis. EAP reviews should take due account of strategic considerations, including the adequacy of existing access limits and the balance between rules and flexibility within the policy.

Some suggestions include the following (see also Recommendations 2–5):

- *Regular reviews.* Regular, thorough, and inclusive reviews should be the main vehicle for making changes to the EAP, to be applied in a uniform and effective manner. These reviews could take stock of how the policy is serving the Fund's objectives in a changing global environment and assess performance with respect to the policy's objectives, relevance, and effectiveness; the working of the various EAP elements (criteria, procedures, and EPEs); the higher substantive standards provided by the EACs relative to NA; the coherence between the EAP and related policies and facilities in the IMF's lending framework (including between the GRA-EAP and PRGT-EAP/PS-HCC).

- *Adequacy of existing access limits.* Notwithstanding periodic access limits reviews, EAP reviews should take due account of how effectively existing access limits serve members' BOP needs, the evolving circumstances and needs of the membership, and quota erosion. The assessment should consider the consistency between the design of the EAP and the types of crises to which it is applied, including whether certain financing (such as emergency financing) may be carved out from the access limits (so-called "additionality").

- *Transparent use of flexibility.* The Fund may face urgent situations when strategic or political considerations may call for decisions on EA programs that do not meet all of the EAC. To enhance the transparency of these decisions and protect the credibility of the EAP framework, the Fund may consider the use of an EC clause in rare, well-justified cases with adequate safeguards, including a strong program and possible additional third-party safeguards, and with clear disclosure of enterprise risks to the Board. The subsequent EAP review could consider if the use of the EC clause warrants any change to the policy.

Recommendation 2. Program Design: The Fund should clarify the fundamental role of sound program design in providing higher safeguards in EA cases relative to NA. Program staff reports should provide justification for the policy choices and trade-offs embedded in program design and how they support reasonably strong prospects for program success, including the authorities' political and institutional capacity to implement the program. Related risks should be clearly disclosed to the Board.

Some specific suggestions are as follows:

- *Justification of program design.* Program staff reports should clearly articulate the reasons for key policies chosen, how trade-offs were treated, including the risks of not having an EA program, and the consistency of program design with reasonably strong prospects for program success and adequate safeguards. Program design should address the expected path to debt sustainability, the impact of changes in growth assumptions (for example by better integrating the DSA realism tools in macro-frameworks), and how the Fund's catalytic role is expected to operate. Given that EA arrangements typically are designed and implemented in conditions of fundamental uncertainty, a clear disclosure of risks to the Board will be important in internal discussions.

- *Refocusing of EAC4.* To acknowledge the criticality of program design in providing adequate safeguards, an enhanced EAC4 focusing on the key elements that underlie a "reasonably strong" prospect of program success could be moved up in the list of criteria emphasizing the coherence of all program components and the interrelation of the different EACs.

- *Guidance on political and institutional capacity.* Staff should develop clearer guidance for assessing authorities' political and institutional capacity to deliver on the program and program ownership. This includes assessing the impact on the most vulnerable, the adequacy of social protection measures, and political developments foreseen during the program (further research would be useful to analyze political risks to programs).

- *Program duration and phasing.* The duration, phasing and frontloading of programs needs to be calibrated to members' needs and the nature of the BOP problems. Such considerations should pay attention to strengthening debt sustainability under the program and maintain flexibility over the appropriate type of lending instrument.

- *Guidance on communications.* Integrating the elements above, and to protect the prospects of program success, the EAP could recognize the criticality of public communications in EA cases. Building on the current guidance for conditionality and program design, the EAP could point to the key dimensions to be taken into account when publicly presenting an EA program, covering both staff's own messaging and communications to be handled jointly with the authorities.

Recommendation 3. Exceptional Access Criteria 1–3: To address technical gaps in the EACs, facilitate better alignment with the policy's objectives, and enhance evenhandedness the Fund should (i) increase the level of scrutiny for access decisions; (ii) clarify expectations when debt is in the "gray zone," revisit its terminology to strengthen signaling, and clarify the distinct roles of the different types of debt and creditors for debt sustainability; and (iii) develop consistent analytical guidance to assess market access prospects.

Some specific suggestions are as follows:

- *EAC1.* Possible enhancements to staff reports include the following: presenting cross-country comparisons of access as well as country-specific comparisons of access levels with alternative metrics (complementing the use of quotas as the formal basis for determining access limits); greater scrutiny of access decisions for cases with debt in the gray zone to reflect how EA may affect the member's future BOP stability and its effects on catalytic financing and repurchase obligations; and a discussion of options for how the member could respond should financing needs turn out to be significantly greater or smaller than envisaged. For better analysis of evenhandedness, area departments should keep track internally of countries that express interest in EA.

- *EAC2 and EAC3*. Measures to improve these criteria could include: for EAC2, clarifying the distinct roles of domestic and external public debt and of the different types of creditors in assessments of debt sustainability, building on experience gained with the SRDSF; clarifying expectations that gray zone cases would return to sustainability with high probability by the end of the program in order to ensure adequate incentives for strong program design (and for restructuring where needed); revisiting the terminology and signaling of "debt sustainability with high probability"; and, for EAC3, developing more consistent forward-looking guidance to support assessments of market access prospects—such guidance should not be about binary yes/no assessments but could help clarify a more consistent basis for expectations with respect to international and domestic market coverage and the terms (maturities, prices) on which market access can be considered to be (re)gained.

Recommendation 4. Exceptional Access Policy Procedures and Ex Post Evaluations: The Fund should strengthen the application of the EAP's enhanced procedures and adopt measures to better leverage EPEs for risk mitigation, accountability, and learning.

Some specific suggestions include the following:

- *Enhanced decision-making procedures*. Contributing to the legitimacy and clarity of EA decisions, measures to strengthen the application of EA procedures by staff and management should include: adhering to the requirement to consult the Board before concluding discussions on an EA program and before any public statement on a proposed level of access; better meeting the expectations for additional informal sessions as needed (with flexibility on the timing, content, and format based on circumstances); increasing time for circulation of the materials for the informal sessions (to at least 24 hours, in order to recognize the diversity of time zones); and seeking to enhance the information provided to the Board while preserving management's room for maneuver and staff's flexibility in negotiations, and respecting authorities' prerogatives.

- *Ex post evaluations*. EPEs would benefit from more systematic follow-up by staff, fuller focus on their mandates, and greater attention by the Board to enhance their designated role and justify the resources devoted to them. Specific measures could include: ensuring that EPEs assess the appropriateness of program design, question fundamental assumptions, and evaluate alternative approaches; discussing EPEs in standalone Board meetings sufficiently ahead of any new program approvals; and systematic stocktaking and follow up of their recommendations in the EAP reviews. Management and staff should ensure that EPE leaders and teams have adequate independence, including by revisiting the roles of area departments in team selection, timing, and clearance of EPEs; and the role of SPR in clearing both the EPEs and program documents. For example, a roster of candidates for EPE leads could form the basis for appointing leaders, and an interdepartmental group could be formed to review EPEs.

Recommendation 5. Enterprise Risk Management: The Fund should establish greater coherence between the EAP and the IMF's ERM policy. It should seek to ensure a common institutional understanding of how the EAP serves to mitigate enterprise risks consistently with the Fund's risk tolerance in lending.

Specific suggestions include the following:

- *Consistency.* EAP provisions should be consistent with the Fund's ERM and, conversely, the ERM policy should take account of the risks associated with EA and their mitigation by the EAP. For example, they should confirm and clarify how application of the EAP mitigates residual risks within the Fund's established risk tolerance in lending, which is guided by the Fund's role to help resolve members' BOP problems with adequate safeguards.
- *Risk analysis in program documents.* EA program proposals should build on recent progress to enhance the presentation of enterprise risks in EA program cases, including with an enterprise risk assessment provided ahead of Board decisions as well as improved and more timely financial risk supplements (for example, at the time of the informal Board consultations).
- *Office of Risk Management.* From a risk management perspective, as ORM develops its capacity over time, it could be given greater responsibility for the supplements as the second line of defense.

BUDGETARY IMPLICATIONS

A dedicated review of the EAP would need to be adequately resourced. While acknowledging the high work pressures in a real flat budget environment, addressing the issues raised in the evaluation would involve new work relative to plans. In part this owes to the build-up of issues during the long period since the last review: future reviews, undertaken on a more timely basis, should involve lower marginal cost. The initial review could encompass several of the recommendations, including a plan for regular reviews, a consideration of strategic options for use of the EAP, and improvements to the criteria, procedures, and EPEs. Closer Board engagement and attention to EPEs would add work for both staff and the Board.

Where relevant, some recommendations could be taken up in already-planned policy work to benefit from synergies. The reviews of access limits, conditionality, and GRA facilities and policies should be complementary with the recommendations, as the EAP review could help to avoid duplication and lighten some of the load of these reviews. Some recommendations reflect a need for the EAP to catch up with practice—such as with respect to the circulation time of the concise notes for informal consultations—and should be low cost. Achieving closer alignment between the EAP and the ERM policy could be taken up as part of the ongoing efforts to strengthen ERM across the Fund, including the ERAs initiated more recently for EA (and other) programs, but these may require work beyond what is currently envisioned by staff and management.

ENTERPRISE RISK MANAGEMENT

The recommendations would help to mitigate key enterprise risks associated with the EAP as currently formulated and implemented. In turn, addressing them would entail related risks and leave the Fund with residual risks to address within the framework of its ERM policy (Annex 8). The risks associated with the lack of regular reviews can undermine the legitimacy of the EAP and have a significant business impact by weakening the Fund's lending framework. The identified gaps and weaknesses in the design and implementation of the EACs, procedures, and EPEs carry major business, reputational, and strategic risks—given their scope to weaken the safeguards provided by the EAP and the Fund's credibility. The recommendations would also help improve the Fund's consideration of risks associated with not going ahead with an EA program or review. Implementing the recommendations may have some budgetary costs, as noted, and a key mitigation for these risks would be to consider them in already-planned facilities/policy reviews.

ANNEX 1

EXCEPTIONAL ACCESS CRITERIA: GRA AND PRGT; POLICY SAFEGUARDS FOR HIGH COMBINED CREDIT (GRA AND PRGT)–A COMPARISON

In 2009, the Fund adopted a dedicated Exceptional and High Access Framework under the Poverty Reduction and Growth Trust (PRGT) for concessional lending above normal limits. PRGT-eligible members—countries that meet specified income and market access criteria—can access concessional resources up to the normal access (NA) limits under the PRGT. However, for meeting higher balance of payments (BOP) needs, there is a distinction between presumed "blenders" and (poorer) low-income countries (LICs). Presumed blenders are LICs whose income is higher than a specified level and do not have debt vulnerabilities that limit their access to international financial markets. These countries would be presumed to use a blend of PRGT and General Resource Account (GRA) resources to meet their higher needs.[1] If the combined use of Fund resources exceeds the PRGT or GRA NA limit, the policy safeguards for high combined credit (PSHCC) apply.[2] Only poorer LICs—those do not meet the income criterion for blending—are eligible for PRGT-EA (exceptional access) resources.[3]

The criteria and procedural safeguards approved by the Board for the PRGT-EAP were similar to the GRA-EAP but tailored to the context of LICs (IMF, 2009e). The first criterion (EAC1: BOP needs) required the member to experience an exceptionally large BOP need, compared to the 2009 amendment to the GRA-EAP (exceptional access policy), which allowed for its "potential" need. The second (EAC2: debt sustainability) and third (EAC3: market access) criteria differed materially. While both frameworks required a preliminary debt sustainability analysis for EAC2, the PRGT-EAP encompassed a comparatively strong adjustment program and ability to repay the Fund. This criterion implied that countries with a high risk of debt distress were required to introduce policy and/or debt relief actions to reduce this risk to a moderate or low level. The third criterion for the PRGT-EAP required that a member could not meet the income and market access criteria for blending as described above. An exception to members' market access was made if their Gross National Income per capita was below 80 percent of the specified level (IDA operational cutoff).

[1] The composition of the blend is set at one-third PRGT resources and two-thirds GRA. In addition, the PRGT portion of blended resources is subject to a cap. In December 2023, this cap was temporarily raised from 145 percent of quota to 200 percent of quota until the end of 2024. Access needs above this level must be met from the GRA. Total access to PRGT financing for presumed blenders is also capped at the normal annual and cumulative access limit to the PRGT—145 percent and 435 percent, respectively, but temporarily raised to 200 percent and 600 percent of quota until end-2024.

[2] The PS-HCC was introduced in 2020 to address a gap that allowed PRGT-eligible members to access a mix of PRGT and GRA resources that, combined, exceeded levels constituting EA in the GRA and PRGT, yet do not constitute EA under the GRA or the PRGT individually.

[3] At approval, PRGT-EAP specified a ceiling on EA, but it was abolished in February 2021.

The PS-HCC was introduced in 2020 and the PRGT was amended in 2021 (IMF, 2020b; 2021c). The criteria under the HCC, amended PRGT-EAP, and GRA-EAP were virtually identical for BOP needs and program success, but notable differences remained in the debt sustainability and market access criteria (Table A2.1). Similar to the PRGT-EAP, the PS-HCC required members to restore their public debt sustainability with high probability over the medium term[4] but it did not have a market access criterion. In 2021, enhanced safeguards were introduced under the PRGT to limit risks from high-volume lending to countries with serious debt vulnerabilities and corresponding risks to their capacity to repay the Fund. For the debt sustainability criterion in the PRGT-EAP, these safeguards required (i) a more granular discussion of the composition and evolution of debt, mainly focused on external debt, over the program period (ES1a) and (ii) enhanced capacity to repay analysis based on cross-country comparison metrics of Fund exposure (ES1b).[5] Meanwhile, the third criterion removed market access as a barrier for some members, with their ability to access the PRGT-EAP being determined by the income threshold for blending.

The associated PRGT-EAP procedures required early engagement with the Board through an informal Board meeting. In this meeting, the Board would be presented with an initial assessment of the member's BOP need, macroeconomic situation, and potential fiscal and debt vulnerabilities, as well as information on the proposed program and related impact on concessional resources. Consistent with the Board procedures established under the GRA-EAP, the informal Board meeting would occur as soon as management concurred that a new request involving exceptional or high access could be appropriate. Notably, under the GRA-EAP, the Board is informed before an announcement of a staff-level agreement, while the PRGT-EAP has no similar requirement.

[4] The debt sustainability criterion for the PS-HCC was adjusted in the October 2024 PRGT review to align with the GRA-EAP, that is, in instances where public debt is considered sustainable but not with a high probability, PS-HCC "would be justified if financing provided from sources other than the Fund, although it may not restore sustainability with high probability, improves debt sustainability and sufficiently enhances the safeguards for Fund resources" (IMF, 2024b). This adjustment was done to better align the objectives of the PS-HCC.

[5] A second safeguard measure (ES2) on explicit program objectives to reduce debt vulnerabilities also forms a part of the enhanced safeguards but is not applicable to exceptional PRGT cases since it is satisfied by EAC2.

TABLE A1.1. COMPARISON OF EXCEPTIONAL ACCESS CRITERIA FOR GRA AND PRGT PROGRAMS, AND PS-HCC

EXCEPTIONAL ACCESS CRITERIA (EAC)	PURVIEW	GENERAL RESOURCES ACCOUNT (GRA)	POVERTY REDUCTION AND GROWTH TRUST (PRGT)	POLICY SAFEGUARDS FOR HIGH COMBINED CREDIT (PS-HCC) (GRA OR PRGT)
EAC1	Balance of Payments (BOP) Need	Actual or potential BOP need that cannot be met within NA limits		Actual or potential BOP need that cannot be met without exceeding HCC threshold.
EAC2	Debt Sustainability	Determination of high probability that public debt will remain sustainable. When debt is assessed to be sustainable but not with high probability, the criterion is met as long as financing from other creditors would improve debt sustainability during the program and provide sufficient safeguards for the Fund's resources.	Determination of high probability that public debt will remain sustainable in the medium term. Where the LIC-Debt Sustainability Framework (DSF) is applicable, evidenced in low or moderate overall risk of public debt distress. The criterion is also met if, through a combination of policies and financing from sources other than the Fund, debt sustainability with high probability is restored (a) within 36 months from Board approval of the financing request or within the period of a newly approved arrangement (whichever is longer), or (b) within the remaining period of an arrangement, in cases where the Board approves an augmentation or rephasing request.	For LIC-DSF users: High probability that the member's public debt is sustainable in the medium term; or Combination of policies and other financing sources to restore public debt sustainability with high probability. For Sovereign Risk DSF users: Debt sustainability requirements for providing EA to GRA resources are met.
EAC3	Market Access/ Presumed Blending	Good prospects of regaining access to private capital markets within a timeframe and on a scale that would enable the member to meet its obligations falling due to the Fund.	Does not meet the income criterion for presumed blending when a new financing request (including augmentation/rephasing) is made.	N/A
EAC4	Program Success	Reasonably strong prospect of program success, including adjustment plans, and institutional and political capacity to deliver that adjustment.		*Criterion 3 Reasonably strong prospect of program success, including adjustment plan and institutional and political capacity to deliver that adjustment.

ANNEX 2

THEORY OF CHANGE: AN EVALUATION TOOL

Figure A2.1 presents a simplified log-frame of the departing point and rationale behind the EAP at the strategic level.

Figure A2.2 shows a more detailed Theory of Change (ToC) aimed at identifying (i) the chain of events and the hypothetical causal links between actions and outcomes; (ii) the conditions for success, and a number of assumptions, required to move from one stage to the next; and (iii) a summary of the procedural steps required under the EAP. The ToC guided work in country cases by showing how EAP is supposed to work, which in turn allowed comparison with actual implementation and experience.

The ToC implicitly recognizes that both country authorities and the IMF are agents in EAP programs. On the one hand, country authorities own and execute the program. On the other, the Fund—i.e., the Board, management, and staff—provides financing, policy advice for program design and implementation, and capacity development. An arrangement under the EAP follows the same basic ToC of an NA arrangement but requires additional measures and procedures.

FIGURE A2.1. EAP RATIONALE LOGFRAME

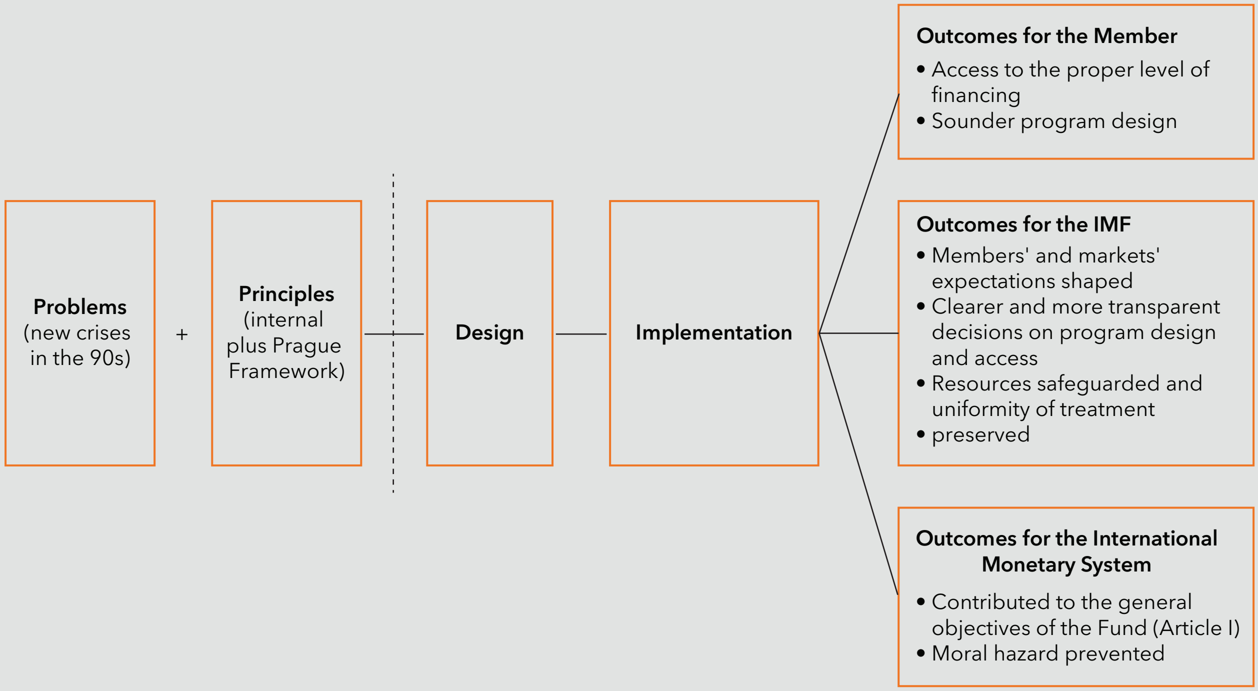
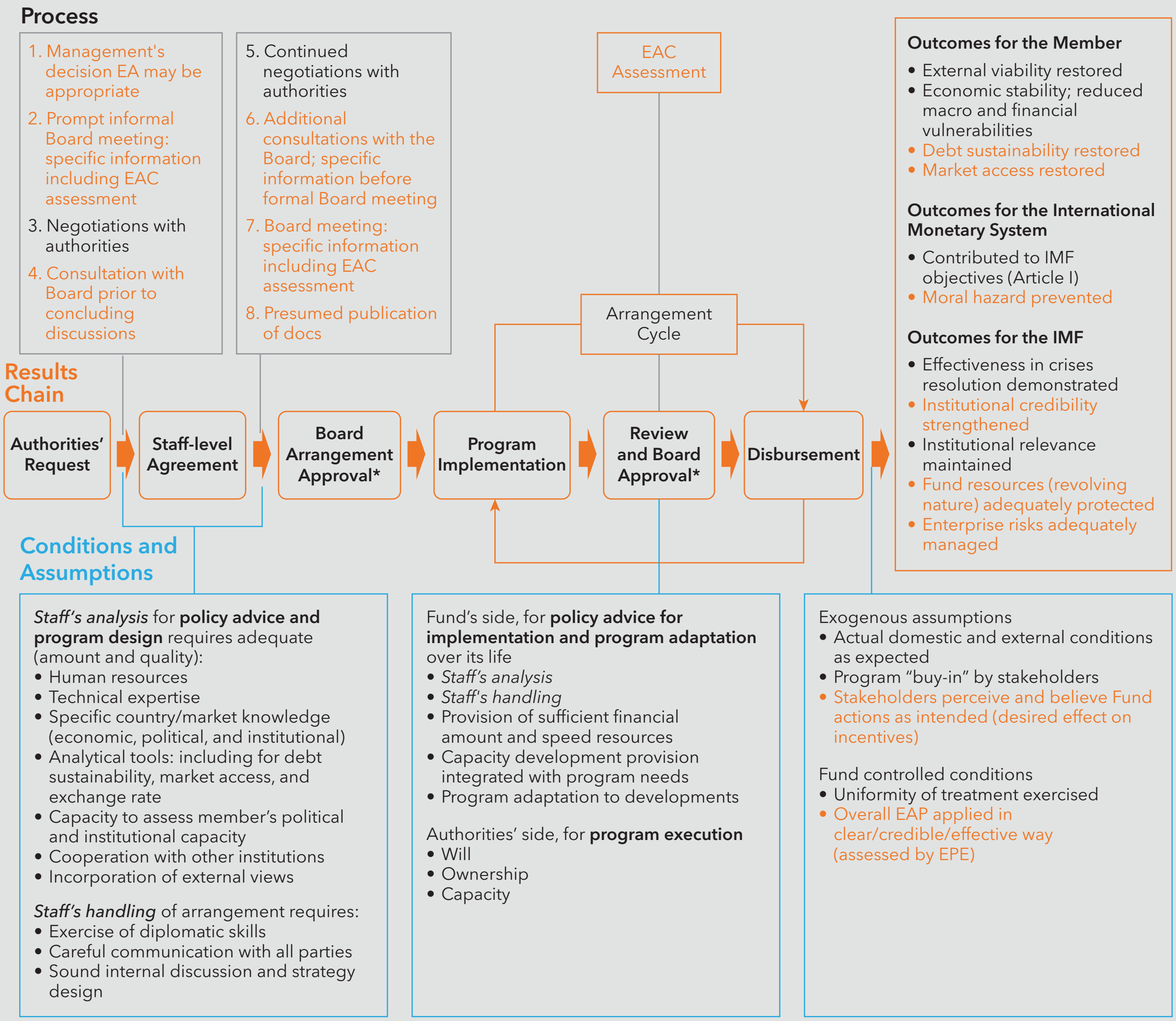


FIGURE A2.2. THEORY OF CHANGE: FUND-SUPPORTED PROGRAMS UNDER THE EAP



Note: EA = Exceptional Access; EAC = Exceptional Access Criteria; EAP = Exceptional Access Policy; EPE = Ex Post Evaluation; IMS = International Monetary System.

*Space for political considerations and decisions; Orange text = EAP-specific items (at least in terms of emphasis); Black text = Items common to EA and normal access programs.

ANNEX 3

ABSTRACTS OF BACKGROUND PAPERS PREPARED FOR THE IEO EVALUATION OF THE IMF'S EXCEPTIONAL ACCESS POLICY

The following Background Papers were prepared in support of this evaluation and provide further evidence for its findings and conclusions.

The IMF's Exceptional Access Policy: Rationale and Evolution

Alisa Abrams and Vivek Arora

This paper examines the rationale and evolution of the policy governing members' "exceptional access" (access above normal access (NA) limits) to the IMF's general resources account (GRA). The Fund adopted the Exceptional Access Policy (EAP) in 2002 to help guide its support for members facing capital account crises by constraining the discretion associated with its prior ad hoc approach. Given the greater risks associated with exceptional support, the policy was intended to provide members and markets with clearer expectations about Fund support, establish greater safeguards for Fund resources, set benchmarks for difficult decisions, and enhance uniformity of treatment. The policy was extended in 2009 also to apply for precautionary purposes where members anticipated exceptional needs, as well as in the context of current account crises. The policy was further modified in 2010 and 2016. The IMF has not conducted a review of the policy since 2004. By reviewing the rationale for the policy and its evolution, the paper provides a foundation and historical background for the IEO evaluation.

The IMF's Exceptional Access Policy: Program Design and Outcomes in IMF-Supported Programs with Exceptional Access

Peter Montiel, Jérémie Cohen-Setton, and Jiakun Li

This paper evaluates the design and outcomes of IMF-supported General Resources Account programs that involved exceptional access (EA) from 2002 to 2023. The primary focus is to assess whether the program designs were appropriate and evenhanded, considering the economic conditions of participating countries. By conducting a thorough review of published program documents, the paper evaluates the clarity and depth of the justifications for key policy decisions related to fiscal measures, debt restructuring, monetary and exchange rate policies, capital account management measures, financial sector reforms, and structural reforms aimed at fostering growth. To analyze outcomes, the paper compares the implementation of program measures, forecast performance, catalytic effects on private capital flows, and the evolution of macroeconomic variables between EA programs and NA programs.

The IMF's Exceptional Access Policy: Exceptional Access Criteria Part I: EAC1 and EAC4

Yasemin Bal Gündüz

This paper evaluates the design and implementation of two Exceptional Access Criteria (EAC) over 2002–23, requiring "exceptional" balance of payments (BOP) pressures and reasonably strong prospects for program success, including institutional and political capacity to implement. Empirical results show that countries with lower-income per capita and smaller economic size are less likely to get an EA program despite comparable BOP needs. Such borderline EA decisions merit further scrutiny. When debt is sustainable but not with high probability, an analytical justification of the projected catalytic impact is warranted. Rigorous assessments of the BOP need criterion (EAC1) at reviews could limit excessive buildup of IMF debt if external conditions become very favorable. Beyond political assurances, the program success criterion (EAC4) should assess whether programs are designed for strong prospects for success. The lack of a concrete framework or guidance to assess EAC4 appears to be a problem for its effective implementation. This paper presents views on how to substantiate a framework.

Exceptional Access Criteria Part II: Debt Sustainability and Market Access

Aitor Erce

This background paper evaluates the Debt Sustainability Criterion (EAC2) and the Market Access Criterion (EAC3) of the IMF's EAP, covering both their design and implementation. The two criteria, which play a key role in deciding whether exceptional access should be made available, were revised in 2016, raising the weight of market access considerations in determining whether a debt restructuring should be a prerequisite for access. Modern domestic debt markets enable large cross-border swings in debt ownership, which has translated into greater difficulty for the assessment of the criteria. Moreover, while the criteria help in designing programs and discussing them with country authorities, the Fund lacks an analytical framework for the market access criterion. As a consequence, assessments of whether the criteria are met have largely relied on staff's judgment, which is often perceived as shaped by strategic reasons, which in turn can damage the credibility of the framework and the Fund.

Strengthened Decision-Making Procedures Under Exceptional Access Policies

G. Russell Kincaid

This thematic study examines the strengthened decision-making procedures adopted in the early 2000s to mitigate the additional risks associated with exceptional GRA access and to enhance accountability. The paper focuses on two pillars of these procedures: (i) the early informal consultation with the Board; and (ii) the higher burden of proof required in program documents. The third pillar—an ex post evaluation—is examined in a separate background paper. This study attempts to shed light on whether these procedures were followed with the necessary rigor and evenhandedness and worked as intended; did the Board have ample and timely access to sufficiently comprehensive information; and were the procedures fit-for-purpose in practice? To address these questions, a desk review was conducted of relevant policy and country documents, staff statements on EA for informal Board sessions, and transcripts or memoranda to files of such sessions. Interviews of current and former staff and of Executive Directors were also undertaken.

Ex Post Evaluations and Institutional Learning

Ajai Chopra and Jiakun Li

This paper assesses experience with ex post evaluations (EPEs) of Exceptional Access (EA) arrangements. The preparation of an EPE is one element of the IMF's Exceptional Access Program (EAP). As part of the formal procedures for EA arrangements, EPEs aim to provide additional safeguards and accountability by having a fresh look at the effectiveness of the Fund's involvement with a country and drawing relevant lessons. Such a step is important because the urgency of crises that require EA can often lead to rushed decision-making that may be subject to a greater margin of error. The paper addresses two overarching questions. Did EPEs achieve the objectives and expectations set out in the EAP and thereby strengthen the Fund's accountability? And did they influence the design of successor programs and foster institutional learning by helping to identify common issues across countries and inform the development of Fund policies?

Exceptional Access in the Context of Global, Regional, and Country-Specific Shocks: Latvia, Pakistan, Jordan, Greece, and Ukraine Cases

Chris Lane and Sandra Saveikyte

This paper presents an analysis of six Exceptional Access (EA) arrangements, comparing experience across a range of countries responding to global, regional, and country-specific shocks during 2008–16. The arrangements examined include Latvia's and Pakistan's 2008 Stand-By Arrangements (SBAs), Jordan's 2012 SBA, Greece's 2012 Extended Fund Facility (EFF), and Ukraine's 2014 SBA and 2015 EFF. The paper finds that while overall there was support for the Exceptional Access Policy (EAP), views on the Exceptional Access Criteria (EAC) have been mixed, from a "box-ticking exercise" to more positive assessments that the criteria helped achieve greater scrutiny. Key findings on the criteria include: (i) decisions on EAC1 were generally seen as evenhanded although there were differences amongst staff and country authorities' expectations; (ii) reduced credibility of debt sustainability assessment if the referenced year for sustainable debt is not attained (Greece, Jordan, Ukraine 2014); (iii) EAC3 is not well tailored to countries that have not had durable past markets access (Jordan) or that have access to other less risky (non-debt) sources of foreign exchange (Ukraine), or have a reasonable expectation of long-term official support (Greece); and (iv) lack of guidance for assessing EAC4 and its sub-elements. Additionally, the study notes that risk assessments have been mixed, with the Risk and Liquidity Supplement helpful but lacking a standardized bottom-line assessment, and, while the ex post evaluations were comprehensive, they had limited impact. Other lessons include systematic growth projection optimism and a suggestion that for some countries, it may be pragmatic to acknowledge that repeated use of Fund resources has been frequent and will continue to occur.

The IMF Exceptional Access Policy in the 2018 Stand-By Arrangement for Argentina

Miguel de Las Casas and Carlos Pérez-Verdía

This paper analyzes the experience with the Exceptional Access Policy (EAP) during the 2018 Stand-By Arrangement (SBA) for Argentina, the largest in the Fund's history and the first in which debt fell in gray zone. The arrangement took place against a complex background, and views were divided on the diagnosis of the problems, the policies to address them, and the fulfillment of the four EAC. On the positive side, the paper finds the EAP was a useful tool for systematic and critical thinking, contributing to the elaboration of thorough program documents that clearly laid out the known risks. However, the case also reveals design and implementation problems of the EAP. A positive assessment of the fulfillment of the criteria may lead to a false sense of security, and the framework leaves too much room for judgment. That said, the IEO found no evidence to support the claim that staff and management accommodated external pressures and recommended an arrangement that did not meet the criteria or lacked a reasonable chance of success. On the criteria themselves, the case illustrates that (i) EAC2 can be confusing, unduly sensitive to assumptions, and too dependent on judgment, which may end up damaging the Fund's credibility and reputation; (ii) the Fund lacks a robust analytical framework to assess prospects of market access; and (iii) the usefulness and applicability of EAC4 is questionable, especially when political polarization is high or when elections fall within the lifetime of the arrangement.

The IMF's Exceptional Access Policy in the 2020 Fund-Supported Program for Ecuador

Laura Alfaro and Miguel de Las Casas

This paper analyzes the experience with the Exceptional Access Policy (EAP) during the 2020 Extended Fund Facility (EFF) for Ecuador. The arrangement came in a context characterized by the devastating effects of the COVID-19 pandemic, Ecuador's dollarization system and particular political and institutional circumstances, the two immediately preceding IMF arrangements, and the international community's high expectations regarding the program. The EAP proved useful to guide internal thinking, contributing to a strong program and a thorough identification and presentation of risks. The provisions under the policy were met and, sometimes, key to the program, most notably for the debt restructuring and the development of institutional capacity. The case, however, also reveals some EAP shortcomings. First, it raises questions about the suitability of the framework in countries with structural difficulties and, relatedly, about the balance between frontloading and backloading in exceptional access arrangements and its risk implications.

Second, the case highlights problems with the design and implementability of the criteria. Their sensitivity to assumptions and data quality, the built-in room for judgment, and the absence of clear definitions and analytical frameworks make it difficult for the criteria to work as the binding requirements they are supposed to be, reducing the EAP's potential to contain external pressures. That said, the IEO found in this case no evidence of direct pressures on staff or of reverse engineering. Third, this case shows how difficult it is to assess a member's political and institutional capacity and the limitations of a system that relies on political assurances which can lack credibility or even be counterproductive.

The IMF's Exceptional Access Policy in the 2020 Stand-By Arrangement and Rapid Financing Instrument for the Arab Republic of Egypt

Marcelo Giugale and Yasemin Bal Gündüz

The IMF supported Egypt's response to the COVID-19 pandemic with a combination of a US$2.8 billion Rapid Financing Instrument (RFI)—approved by the Board on May 11, 2020—and a 12-month, US$5.2 billion Stand-By Arrangement (SBA)—approved on June 26, 2020. Both arrangements were made possible by and met the Enhanced Access Policy (EAP). Their objective was to protect macroeconomic stability at a time of high external and budget financing needs and extreme uncertainty. Fund EA support was envisaged to net capital outflows, catalyze further external financing, and help support economic activity and social assistance. Policy conditionality was relatively limited: the SBA focused on accommodation rather than adjustment, given the context of the pandemic, and RFIs do not carry ex post conditionality. Overall, the objectives of the intervention were met: Egypt's macroeconomic stability was preserved, helped by a more resilient economy than the program projections expected. However, it was also seen as a missed opportunity to advance structural reforms, leaving some macroeconomic vulnerabilities unaddressed. Some key lessons draw by the case study are as follows: (i) the EAP would benefit from a mechanism to capture upside risk; (ii) EA in short-duration programs may lead to bunching of large subsequent repurchases; (iii) debt sustainability and market access prospects are hard to assess in a rapidly changing situation, in this case involving a crisis after the government had recent market access; and (iv) EA-related assessments would benefit from more consistent guidance on assessing prospects for future market access and for program success, based on deeper political economy analysis.

ANNEX 4

IMF POLICIES AND PROCEDURES THAT FACILITATED LENDING ABOVE NORMAL ACCESS LEVELS, 1977–97

In 1977, the Fund adopted a decision (Decision No. 5509-777/127) under which it could approve supplementary financing for a member making use of Fund resources in the upper credit tranches. To proceed, the Fund needed to be satisfied that the member's: (i) financing need exceeded the amounts available in the four credit tranches; (ii) problem required a relatively long period of adjustment and longer maximum repurchase period than the 3–5 years provided under credit tranche policies; and (iii) program would be adequate for resolving its problem and be compatible with the Fund's policies on the use of Fund resources.

In 1979, the Fund established the Supplementary Financing Facility (SFF) under which the Fund could supplement financing provided to a member under an existing Fund arrangement. (The SFF was ended in 1984.) With parallel financing under the SFF, a member's cumulative access to Fund resources access could exceed 450 percent of quota. The overall limit was determined through a complex calculation of the sum of several overlapping limits on individual facilities and arrangements, taking into account the member's outstanding obligations. The SFF provided for access above normal limits in "special circumstances," which established what would become the exceptional circumstances clause in 1983.

In 1981, the Fund approved a policy on enlarged access for the use of Fund resources, under which it was able to provide assistance to members facing external payments imbalances that were large in relation to their quota. In 1992, the policy was discontinued (Boughton, 2001).

In 1983, the Fund formalized the "exceptional circumstances" clause in its lending framework. The clause allowed the Board to approve members' access to Fund resources in excess of normal access (NA) limits in "exceptional circumstances."

In 1995, following a recommendation by the G7 at its Halifax Summit, the IMF established an Emergency Financing Mechanism (EFM). The EFM entailed exceptional procedures to help provide members in crisis situations with faster access to IMF arrangements with strong conditionality and larger upfront disbursements. There was no necessary link, however, between exceptional *procedures*, on the one hand, and the need for supplementary *financing* on the other. But the EFM reflected a recognition that the Fund's response to emergencies may need both size and speed (IMF, 1995).

In December 1997, the Fund approved the Supplemental Reserve Facility (SRF). The SRF was created to supplement Fund financial assistance to members with existing programs that faced "exceptional BOP difficulties due to a large short-term financing need resulting from a sudden and disruptive loss of market confidence reflected in pressure on the capital account and the member's reserves." The SRF had no limit on access. It was to be made available when there was a reasonable expectation that the implementation of strong adjustment policies and adequate financing would result in a correction of BOP difficulties within a relatively short period. As with the SFF, lending under the SRF was supplemental to the SBA and EFF. The SRF was terminated in 2009.

ANNEX 5

EVOLUTION OF EXCEPTIONAL ACCESS CRITERIA

The exceptional access criteria (EACs), except for the fourth criterion (on program success), have been modified periodically since the EAP was adopted in 2002. The modifications were as follows:

EAC1	**2002**	The member is experiencing exceptional balance of payment (BOP) pressures on the capital account resulting in a need for Fund financing that cannot be met within the normal access (NA) limits.
	2004	… [Requests involving access in excess of the limits] in cases of members not facing a capital account crisis shall be justified in light of the four substantive criteria.
	2009	The member is experiencing or has the potential to experience exceptional BOP pressures on the current account or the capital account, resulting in a need for Fund financing that cannot be met within the normal limits.
EAC2	**2002**	A rigorous and systematic analysis indicates that there is a high probability that debt will remain sustainable.
	2009	A rigorous and systematic analysis indicates that there is a high probability that the member's public debt is sustainable in the medium term. Debt sustainability for these purposes will be evaluated on a forward-looking basis and may take into account, inter alia, the intended restructuring of debt to restore sustainability. This criterion applies only to public (domestic and external) debt. However, the analysis of such public debt sustainability will incorporate any potential contingent liabilities of the government, including those potentially arising from private external indebtedness.
	2010	A rigorous and systematic analysis indicates that there is a high probability that the member's public debt is sustainable in the medium term. However, in instances where there are significant uncertainties that make it difficult to state categorically that there is a high probability that the debt is sustainable over this period, exceptional access (EA) would be justified if there is a high risk of international systemic spillovers. Debt sustainability for these purposes will be evaluated on a forward-looking basis and may take into account, inter alia, the intended restructuring of debt to restore sustainability. This criterion applies only to public (domestic and external) debt. However, the analysis of such public debt sustainability will incorporate any potential contingent liabilities of the government, including those potentially arising from private external indebtedness.
	2016	A rigorous and systematic analysis indicates that there is high probability that the member's public debt is sustainable in the medium term. Where the member's debt is assessed to be unsustainable ex ante, EA will only be made available where the financing being provided from sources other than the Fund restores debt sustainability with a high probability. Where the member's debt is considered sustainable but not with a high probability, EA would be justified if financing provided from sources other than the Fund, although it may not restore sustainability with high probability, improves debt sustainability and sufficiently enhances the safeguards for Fund resources. For purposes of this criterion, financing provided from sources other than the Fund may include, inter alia, financing obtained through any intended debt restructuring. This criterion applies only to public (domestic and external) debt. However, the analysis of such public debt sustainability will incorporate any potential contingent liabilities of the government, including those potentially arising from private external indebtedness.

EAC3	**2002**	The member has good prospects of regaining access to private capital markets within the time Fund resources would be outstanding, so that the Fund's financing would provide a bridge.
	2009	The member has prospects of gaining or regaining access to private capital markets within the timeframe when Fund resources are outstanding.
	2016	The member has prospects of gaining or regaining access to private capital markets within a timeframe and on a scale that would enable the member to meet its obligations falling due to the Fund.
EAC4	**2002**	The policy program of the member provides a reasonably strong prospect of success, including not only the member's adjustment plans but also its institutional and political capacity to deliver that adjustment.

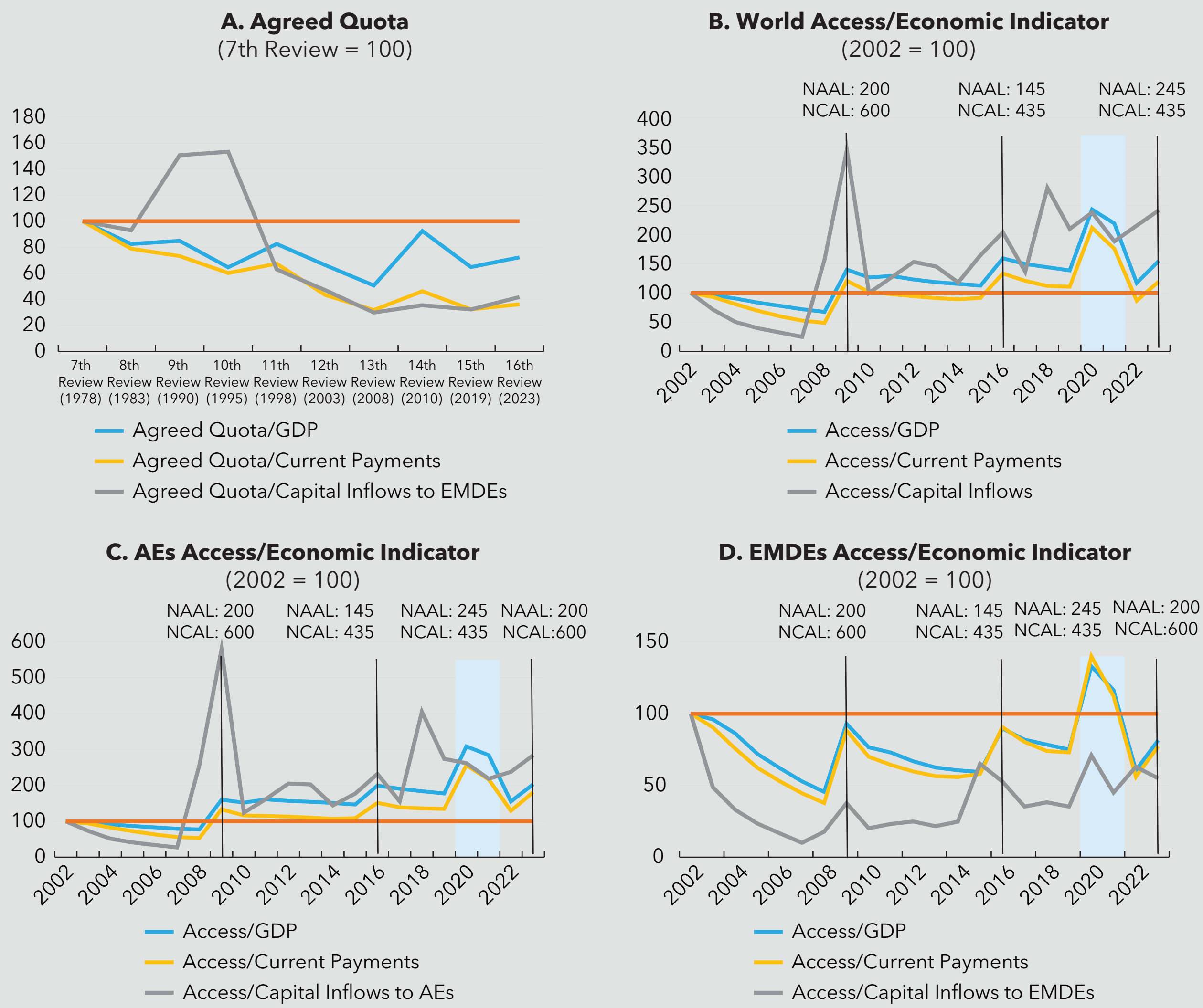
Sources: IMF (2002a; 2002b; 2004a; 2004b; 2009b; 2009c; 2016).

ANNEX 6

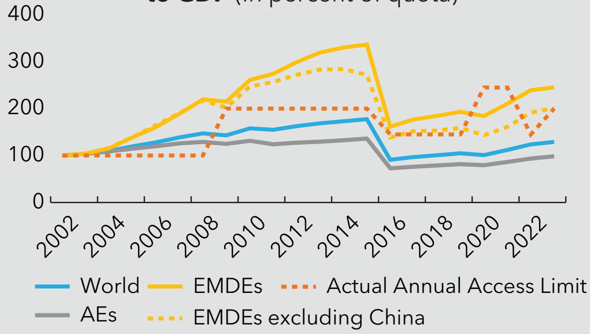
ACCESS LIMITS AND "EROSION" OF QUOTAS

This annex illustrates the trends outlined in Box 4 of the text access limits and erosion of quotas. It shows the trend decline in quota as a share of global GDP during 1978–2008, a brief reversion following the 14th General Review of Quotas, and then a resumption of the declining trend over the past decade or so. The data also show divergent trends in quota "erosion" (changes in quota relative to various metrics relevant for countries' financing needs) between advanced economies and emerging/developing economies. Erosion has been pronounced for emerging market developing economies (EMDEs), whose quotas relative to various indicators are lower now than they were in 2002.

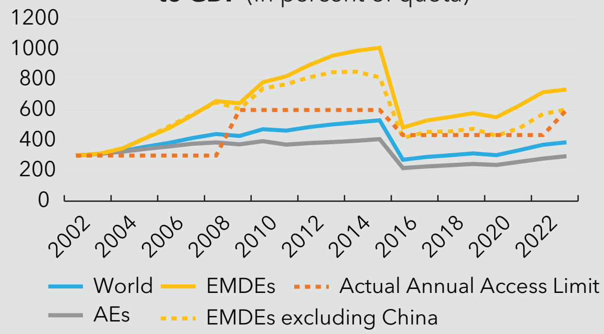
FIGURE A6.1. ACCESS LIMITS AND QUOTAS: INDICATORS



E. Annual Access Limit Maintaining 2002 Ratio to GDP (In percent of quota)



F. Cumulative Access Limit Maintaining 2002 Ratio to GDP (In percent of quota)



Sources: World Economic Outlook; International Financial Statistics; IMF (2021a); IEO calculations.
Note: AE = advanced economy; EMDE = emerging market and developing economy; GDP = Gross Domestic Product; NAAL = normal annual access limit (percent of quota); NCAL = normal cumulative access limit (percent of quota). The figures represent an aggregate approach; access limits and macroeconomic variables were analyzed as aggregates across country groups. The IEO staff further analyzed the results using a median approach, which showed broadly similar trends in access limit erosion. Annual and cumulative access limits have maintained the ratio of 1:3 except for the temporary increase in the annual limit from 145 percent of quota to 245 percent that lasted from mid-2020 until end-2021.
Under Article V, Section 3, purchases cannot cause the Fund's holdings of a member's currency to exceed 200 percent of quota. However, under Article V, Section 4, the Fund may waive these limits at its discretion taking into consideration, inter alia, the "exceptional requirements" of the member requesting the waiver. Once separate lending facilities were introduced, separate access limits were set for each facility.

ANNEX 7

SURCHARGES

Surcharges are additional charges to the basic rate of charge levied by the IMF on loan amounts that surpass certain threshold levels relative to a member country's quota.[1] Surcharges apply only to non-concessional resources from the IMF's General Resources Account (GRA). There exist two types of surcharges: level-based and time-based.

Surcharges were first introduced in 1997 with the establishment of the Supplemental Reserve Facility (SRF).[2] At the time, they applied to the SRF only and had a time-based structure. In 2000, level-based surcharges were introduced on purchases in the credit tranches and under extended arrangements starting at 200 percent of quota to discourage unduly high access.[3] The purpose of time- and level-based surcharges was to discourage, respectively, the prolonged or unduly large use of Fund resources.

In 2009, surcharges were streamlined and aligned across facilities to simplify the structure of charges and to eliminate sources of misalignment of terms across facilities. The new single level-based threshold was set at the previous upper step of 300 percent of quota and the surcharge rate was set at 200 basis points. At the same time, the time-based repurchase expectation policy was eliminated and replaced by applying time-based surcharges of an additional 100 basis points on credit outstanding above 300 percent of quota for more than 36 months under all GRA facilities, which was deemed more effective and transparent. The reform also eliminated the SRF.

Surcharges were further reviewed in 2016, once the Fourteenth General Review of Quotas became effective doubling members' quotas. In the February 2016 review, the threshold for the 200 basis point level–based surcharge was revised to 187.5 percent of quota. The review also extended the trigger for the time-based surcharge to 51 months in the case of credit outstanding under the EFF, while keeping it unchanged at 36 months under the credit tranches.

Presently, the level-based and time-based surcharges apply as follows. Level-based surcharges are imposed at a rate of 200 basis points for the portion of credit exceeding 300 percent of the member's quota, and time-based surcharges of 75 basis points are applied to credit that remains outstanding beyond 36 months for purchases in the credit

[1] The cost of borrowing from the GRA facilities includes the basic charge (based on the market-determined SDR interest rate—which has a minimum floor of 5 basis points—plus a margin established by the IMF Executive Board every two years), surcharges (level- and time-based), commitment fee (for the undisbursed portion of a loan), and service charge (a fixed charge on each amount drawn).

[2] Prior to 1981, when a flat rate of charge was introduced for all IMF credit financed with ordinary resources, the IMF operated a graduated structure of charges based on the level and duration of credit outstanding. Different rates of charge continued to apply on financing from borrowed resources until 1993 (IMF, 2018).

[3] At the time, the Executive Board also considered the thresholds of 300 percent (as per the NA limit) and a lower 100 percent threshold. A threshold in between—starting at 200 percent of quota and increasing after 300 percent of quota of credit outstanding—was adopted.

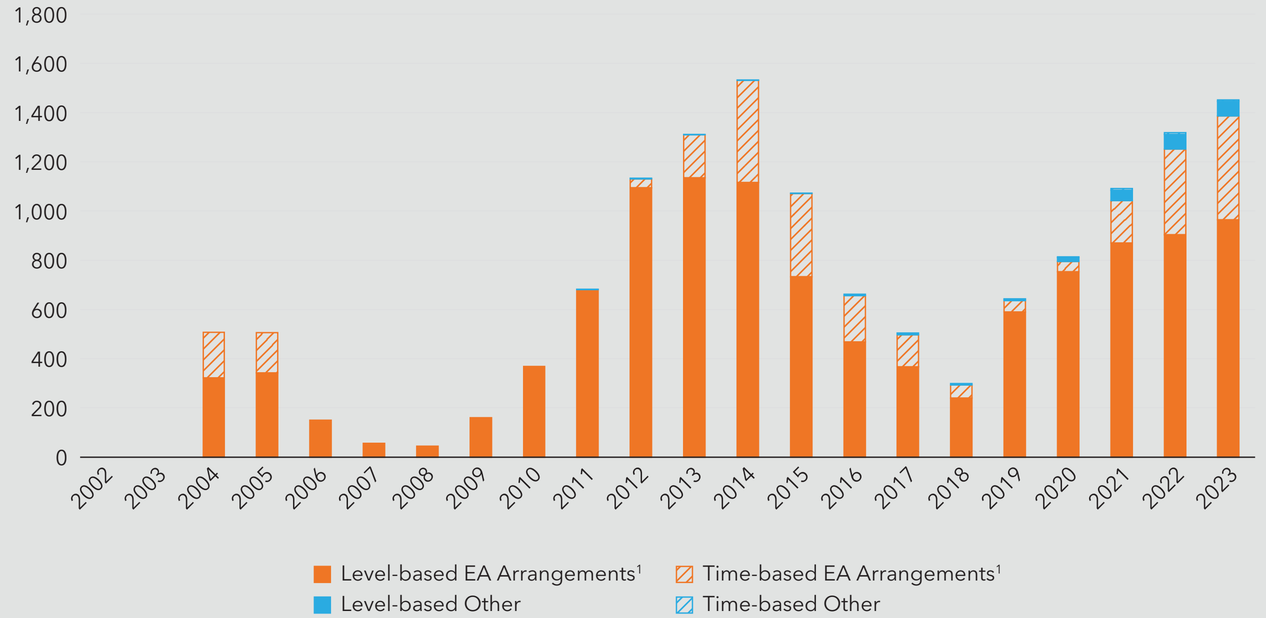
tranches, or beyond 51 months for purchases under the EFF.[4] The different time-based surcharge trigger for credit outstanding under the EFF aims to achieve alignment of the surcharges with the scheduled start of repurchases (54 months under extended arrangements) and the longer-term nature of the BOP needs specific to the EFF.

In terms of surcharges paid, the largest amounts were paid after the Global Financial Crisis and during the European sovereign debt crisis (Figure A7.1). Since their introduction, surcharges have generated SDR 14.3 billion for the Fund, of which SDR 11.6 billion is from level-based and SDR 2.7 billion from time-based surcharges (as of end-2023). The five largest payers have been Argentina, Greece, Portugal, Ukraine, and Ireland, which together account for SDR 8.1 billion (level-based) and SDR 2.0 billion (time-based). In 2023, surcharges generated SDR 1.5 billion, with the five largest payers being Argentina, Egypt, Ukraine, Ecuador, and Pakistan.

Although surcharges initially mainly aimed to discourage unduly long or large use of Fund resources, they have become an important source of the Fund's income. Surcharges have become inextricably tied to the Fund's income model and contribute to the IMF's precautionary balances.

FIGURE A7.1. EVOLUTION OF SURCHARGES PAID, 2002–23

(In SDR millions)



Sources: IMF Finance Department; IEO calculations.
Note: EA = Exceptional Access; SDR = Special Drawing Right.
[1]Members with at least one EA arrangement between 2002 and 2023.

[4] These charges became effective November 1, 2024, following the Fund's 2024 review of its charges and surcharges policy. Prior to this change and during the evaluation period, surcharges were higher, with the threshold for level-based surcharges at 187.5 percent of quota and the rate for time-based surcharges at 100 basis points.

ANNEX 8

ENTERPRISE RISK ASSESSMENT

This annex provides an overview of the enterprise risk implications arising from the evaluation's findings and recommendations. It broadly follows the templates for assessing enterprise risk provided by the IMF's Office of Risk Management (ORM). The annex outlines the risks the Exceptional Access Policy (EAP) has sought to address and its success in doing so. It also explores the risks that arise in the status quo, how the recommendations would address them, the risks associated with the recommendations, and the residual risks for the Fund.

RISK MITIGATION BY THE EAP

Objectives

The EAP seeks to allow the Fund to respond to members facing exceptional needs while addressing concerns with the previous, more ad hoc approach that raised several key risks for the Fund. The policy has four key objectives: (i) to shape members' and market expectations; (ii) to provide clearer benchmarks for Board decisions on program design and exceptional access (EA); (iii) to safeguard the Fund's resources by controlling the Fund's assumption of risk; and (iv) to help ensure uniformity of treatment of members. While not all of these objectives were explicitly formulated as risk mitigation objectives, they can be seen as responding to strategic, financial, reputational, and operational risks associated with the previous approach based on use of the exceptional circumstances (EC) clause. The EAP sought to mitigate these risks through its different elements comprising the four EAC, the enhanced decision-making procedures, and the ex post evaluations (EPEs). It was understood as seeking to provide greater safeguards to accompany the higher risks associated with higher access.

The EAP's design and application evolved during 2002–16, with implications for risk management. The amendment of the EAP to include precautionary balance of payments (BOP) needs as well as non-capital account crises since 2009 implicitly responded to strategic, business (including member engagement), and reputational risks by seeking to apply a consistent set of policies and procedures across the membership in EA programs.

Assessment

The EAP has helped mitigate some key risks by compelling the institution to pay due regard to a consistent set of criteria and procedures in considering EA cases. The evaluation revealed that the structured deliberation as a result of applying the EAP has provided a guardrail against the more discretionary and potentially inconsistent approach the Fund followed before.

However, issues with the design and implementation of the EAP have led to the policy falling short of the above objectives, which has raised several risks. The Fund has not undertaken a dedicated review of the EAP since 2004, instead adapting the policy on an ad hoc basis in response to country cases. The ad hoc adaptation of the policy in response to particular country or regional circumstances has given rise to perceptions of a lack of evenhandedness, raising reputational risks.

More broadly, the evaluation finds the EAP has had only mixed success in delivering on its objectives, suggesting only limited mitigation of the related strategic, financial, operational, and reputational risks. The EAC have not provided a substantively higher standard relative to NA programs (except for the criterion on debt sustainability) and have not significantly influenced program design. The evaluation also identified technical issues with the EAC. EA programs often have not succeeded in resolving members' BOP problems—and often have not catalyzed private sector financing as envisaged—evidenced in EA programs' rarely being accompanied by warranted debt restructuring and frequently being associated with successor programs or the repeated use of Fund resources. The repeated use of Fund resources in turn has resulted in a concentration of Fund exposure to a small group of countries, with implications for how the Fund interacts with these members (to avoid arrears), its financial position, and its technical credibility. These issues have contributed to raise related enterprise risks. Reputational risks have been further exacerbated by the perception of reverse engineering EAC assessments when pressures on staff and management to move forward were high.

While the EAP decision-making procedures and EPEs have mitigated risks relative to the pre-EAP practice, gaps in fulfilling the procedures and limited use made of EPEs have contributed to business, operational, and reputational risks. The enhanced procedures have tried to make the Board the locus of key EA decisions. The EPEs have sought to strengthen learning and accountability. These have been important moves for mitigating business, operational, and reputational risks. However, risks have arisen relating to: gaps in consultation with the Board ahead of staff level agreement and public communications of proposed access levels; and limitations in the timeliness, content, and procedures for the materials provided to the Board for the informal sessions and for the financial risk supplements. These issues may hinder the Board's decision-making and add to related risks. The limited use made of EPEs and the problems identified in their procedures give rise to business and reputational risks.

The Fund's Enterprise Risk Management Policy—approved in December 2022—plans to provide greater coverage of financial risk assessments in the EAP. It includes ORM providing an independent view of assessments in enterprise risk related to lending and conducting Risk Control Self Assessments on the end-to-end process of EAP. This coverage could alleviate business and strategic risks in the policy remaining relevant and continuing to meet membership needs.

RECOMMENDATIONS

Risk Mitigation

The IEO recommendations address several risks associated with the status quo:

- ***Recommendation 1*** addresses strategic and business risks making the policy more effective and better aligned with strategic objectives, and changing needs of the membership, as well as ensuring the EAP remains relevant. The possibility of using an EC clause would help mitigate strategic, business (member engagement), and reputational risks. Reviewing the EAP regularly will also help ensure the policy is applied in a uniform manner, alleviating reputational risk.
- ***Recommendation 2*** aims to better align EAP objectives with strategic risks by refocusing the assessment of prospects for program success around program design. It addresses strategic (membership), business (member engagement) and governance risks related to program design and ownership. It could also alleviate operational (process) and reputational risks by the clearer presentation of policy choices and trade-offs in staff reports.
- ***Recommendation 3*** aims to better align EAP objectives with strategic risks by clarifying how the EACs provide a higher standard for EA programs. It addresses financial risks by further safeguarding the Fund's resources and mitigates business risks related to the analytical accuracy of EAC3. The recommended measures to clarify and strengthen the criteria enhance the transparency and clarity of the EAP, addressing reputational and strategic risks.

- ***Recommendation 4*** strengthens the application of EAP procedures, potentially mitigating governance, business, and strategic risks related to the membership. Better leveraging EPEs and strengthening EAP procedures would provide further clarity and transparency in documents and program design, alleviating reputational risk, and allowing for improvement in Board decision-making. Improvements to the EAP procedures would also mitigate operational risk related to EAP procedures and process.
- ***Recommendation 5*** proposes a closer integration between the EAP with the ERM policy that would mitigate strategic and financial risks related to the Fund's lending mandate and safeguarding the Fund's resources, as well as operational risks in ensuring effective and improved policies.

Risks Associated with Recommendations

Implementing the IEO recommendations would require managing budget, human capital, and process risks. The EAP review(s) will require resources, even though its load may be lightened by the possibility that some of the recommendations could be handled within existing work streams. Regular reviews in the future, however, would reduce the burden on any particular review. The need to align the EAP with the ERM policy could be handled complementarily with the Fund's efforts to mainstream ERM but may involve additional resources and training. Clarifying the higher safeguards in the EACs relative to NA programs may increase incentives for optimistic forecasts and assessments. If the option of an EC clause is considered, associated enterprise risks will need to be managed carefully relating to evenhandedness, proliferation, adequate safeguards, and reputation. Disclosure of these risks to the Board would be important. Greater early engagement and sharing of preliminary information draws attention to the need to manage the risk of leaks of confidential information, which can have significant impacts.

RESIDUAL RISKS

The Fund will need to continue to find the right balance between rules and flexibility following the implementation of the IEO recommendations for the EAP. The Fund will continue to face reputational risks associated with its credibility and the uniformity of treatment of its members. There will always be a level of judgment involved in decisions related to EA programs, including judgments related to the EAC and any decisions to use the EC clause (if it is adopted). These judgments and decisions will carry strategic and reputational risks. The impact of potential leaks in sensitive information would remain significant in terms of reputational and strategic risk. The EAP's design and implementation also pose financial risks to the adequacy and liquidity of the Fund resources in being able to meet the needs of members and the Fund's own financial obligations. Strategic risks to the EAP's relevance will remain given the membership's needs will continuously change and the need to realign objectives with the circumstances of the membership.

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STATEMENT BY THE MANAGING DIRECTOR

ON THE INDEPENDENT EVALUATION OFFICE REPORT ON THE IMF'S EXCEPTIONAL ACCESS POLICY EXECUTIVE BOARD MEETING, DECEMBER 5, 2024

I welcome the report of the Independent Evaluation Office (IEO) on The IMF's Exceptional Access Policy (EAP). The report offers valuable analysis and recommendations that will inform the forthcoming Management Implementation Plan (MIP) and future work on the Fund's EAP. In preparing the MIP, staff will carefully consider how best to implement the Board-endorsed recommendations, drawing on the IEO's suggestions while ensuring synergies with existing workstreams and being mindful of resource constraints.

FINDINGS

The evaluation assesses the IMF's EAP from its inception in 2002 through mid-2023, the launch of the evaluation. Drawing on experience with 38 Exceptional Access (EA) arrangements during the evaluation period, the analysis spans the EAP's objectives and design, successive reforms, and experience with implementation. It notes that there has been one comprehensive review of the EAP, in 2004, although the policy was examined and modified in 2009, 2010, and 2016.

I welcome the report's acknowledgment that the Fund has sought to serve its members well by finding a good balance between rules and discretion, while reinforcing transparency and accountability. In effect, the EAP curtailed discretion and required a more deliberate and systematic consideration of key aspects of EA programs. The EAP allowed the Fund to move beyond its ad hoc approach to EA. Importantly, it provided a framework for higher scrutiny in EA cases, through substantive EA criteria (EACs) and procedural safeguards, with built-in flexibility through room for judgment in assessing whether the criteria were met.

In considering the experience of the EAP, I believe it is helpful to bear in mind how the global economic context has evolved since its inception. The EAP was conceived and launched during the Great Moderation—a period of rapid trade integration, strong global growth, low inflation, and generally accommodative financial conditions. When countries with imbalances faced shocks and had exceptional financing needs in this context, it was by and large reasonable to expect them to adjust quickly and exit from their crisis conditions.

Yet, large systemic shocks in the past two decades—the Global Financial Crisis, the European sovereign debt crisis, and more recently the COVID-19 pandemic, conflicts, and geoeconomic fragmentation, among others—have led to notable changes in the context.

Global growth prospects have steadily weakened, and policy buffers have eroded, making the world shock prone. Social strains have risen. Members have generally moved from the workhorse Stand-By Arrangement (SBA) to the Extended Fund Facility (EFF), as balance of payments needs are more protracted, and it is taking more time to resolve them.

These developments have posed a complex set of challenges for our members, including those with exceptional balance of payments needs. In my view, the EAP has provided a valuable operational framework for evaluating EA requests, with due flexibility to support members while preserving safeguards. The focus on debt sustainability, the Fund's catalytic role, and program ownership and capacity to deliver on commitments are fundamental. Yet, there is no one-size-fits-all solution that can work. We need a robust, yet nimble, framework to balance assisting members in heterogeneous and evolving conditions with appropriate safeguards. This is why I welcome this timely discussion on the EAP.

Below is my response to each of the five recommendations of the IEO report. In considering their merits, it is important to be mindful upfront of the resource implications of implementing each recommendation. For this reason, my response will target core issues with the greatest impact on the EAP framework. It is critical to leverage existing ongoing workstreams to provide advice and clarity on further operationalizing EAP where needed.

RECOMMENDATIONS

Recommendation 1. EAP Review: The Fund should conduct a dedicated review of the EAP and schedule subsequent reviews on a regular basis. EAP reviews should take due account of strategic considerations, including the adequacy of existing access limits and the balance between rules and flexibility within the policy.

I support this main recommendation with qualification.

Summary of possible specific steps identified by the IEO for future consideration at the MIP stage:

- *Regular reviews.* Regular, thorough, and inclusive reviews should be the main vehicle for making changes to the EAP. These reviews could take stock of how the policy is serving the Fund's objectives in a changing global environment and assess performance with respect to the policy's objectives, relevance, and effectiveness.
- *Adequacy of existing access limits.* EAP reviews should take due account of how effectively existing access limits serve members' BOP needs, the evolving circumstances and needs of the membership, and quota erosion.
- *Transparent use of flexibility.* The subsequent EAP review could consider if the use of the exceptional circumstances (EC) clause warrants any change to the policy.

I agree that a dedicated review of the EAP is needed to ensure that the policy remains fit for purpose in an evolving global context. Flexibility in timing and format are crucial, not least because a comprehensive EAP will come with notable resource requirements, given the unique characteristics of EA cases. A flexible and context-specific approach would facilitate more effective discussion and avoid the implication that technical adjustments can overcome substantial shortcomings. I also understand that the evaluation eschewed looking at PRGT and blend issues in depth, owing to ongoing PRGT and blend EA arrangements and the recent Review of the PRGT Facilities and Financing. However, there is clear benefit in applying a broader lens to the forthcoming recommended EAP review.

I have some reservations about the proposal to reintroduce an Exceptional Circumstances (EC) clause in cases where Exceptional Access Criteria (EAC) are not met. Although on the surface this would appear to be a reasonable compromise, it could risk stigmatizing programs where this is applied, working against market re-access and raise concerns about evenhandedness and transparency in our lending policies. Ringfencing of the EC clause to limit its use to rare, well-justified cases with adequate safeguards could prove challenging in practice and may not deliver better program performance. Further deliberation and careful consideration are warranted.

Recommendation 2. Program Design: The Fund should clarify the fundamental role of sound program design in providing higher safeguards in EA cases relative to NA. Program staff reports should provide justification for the policy choices and trade-offs embedded in program design and how they support reasonably strong prospects for program success, including the authorities' political and institutional capacity to implement the program. Related risks should be clearly disclosed to the Board.

I support this main recommendation with qualification.

Summary of possible specific steps identified by the IEO for future consideration at the MIP stage:

- *Justification of program design.* Program staff reports should clearly articulate the reasons for key policies chosen, how tradeoffs were treated, including the risks of not having an EA program, and the consistency of program design with reasonably strong prospects for program success and adequate safeguards. A clear disclosure of risks to the Board will be important in internal discussions.
- *Refocusing of EAC4.* An enhanced EAC4 focusing on the key elements that underlie a "reasonably strong" prospect of program success could be moved up in the list of criteria emphasizing the coherence of all program components and the interrelation of the different EACs.
- *Guidance on political and institutional capacity.* Staff should develop clearer guidance for assessing authorities' political and institutional capacity to deliver on the program and program ownership.
- *Program duration and phasing.* The duration, phasing and frontloading of programs needs to be calibrated to members' needs and the nature of the BOP problems.
- *Guidance on communications.* Integrating the elements above, and to protect the prospects of program success, the EAP could recognize the criticality of public communications in EA cases.

I strongly agree on the importance of effective program design. All Fund programs must adhere to Upper Credit Tranche (UCT) standards. The EAP involves stricter substantive (the EA criteria) and procedural requirements. The IMF's internal review process, Board engagements, and ex post evaluations provide varied and robust fora for discussing policy choices and tradeoffs in program design in a frank and confidential setting. Clear disclosure of risks to the Board is paramount in this regard.

The fundamental objective of the EAP is to provide enhanced safeguards in EA cases. To that end, requests for EA programs trigger the application of higher scrutiny to ensure countries meet EAC and procedural requirements, including Board consultation. However, the guidance on program design and conditionality for UCT-quality programs holds for both EA and NA programs resulting in a single, common UCT-quality standard across Fund-supported programs. I think that is appropriate rather than introducing differing standards or expectations. In that context, further clarifying the purpose of the EAP and the role of program design in EA and NA programs would be useful.

While I agree on the general need to consider specific program design elements and the merits of strengthening the EA criteria, we need to strike a careful balance between forcing additional rigor in assessment frameworks and preserving their practical applicability across heterogeneous situations—to adequately capture differing forms of institutional and political capacity and commitment.

I welcome ongoing staff efforts to develop clearer guidance for assessing political assurances in Fund arrangements. We should build on this work to also enhance our assessment of institutional capacity, especially where it leverages existing analysis and guidance in areas such as social spending. This could include the extensive related advice in the Operational Guidance Note on Program Design and Conditionality, to highlight special considerations in EA cases.

I welcome the suggestion to recognize the importance of communications in EA cases.

Recommendation 3. EACs: To address technical gaps in the EACs, facilitate better alignment with the policy's objectives, and enhance

evenhandedness the Fund should (i) increase the level of scrutiny for access decisions; (ii) clarify expectations when debt is in the "gray zone," revisit its terminology to strengthen signaling, and clarify the distinct roles of the different types of debt and creditors for debt sustainability; and (iii) develop consistent analytical guidance to assess market access prospects.

I support this main recommendation with qualification.

Summary of possible specific steps identified by the IEO for future consideration at the MIP stage:

- *EAC1.* Possible enhancements to staff reports include the following: greater scrutiny of access decisions for cases with debt in the gray zone to reflect how EA may affect the member's future BOP stability and its effects on catalytic financing and repurchase obligations; and a discussion of options for how the member could respond should financing needs turn out to be significantly greater or smaller than envisaged.

- *EAC2 and EAC3.* Measures to improve these criteria could include clarifying expectations that gray zone cases would return to sustainability with high probability by the end of the program in order to ensure adequate incentives for strong program design (and for restructuring where needed); revisiting the terminology and signaling of "debt sustainability with high probability;" and, for EAC3, developing more consistent forward-looking guidance to support assessments of market access prospects.

I agree that a review of the EAP should assess options to increase the effectiveness of EAC. However, the proposal to develop additional analytical frameworks for assessing forward-looking criteria EAC1–EAC3 should consider their usefulness and resource implications. Mechanical patches for complex issues could inadvertently provide a false sense of comfort that risks may not emerge (or, conversely, could introduce too many false alarms). Specifically, on EAC2, this relates to how well the analytical frameworks would be expected to perform in improving the balance of missed crises and false alarms. Our research suggests that frameworks perform better when supplemented by judgment, which would accordingly need to continue playing an important role.

I take note of the recommendation to clarify expectations surrounding the reversion of "gray zone" cases to debt sustainability with high probability. This issue was debated during the previous reform. Still, further reflection and review based on more recent data is useful as we do not want to increase the risk of inadvertently raising prospects of deeper debt restructurings and increased losses, in turn diminishing the prospects for fulfilling EAC3 and undermining the ability of the program to be successful.

Recommendation 4. EAP procedures and EPEs: The Fund should strengthen the application of the EAP's enhanced procedures, and adopt measures to better leverage EPEs for risk mitigation, accountability, and learning.

I support this main recommendation.

Summary of possible specific steps identified by the IEO for future consideration at the MIP stage:

- *Enhanced decision-making procedures.* Seeking to enhance the information provided to the Board while preserving management's room for maneuver and staff's flexibility in negotiations, and respecting authorities' prerogatives.

- *Ex post evaluations.* EPEs would benefit from more systematic follow-up by staff, fuller focus on their mandates, and greater attention by the Board to enhance their designated role and justify the resources devoted to them. Management and staff should ensure that EPE leaders and teams have adequate independence.

I strongly agree that there is merit in early and regular consultation with the Executive Board, as required by the EA procedures. Preserving flexibility on the format, timing, and content of these interactions is essential to safeguard confidentiality and avoid frontrunning negotiations with country authorities.

I agree with the recommendation to strengthen EPEs by implementation procedures that facilitate more systematic follow-up. More systematic follow-up could help strengthen the EAP, but it will be essential to maintain adaptability, particularly regarding which EPE recommendations can be implemented. I welcome the recommendation to strengthen transparency of the EPE process, including by having a roster of EPE leads and the formation of an interdepartmental review group.

Recommendation 5. Enterprise Risk Management (ERM): The Fund should establish greater coherence between the EAP and the IMF's ERM policy. It should seek to ensure a common institutional understanding of how the EAP serves to mitigate enterprise risks consistently with the Fund's risk tolerance in lending.

I support this main recommendation.

Summary of possible specific steps identified by the IEO for future consideration at the MIP stage:

- *Consistency.* EAP provisions should be consistent with the Fund's ERM and, conversely, the ERM policy should take account of the risks associated with EA and their mitigation by the EAP.
- *Risk analysis in program documents.* EA program proposals should build on recent progress to enhance the presentation of enterprise risks in EA program cases.
- *Office of Risk Management (ORM).* From a risk management perspective, as ORM develops its capacity over time, it could be given greater responsibility for the supplements as the second line of defense.

I concur with the need to ensure coherence between the EAP and ERM, and recognize the importance of timely risk disclosures to the Executive Board and continued progress to enhance risk analysis in program documents. Given the need for granular information, primary responsibility would remain with area departments, in close consultation with review departments, including ORM. ORM's focus is on strengthening the enterprise risk framework, tools, and exercising its challenge in the review process. I see value in further leveraging Enterprise Risk Assessment as a disclosure and accountability mechanism for risk tolerance, with a view to more systematically and as needed confidentially informing the Board about the risks in EA programs.

AREA OF RECOMMENDATION	POSITION
1. Exceptional Access Policy Review	Qualified Support
2. Program design in Exceptional Access Cases	Qualified Support
3. Exceptional Access Criteria	Qualified Support
4. Exceptional Access Policy procedures and Ex Post Evaluations	Support
5. Enterprise Risk Management	Support

THE CHAIR'S SUMMING UP

INDEPENDENT EVALUATION OFFICE—THE IMF'S EXCEPTIONAL ACCESS POLICY
EXECUTIVE BOARD MEETING 24/112
DECEMBER 5, 2024

Executive Directors welcomed the report of the Independent Evaluation Office (IEO) on the IMF's Exceptional Access Policy (EAP), encompassing the policy's objectives and design, successive reforms, and experience with its implementation. They recognized that the Fund has sought to find a generally good balance between rules and flexibility in applying the EAP, while reinforcing transparency and accountability and adopting adequate safeguards. Directors generally concurred with the thrust of the evaluation that the EAP provided a structured framework for higher scrutiny through the exceptional access criteria (EAC) and enhanced decision-making procedures, while maintaining flexibility through room for judgment in assessing the EAC. A few Directors pointed to similar completion and compliance rates as in Normal Access (NA) programs despite more challenging initial conditions in EA programs as evidence of the gains from the EAP. Directors also concurred that the policy provided a vehicle for learning lessons and enhancing accountability through the ex-post evaluations (EPEs). Ultimately, Directors generally considered that, in the context of the large systemic shocks of the past two decades, the EAP served to provide a valuable framework for handling exceptional access (EA) requests in a structured manner.

At the same time, most Directors shared the evaluation's concern that the safeguards for IMF lending have not been as substantially enhanced as envisaged by the policy. They also highlighted the importance of transparency, consistency, and perceptions of evenhandedness. These Directors pointed to cases of repeated use of Fund resources and continued debt vulnerabilities as evidence of gaps in the design and application of the EAC related to the size of the balance of payments needs, debt sustainability, prospects for market access, and reasonably strong prospects for program success. Many Directors also generally noted that exceptional access programs had been perceived to have an optimism bias, had had relatively weak catalytic impact, and had been relatively rarely accompanied by debt operations. Directors welcomed the Managing Director's broad support for the IEO's recommendations, while noting the qualifications. They generally agreed on the importance of evaluating resource implications of the proposals and seeking synergies with existing workstreams.

Directors agreed with Recommendation 1 to conduct a dedicated review of the EAP. A few directors emphasized that this review should not discard upfront any of the recommendations of the IEO. Directors also agreed that subsequent reviews should be scheduled on a regular basis to ensure the policy remains fit for purpose in an evolving global context. They generally agreed that the reviews should take due account of strategic considerations, including access limits and the balance between rules and flexibility within the policy. Directors also noted the benefits of including PRGT exceptional access and high combined PRGT and GRA credit exposure cases in the review's scope. They emphasized the need for flexibility in the timing and format of reviews, especially given the likely resource intensiveness of the next comprehensive review. They looked forward to additional discussion on how best to fit the next review in the Board's work program. Most Directors were open to careful consideration in the next EAP review of the possibility to reintroduce an Exceptional Circumstances (EC) clause for rare and well-justified cases when strategic or political considerations may call for decisions on EA program that fail to meet the EAC. At the same time, many Directors expressed reservations about this proposal. They stressed the need to take into account risks that the EC could stigmatize programs where applied and raised concerns about evenhandedness and transparency in the Fund's lending policies.

Directors broadly agreed with Recommendation 2 to clarify the fundamental role of sound program design in providing higher safeguards in EA cases relative to NA programs. Directors strongly agreed on the importance of sound program design and strengthening justification for policy choices and trade-offs. In that regard, they saw merit in the evaluation's recommendation to strengthen the justification of program design and its consistency with reasonably strong prospects of program success (EAC4) and adequate safeguards in EA cases. They emphasized that all EA and NA programs should remain subject to a single, common Upper Credit Tranche quality standard. Directors also generally agreed that additional rigor in assessments should not come at the expense of practical applicability across heterogeneous situations, given differing forms of institutional and political capacity and commitment. Directors agreed to build on ongoing staff efforts to provide clearer guidance for assessing political assurances in the run up to elections for Fund-supported programs in order to enhance the assessment of institutional capacity, including leveraging advice in the Operational Guidance Note on Program Design and Conditionality. Directors agreed on the importance of disclosing risks to the Board and of guidance on public communications in EA cases.

Directors generally agreed with Recommendation 3 to address technical gaps in the EAC to facilitate better alignment with the EAP's objectives and further ensure evenhandedness. They agreed that a review of the EAP should assess options to increase the effectiveness of the EAC. Directors broadly supported the IEO's recommendation to increase the level of scrutiny of access decisions (EAC1) for cases with debt in the gray zone—when debt is sustainable but not with high probability. Most Directors also agreed on the need to clarify expectations when debt is in the gray zone, revisit its terminology to strengthen signaling, and clarify the distinct roles of different types of debt and creditors (EAC2). However, some Directors also called for thorough reflection to assess whether tightening EAC2 could raise the prospects of deeper debt restructurings, in turn diminishing prospects for fulfilling EAC3. Directors generally concurred that more consistent forward-looking guidance should be developed to support assessments of market access prospects (EAC3). At the same time, some Directors cautioned on the need to consider the usefulness and resource implications of developing additional analytical frameworks to achieve these aims, given the inherent limitations of any framework that seeks to reliably gauge market access prospects and the role of judgment in Fund lending decisions.

Directors supported Recommendation 4 to strengthen the application of the EAP's enhanced procedures and adopt measures to better leverage EPEs for risk mitigation, accountability, and learning. Enhanced procedures include early and regular informal consultation with Directors, while preserving management and staff's flexibility in program discussions and respecting authorities' prerogatives. Directors agreed to strengthen EPEs by implementing procedures that facilitate more systematic follow up while enhancing transparency of the process and ensuring adequate independence of EPE leaders and teams, including by having a roster of EPE leads and the formation of an interdepartmental review group.

Directors concurred with Recommendation 5 that the Fund should establish greater coherence between the EAP and the Fund's Enterprise Risk Management (ERM) framework, ensuring common institutional understanding of how the EAP mitigates enterprise risks consistently with the Fund's risk tolerance in lending. Directors recognized the importance of timely risk disclosures to the Board and continued progress to enhance risk analysis in program documents, including further leveraging recently introduced Enterprise Risk Assessments. Mindful that primary responsibility remains with area departments in close consultation with review departments, a number of Directors considered that the Office of Risk Management could gradually be given greater responsibility over financial risk supplements in EA program documents.

In line with established practice, Management and staff will give careful consideration to today's discussion in formulating the Management Implementation Plan for Board-endorsed recommendations, drawing on the IEO's suggestions while ensuring synergies with the existing workstreams and being mindful of resource constraints. Some Directors called for the MIP to articulate which recommendations can be taken up immediately and which need to be included as part of a comprehensive EAP review.

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