

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 drawn 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.