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# 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application has fallen short of what the EAP envisioned.** In addition, some of the EAP's expectations themselves seem outdated.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.