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The IMF’s Exceptional Access Policy: Rationale and Evolution

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Contents Page

Abbreviations ____ iv

Executive Summary ____ v

I. Introduction ____ 1

II. Origins of the Exceptional Access Policy ____ 1

III. Rationale and Design ____ 10
A. Rationale ____ 10
B. Design ____ 11

IV. Evolution ____ 17
A. Exceptional Access Policy, 2003–05 ____ 17
B. Exceptional Access Policy, 2009: Extensions of Coverage ____ 21
C. Exceptional Access Policy, 2010: The Systemic Exemption ____ 24
D. Exceptional Access Policy, 2016: Removal of Systemic Exemption, Introduction of "Gray Zone," and Further Clarifications ____ 25
E. Related Fund Policies ____ 26

V. Conclusions ____ 29

Boxes
1. Access Limits and "Erosion" of Quotas ____ 3
2. Changes in Selected IMF Policies and Procedures, 1977–97 ____ 4
3. Moral Hazard Associated with IMF Programs: A Skeptical View ____ 7
4. Key Elements of the Exceptional Access Policy, 2002–03 ____ 12
5. Surcharges ____ 15
6. PRGT Facilities: Exceptional Access Policy ____ 23
7. Exceptional Access Criteria, 2010: The Systemic Exemption ____ 24
8. The Exceptional Access Policy and Enterprise Risk Management ____ 28

Annexes
I. Access Limits and Erosion of Quotas ____ 33
II. Exceptional Access Criteria: GRA and PRGT; Policy Safeguards for High Combined Credit (GRA and PRGT)—A Comparison ____ 34

References ____ 37

ABBREVIATIONS

BOP	Balance of Payments
EA	Exceptional Access
EAC	Exceptional Access Criteria
EAP	Exceptional Access Policy
EC	Exceptional Circumstances
EFF	Extended Fund Facility
EPE	Ex Post Evaluation
ERM	Enterprise Risk Management
GAB	General Arrangements to Borrow
GRA	General Resources Account
NAB	New Arrangements to Borrow
PLL	Precautionary Liquidity Line
PRGT	Poverty Reduction and Growth Trust
PS-HCC	Policy Safeguards for High Combined Credit
PSI	Private Sector Involvement
SBA	Stand-By Arrangement
SDR	Special Drawing Right
SDRM	Sovereign Debt Restructuring Mechanism

EXECUTIVE SUMMARY

This paper examines the rationale and evolution of the IMF's Exceptional Access Policy (EAP) for access to resources from the General Resources Account (GRA). Exceptional access (EA) refers to access above members' normal annual and cumulative access limits to Fund resources. The IMF adopted the EAP in September 2002 to respond to the needs of members facing capital account crises.

At the time of the adoption of the policy, the balance of payments (BOP) needs of some members arising from unprecedented large capital outflows far exceeded normal access limits. Especially among emerging economy cases, this was attributable to lags in revisions to the quota formula and quota erosion, notwithstanding occasional increases. With access limits determined mainly by the Fund's available resources, from an individual member's perspective they could have seemed arbitrary relative to BOP needs.

Prior to the adoption of the policy, the Fund met members' needs for EA by invoking the exceptional circumstances (EC) clause. Ad hoc use of this clause led, however, to concerns about uniformity of treatment, expectations by markets and others about Fund support, risks to the revolving nature of Fund resources, and the need for appropriate internal procedures, particularly as related to Board decision-making.

The objective of the EAP was to enable the Fund to assist members facing exceptional actual BOP needs while providing adequate safeguards and addressing concerns associated with ad hoc use of the EC clause. The policy entailed four criteria, which were intended to establish a higher burden of proof in program-related documents. In February 2003, modifications established enhanced procedures for Board decision-making and the requirement for an ex post evaluation to be conducted after each EA program by staff who had not worked on the program. Initially, EAP was applicable only to EA lending for capital-account-related crises. At the time, the Board acknowledged that for other types of crises, the criteria may not be able to be met. Once the EAP was adopted, the IMF invoked the EC clause during 2002–09 only for EA lending for current account cases and a few capital account cases in which not all exceptional access criteria (EAC) were met.

While the Fund has modified elements of the EAP on several occasions, it has not conducted a dedicated review of the EAP since 2004. At that time, it was envisaged the EAP would be reviewed concurrently with reviews of access limits policy. Subsequently, the Fund modified aspects of the EAP in 2009, 2010, and 2016, but it did not review the policy as a whole, including with regard to the EAP's relevance, consistency with its original objectives, coherence with other IMF policies, and effectiveness.

In 2009, the EAP was modified to cover EA for both capital and non-capital account crises and for both actual and potential BOP needs. With this 2009 modification, the EAP effectively overtook the EC clause as the means for the Fund to approve EA lending. The 2009 modifications

were not accompanied by a change in the EAC to reflect the distinction between capital and non-capital-account crises. The EAP therefore applied beyond short-term, large liquidity shocks also to financing needs driven by deeper structural problems.

Once the EAP could be applied to all types of crises, the criteria were required to be met in order for the Fund to proceed in any case of EA. This requirement effectively closed down the ability to rely on the EC clause in the event the criteria were not met but the Fund considered it desirable nonetheless to proceed with EA. Several stakeholders in the context of this evaluation expressed concerns that actual or even perceived pressure on staff to show that the EAC were met can damage the Fund's credibility and legitimacy.

Key adjustments to the EAP in 2010 and 2016 concerned the ability of the Fund to provide EA even if debt sustainability could not be established with high probability. In 2010, a "systemic exemption" was introduced in the context of the Greece SBA to allow EA to proceed even if debt was not sustainable with high probability as per the original established criterion, provided there were high risks of systemic contagion. In 2016, this exemption was removed, while other conditions were introduced to make EA possible even if debt sustainability was not at this threshold.

The paper also discusses other selected related IMF policies that have a bearing on the EAP, including access limits, the conditionality guidelines, financing assurances, lending into arrears, surcharges, and enterprise risk management (ERM). On the latter, it finds that while the rationale and design of the EAP included elements of risk management, these were not articulated in terms that are consistent with the Fund's ERM policy adopted in 2022. Conversely, the enterprise risk policy does not articulate how application of the EAP affects risk mitigation and the level of residual risks associated with EA programs.

I. Introduction

1. **This paper has been prepared in support of the 2024 IEO evaluation on The IMF's Exceptional Access Policy (EAP)**.[1] The IMF adopted the EAP in 2002 as a framework to guide its lending under the General Resources Account (GRA) in cases where the size of a member's access to Fund resources exceeded the Fund's normal annual or cumulative access limits. Initially applicable only to capital account-related crises, since 2009 the framework has also applied to non-capital account related crises.

2. **The paper discusses the rationale and evolution of the EAP from its adoption in 2002 through its subsequent modifications during the 2002–23 evaluation period**. It discusses the objectives of the EAP, the problems the EAP intended to address, and how and why the policy was modified over time. In doing so, it explains how the Fund's experience in helping member countries deal with crises informed the evolution of the policy. The paper is descriptive and does not evaluate the implementation of the policy, which is done in the other background papers and main report prepared for this evaluation. The paper discusses, but does not evaluate, other relevant IMF policies that have a bearing on the EAP as well as the separate EAP adopted in 2009 relating to the Poverty Reduction and Growth Trust (PRGT) and the High Combined Credit (PS-HCC) policy for GRA-PRGT blends applicable since 2020.

3. **The paper is organized as follows**. Section II discusses the origins of the policy; Section III the rationale and design of the EAP as approved in 2002; Section IV the evolution of the policy from 2003 through 2016 (its most recent revision); and Section V the key conclusions. The paper draws on desk reviews of internal and external documents; interviews with current and former IMF staff, Management, and Executive Directors, and external stakeholders; and relevant prior IEO evaluations, including *The IMF and Recent Capital Account Crises: Indonesia, Korea, and Brazil* (2003) and *The IMF and the Crises in Greece, Ireland, and Portugal* (2016).

II. Origins of the Exceptional Access Policy

4. **Access limits on members' use of Fund resources play a central role in the IMF's lending framework**. The IMF's Articles of Agreement ("the Articles") set limits on members' access to IMF lending expressed as a percent of members' quota in the Fund.[2] Access limits allow the Fund to assist members facing balance of payments (BOP) needs while paying attention to risk management by providing a safeguard to preserve the revolving nature of Fund resources and supporting the catalytic role of Fund financing. Normal annual and cumulative access limits

[1] The authors gratefully acknowledge the contributions of Kelsie Gentle, Carmen Rollins, and Sandra Saveikyte to the paper.

[2] Under Article V, Section 3 a member's purchases cannot cause the Fund's holdings of the member's currency to exceed 200 percent of quota. However, under the Fund's conditionality guidelines, 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.

are defined as a percent of members' quota. As of late 2024, these limits stood at 200 percent and 600 percent, respectively, having been temporarily raised from 145 percent and 435 percent, respectively, in early 2023. While overall access limits are not hard caps on the amount of financing a member can obtain, they act as a threshold for triggering the EAP that subjects financing requests to additional policy and procedural requirements.

5. **It has been generally recognized both inside and outside the IMF that, over time, adjustments in quotas have not always kept pace with changes in the global economy, which has resulted in periods of so-called "quota erosion."** Through the early 2000s, quotas trended down ("eroded") as a share of GDP and other metrics, reflecting declines for a number of mainly emerging and developing economies (EMDEs) (see Box 1). Further, for countries with very small quotas, their quota levels may unduly constrain the size of their access limits in nominal terms. While periodic IMF general quota reviews and reviews of access limits have temporarily alleviated this erosion, it has however continued over time. For example, access limits as a percent of quota were increased in the 1970s and 1980s to compensate for the decline in quotas relative to world trade, so that in nominal terms they grew in line with world imports. Access limits were stabilized relative to quotas in the late 1980s and reduced in the 1990s (Boughton, 2001). Access limits were then adjusted in the subsequent period in an effort to stem the effects of erosion. Nevertheless, members' BOP needs in nominal terms at times substantially exceeded their normal access limits.

6. **In order to play its role in the international monetary system to support affected countries in times of need subject to adequate safeguards, over time the Fund adopted changes to relevant policies and procedures including the exceptional circumstances clause**. In 1976, the Interim Committee agreed on the "possibility of further assistance [above established access limits] in exceptional circumstances" until anticipated increases in quota went into effect (IMF, 1976). From the late 1970s, the Fund adapted other aspects of its lending framework in a similar direction (Box 2). In 1979, the IMF established the Supplementary Financing Facility (SFF) to augment financing provided to a member under an existing Fund arrangement. It permitted access to exceed normal limits relative to quota in "special circumstances," establishing what would later become the "exceptional circumstances" clause (EC clause) in the lending framework. The EC clause allowed the Fund to approve the use of Fund resources by a member in excess of normal access limits provided that the Executive Board determined that the member faced exceptional circumstances (Boughton, 2001).[3] The clause was rarely invoked until the mid-1990s.

[3] This 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 was agreed by Directors in 1983 and was clarified in early 1984 to read "The Fund may approve stand-by or extended arrangements that provide for amounts in excess of these access limits in exceptional circumstances" (IMF, 1984).

Box 1. Access Limits and "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, 2020b), 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, 2020b). 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, 2023b). 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 EMDEs (Annex I, Figure 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 I, Figure 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' balance of payments (BOP) needs can exceed the NA limits 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 I, Figure 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; 2020b; 2021; 2023b); 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, IEO (2022) discussed how the very low quotas of such members constrain the size of their NA limits in nominal terms.

7. **In the 1990s, increasing integration of global financial markets exposed members to crises caused by large and rapid reversals of capital flows that generated large BOP needs, which were met by invoking the EC clause**. The Fund provided exceptional access several times during 1995–2002, starting with Mexico (1995). As contagion spread across emerging economies, the IMF approved EA programs on ten further occasions through 2002.[4] It did so by invoking the EC clause and, in some cases after 1997, in conjunction with the Supplemental Reserve Facility (SRF) (which had no limit on access).

Box 2. Changes in Selected IMF Policies and Procedures, 1977–97

In 1977, the Fund adopted 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 4 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. 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 also provided for access above normal limits in "special circumstances," which established what would become the exceptional circumstances clause in 1983. The SFF was ended in 1984.

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. The policy was discontinued in 1992 (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 limits in "exceptional circumstances." It did not prescribe a definition of such circumstances but rather left this determination to the Board's discretion on a case-by-case basis. In 1984, the Fund made some further clarifications to the clause.

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) (IMF, 1997). 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.

[4] Indonesia, Korea, Thailand (all 1997); Brazil, Russia (both 1998); Argentina, Brazil, Turkey (all 2001); Türkiye, Uruguay (both 2002).

8. **Like all Fund lending, EA lending needed to conform with the purposes of the Fund, be temporary in character, and help to resolve rather than delay the resolution of the member's BOP problems**. Under the Fund's conditionality guidelines, higher access must be accompanied by greater assurance from the member regarding the temporary nature of the use of Fund resources. The Fund's conditionality guidelines have long followed this principle, most recently codified 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."[5] It also needed to adhere to Article VI, which provides that a member may not use the Fund's general resources to meet a large or sustained outflow of capital.[6] With capital flow shocks increasingly playing a central role in IMF-supported programs, the restrictions in Article VI did not prevent the Fund from financing BOP difficulties associated with the capital account, only from financing "large or sustained" capital outflows. Neither the Articles nor the Fund defined the concepts of "large" or "sustained." Rather, the Fund recognized that the application of the limitation required judgement based on the circumstances of the case and other factors.

9. **In practice, Fund interviewees and internal documentation saw the Fund's judgments in the context of Article VI as having been focused on ensuring the use of Fund resources was consistent with the purposes of Fund financing to help members overcome BOP problems and regain medium-term external viability**. Program design was seen as key for achieving these purposes. Fund financing in capital account crises was intended to help stem outflows, catalyze inflows, maintain adequate reserves, and—together with strong policy adjustment—contribute to restore market confidence. If the design of a member's program was judged to be sufficiently strong to restore confidence and external viability, then the approval of Fund financing was seen as not giving rise to a large or sustained outflow in the context of Article VI. Conversely, if a program was not strong enough to address the member's BOP problems, the Fund would not approve a program or review.

10. **The size and nature of capital flow shocks also posed special challenges for affected members and the Fund**.[7] The Fund recognized the need for more private sector involvement in financing members' BOP gaps in the face of crises and its role in catalyzing that involvement.

[5] IMF (2024), paragraph 26. The Fund is also allowed to seek additional assurances by requiring the member to provide collateral. The Fund has preferred not to do so, however, in part because seeking collateral could go against the catalytic role of Fund financing.

[6] According to Article VI, Section 1(a), "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" (IMF, 2020). This prohibition against using Fund resources to finance large or sustained outflows 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 related to current transactions such as those required in the ordinary course of trade, banking, and other business). Per the Articles, members are permitted to make reserve tranche payments to meet capital transfers.

[7] 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.

Macroeconomic outcomes in such crises depended critically on private investors' confidence in the member's stability. Official financing together with policy adjustment could have a strong catalytic effect on confidence and, therefore, on restoring private capital inflows. To be effective, the size and timing of financing and adjustment needed to be such as to convince private investors of a credible path to the restoration of stability.

11. **These factors raised important considerations of program size and design**. Program design, as noted, is central in the assurances needed for Fund lending to proceed. Related considerations included phasing (frontloading disbursements to address the immediate confidence crisis), strength of policies (to restore stability), current account adjustment (to contain the abrupt impact of capital outflows), and private sector involvement (be it catalytic or, in some instances, concerted). The tradeoff between official financing and external adjustment in such cases was somewhat different from that in more traditional IMF-supported programs. While the more traditional programs entailed a relatively smooth financing adjustment trade-off, in "confidence crises" size and speed were essential: a key objective was to address the loss of confidence and catalyze private capital flows relatively quickly.[8]

12. **The increased frequency of EA programs raised concerns inside and outside of the Fund about moral hazard.** The Fund recognized that large-scale financial assistance to troubled debtors, and mechanisms for debt relief, had the potential to create moral hazard for borrowing members. Conditionality was seen as the best safeguard against such moral hazard. More serious were concerns about moral hazard regarding private creditors, who—if they expected the borrowing country to bail them out in the event of a crisis by securing access to Fund resources—may be induced to extend more risky credit than was prudent or optimal for the borrower.

13. **Competing views inside and outside the Fund emerged about the relative costs of moral hazard versus EA**. One view held that the benefits of EA for crisis-affected members and for the international monetary system outweighed the costs of moral hazard.[9] Another view held that the costs of moral hazard outweighed the benefits of EA, which suggested a need to constrain members' access to Fund resources.[10] The Fund maintained constructive ambiguity as to the amounts and speed with which assistance would be available to minimize moral hazard (IMF, 1996). In 1998, then-Managing Director Camdessus pushed back against the notion that IMF EA programs exacerbated moral hazard (see Box 3) and a number of Directors concurred with this view at the time.

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[8] The 18-month Mexico (1995) SBA, for example, provided Fund support in the amount of nearly US$18 billion (688 percent of quota, the largest arrangement as of then). While the arrangement was subject to four reviews, disbursements were frontloaded with nearly US$8 billion (SDR 5.3 billion, 300 percent of quota) available outright upon SBA approval.

[9] For example, see Fischer (2002).

[10] For example, Haldane and Kruger (2001). Earlier, writing about the Asian crisis, Milton Friedman (1999) stated, "The IMF has been a destabilizing factor in East Asia, not so much because of the conditions it imposed … as by sheltering private institutions from the consequences of unwise investments."

Box 3. Moral Hazard Associated with IMF Programs: A Skeptical View

"First of all, the notion that the availability of IMF programs encourages countries to behave recklessly is not very plausible: no country would deliberately court such a crisis even if it thought international assistance would be forthcoming. The economic, financial, social, and political pain is simply too great. Nor do countries show any great desire to enter IMF programs unless they absolutely have to."

"Second, despite the constant talk of bailouts, most investors are taking heavy losses in the crisis.... In my view, the global interest lies in containing and overcoming [these crises] as quickly as possible. And working through the IMF offers the most expeditious and cost-effective way of doing this."

Source: IMF (1998).

14. **By 1998, the Fund also had resumed its focus on the need for more private sector involvement (PSI) in financing the gap and facilitating orderly debt workouts.** It recognized there was no clear way to ensure that private creditors would participate fully in the resolution of financial crises, and that improvements in this area were likely to be "evolutionary rather than revolutionary." But in those areas where consensus could be achieved and progress seemed possible, the Fund sought to move forward expeditiously and pragmatically to develop and implement workable options in areas of its purview. Attempts to strengthen PSI were agreed in 2000 through the Prague Framework.[11]

15. **However, Fund's efforts during 1995–2002 to establish an international debt adjustment mechanism and a sovereign debt restructuring mechanism (SDRM) were unsuccessful.** The membership was generally negative about proposals for a formal international debt adjustment mechanism.[12] Directors' concerns included that if such a mechanism were seen as making it easier for troubled debtors to restructure their debts, international capital markets might raise the cost of capital for a whole range of developing country borrowers. By end-1998, Directors did not believe there was need for more architecture, such as an International Bankruptcy Court or a new International Capital Guarantee Agency, to be added to the system. While the EAP was under consideration, discussions were in train on a proposal to establish an SDRM. Ultimately, however, this proposal too did not garner sufficient support. A key concern of

[11] The Prague Framework for crisis resolution 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 Prague Framework, decisions regarding burden sharing with the private sector would be left to the discretion of IMF management and the Board. The framework called for restructuring debt through "voluntary approaches to overcome creditor coordination problems" or "a broader spectrum of actions by private creditors," but it gave no direction on procedures for doing so (Schadler, 2013).

[12] Such a mechanism would have established a statutory facility and procedures for the orderly and comprehensive adjustment of a member's external liabilities.

Directors was the Fund's role at the heart of the SDRM and the possible interference with private creditors' contractual rights.[13]

16. **Given the experience of the 1990s, in considering how to proceed the Fund anticipated growing risks to its ability to respond to multiple simultaneous financial crises.** While IMF surveillance was important for forestalling crises, the Fund recognized the possibility that increasingly severe and frequent capital account crises could arise simultaneously (as in fact turned out to be the case subsequently). The Fund would need to have a considered way of responding in such situations.

17. **Among the alternative approaches the Fund discussed at the time for increasing countries' access to Fund resources were a general increase in access limits as well as an increase in quotas.** An across-the-board increase in access limits was seen as too broad, however, given that large needs were likely to be concentrated among a few members. Also, the limited availability of Fund resources would have limited the size of any increase in access. The New Arrangements to Borrow (NAB) and the General Arrangements to Borrow (GAB) were seen as avenues for boosting the Fund's lending capacity.[14] They provided a useful degree of flexibility, especially when the Fund's liquidity was under strain. But the GAB and NAB were deemed by the Fund to be applicable for specific purposes involving threats to the international monetary system, entailed (potentially lengthy) consultation and approval requirements, involved a higher cost of borrowing (in the case of the NAB) than the cost of using the Fund's quota resources, and—given they relied on a relatively small group of members—raised fundamental issues about the cooperative nature and governance of the IMF. The notion of the Fund-raising resources by borrowing from private markets was generally not favored because of concerns about inconsistency with the cooperative nature of the institution, uncertain availability in times of greatest need, and potential cost (IMF, 2002b).

[13] In 2002, the Executive Board also discussed the use of collective action clauses (CACs) in sovereign bond contracts as one pillar of a possible Fund approach to questions surrounding debt restructuring in the context of the use of Fund resources. Under CACs, an agreement on a restructuring by a supermajority of bondholders would become legally binding on all holders of the bond, preventing hold-out investors from stopping the restructuring. The Board encouraged the use of CACs and felt the Fund should encourage their use in multilateral and bilateral surveillance and monitor their use in new bond issuances and in the outstanding debt stock. Although there was some support for a presumption that members seeking access to Fund resources would include CACs in their bonds, the Fund was disinclined to condition access on the use of CACs.

[14] The NAB was created in 1995 in response to the Mexico crisis. The GAB was created by G10 members in 1962 and terminated in 2017.

18. **Another alternative was to increase quota, although views among the membership varied on the need and possible timing of a quota increase**.[15] The size of the Fund was discussed at a February 2002 Executive Board Informal Seminar. The 10th General Review of Quotas went into effect in January 1995, and changes to quota arising from the 11th General Review of Quotas had taken place in 1999. In the face of the 12th General Review of Quotas, and crises in Argentina and Brazil, it was seen as important to ensure the Fund had adequate resources to fulfill its responsibilities. But Directors had concerns that an increase in quotas prior to the resolution of issues on PSI, the SDRM, and related issues could send the wrong signals to markets and borrowers and heighten moral hazard (IMF, 2002b).

19. **Despite all these considerations, the option of continuing as before with respect to EA—relying primarily on the EC clause on an ad hoc basis—was seen as untenable.** A 2002 staff review on the use of EA raised several issues, including: the possibility of exacerbating moral hazard (notwithstanding the above discussion), including by making private creditors insufficiently attentive to the inherent riskiness of their investments and thereby creating less efficient markets and pricing of risk;[16] a lack of clarity in the framework that may have contributed to increased uncertainty in the system; uncertainty about the circumstances in which EA to Fund resources might be possible; the scale of EA; and the basis for decisions about when Fund financing was likely to be accompanied by a restructuring of private claims. Other concerns included the degree of discretion and flexibility in the framework that might make the Fund more vulnerable to external pressures to provide EA even when prospects for success were poor or the sovereign debt burden likely unsustainable.[17] Meanwhile, EA for a few large members had led to an increase in the Fund's credit concentration and the risks to its financial position (IMF, 2002a).

[15] Upon joining the IMF, each member country is assigned a specific quota which broadly reflects its relative economic share in the global economy. The calculation of quota is based on a formula (last revised in 2008) which includes GDP, openness (of the economy), variability, and level of reserves. The IMF Board of Governors regularly conduct a general review of quotas to assess adequacy relative to members' BOP financing needs and the IMF's ability to meet those needs, at which time quotas may be adjusted. Members may also request ad hoc adjustments outside of a general review.

[16] Prominent outside voices continued to raise concerns about moral hazard. However, the evidence was mixed, and in discussing the proposed policy, Directors agreed that while some moral hazard was bound to be present in Fund lending, there was little evidence that the use of EA in general had had large effects on moral hazard by increasing investor or country risk-taking. Interviewees for this evaluation agreed with this view.

[17] However, some external figures at the time felt the room for discretionary judgement provided by the EC clause would have been important to retain. Mussa (2002) stated "it would be a mistake to try to define [exceptional circumstances] in a general way and then apply [the definition] to individual cases. In individual cases, however, it should be possible to say explicitly what makes them exceptional enough to justify Fund support beyond the normal limits."

III. RATIONALE AND DESIGN

A. Rationale

20. **In September 2002, the IMF approved an EAP applicable to capital account crises.[18]** The EAP comprised a set of criteria that members would need to meet, a higher burden of proof in program documents, formal requirements for early Board consultation, and an ex post evaluation (EPE) (next section). Given the experience at the time of exceptional needs generally arising in the context of capital account crises, the EAP applied to Fund support in such cases. The rationale was that EA may be necessary in order for Fund support to be of a meaningful size for members facing a capital account crisis but policies on such access should be strengthened to ensure EA "remained exceptional" (IMF, 2002c). The EC clause remained applicable for the Fund to provide EA to support members facing BOP problems in the current account and other exceptional circumstances. The Fund also recognized that the EAP was related to other important strands of policy that had a bearing on its crisis resolution role.[19]

21. **The underlying objective of the policy was to give the Fund adequate flexibility to respond to members facing exceptional needs while constraining the wide discretion under the previous ad hoc approach**. Explicitly, the policy had four key objectives: (i) to shape members' and market expectations;[20] (ii) to provide clearer benchmarks for Board decisions on program design and EA; (iii) to safeguard the Fund's resources by controlling the Fund's assumption of risk; and (iv) to help to ensure uniformity of treatment of members.

22. **These objectives differed to some extent from the considerations laid out in the staff paper** (IMF, 2002a).[21] In particular, while wanting to ensure that EA would be reserved for

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[18] The new framework became fully operational following the February 2003 adoption of enhanced Board procedures.

[19] The policy focused on cases where a combination of adjustment and financing would likely put a country on a stable medium-term path. But, in other cases, a restructuring of private claims may be necessary. Crisis resolution also depended, therefore, on ways to strengthen the framework for debt restructuring and the lending into arrears policy. In addition, access policy was of course seen as closely related to discussions on the size of the Fund and the size and distribution of quotas.

[20] With regard to members, this was effectively the expectation that member countries would be able to access meaningful financing in response to exceptional needs. As noted, however, IMF financing is meant to be catalytic and serve as a bridge to BOP sustainability, not to finance the entirety of BOP needs. Further, the Executive Board is delegated with decision-making powers to decide whether to approve a program request and may choose not to do so in the event it believes the program will not be successful or the member country is unable to repay.

[21] As laid out by staff, the proposed objectives of the policy were: (i) to avoid frequent general claims of exceptional circumstances by defining more clearly and narrowly the conditions under which access above the normal limits may be appropriate, with increasing constraints as higher access is considered; (ii) to provide a better basis for judgments on the appropriate scale of access in capital account crises, when normal access limits in terms of present quotas may be too constraining; (iii) to provide more clarity on the criteria used by the Fund to determine cases where it may be appropriate to consider access above normal limits or where a restructuring of private claims would be necessary; (iv) to put in place greater internal safeguards to ensure these judgments are made carefully, that the risks involved are appropriately weighed, and that the Board has sufficient involvement; and (v) to preserve the Fund's financial position and safeguard its resources (IMF, 2002a).

truly exceptional cases, the Fund rejected the notion of a ceiling or norm on EA. Directors believed that such a limit would fundamentally constrain the Fund's capacity to respond to crises in member countries when BOP needs exceeded the limit and it would pose practical challenges, including how to choose the correct level and how to handle the complexity of rules around a two-tier system of access limits.[22] The Fund also decided not to adopt a maximum absolute exposure limit for any single member.

23. **While the EAP was intended to be the definitive policy for EA in the case of capital account crises, the EC clause remained operational for some cases**. At the time the EAP was adopted, the Fund accepted that for *non*-capital account crises, program requests for financing above normal access limits would continue to be handled by invoking the EC clause (and by implication, not the EAP).[23] For capital account crises, by contrast, the EAP became the definitive policy in the sense that the criteria and higher burden of proof needed to be met, enhanced Board procedures followed, and an EPE conducted in such cases. As it turned out, however, it left open the possibility of using the EC clause even for some capital account cases. The clause was not explicitly superseded at the time and, as discussed below, in the years immediately after the 2002 adoption of EAP the Fund did in fact use the clause to approve a few capital account crisis programs in which not all of the exceptional access criteria (EAC) were met.

24. **The terms and conditions of Fund lending above normal access limits were not changed.** The scope for increasing the existing rate of charge to discourage EA was seen as limited. Views were mixed about the appropriate maturities for EA lending. One view was that since some capital account crises may not reverse as quickly as foreseen when the SRF was designed, the Fund should be ready to lend at somewhat longer maturities. An alternative view was that lending at longer maturities could blur the distinction between SRF and SBA resources and any move in this direction was premature.

B. Design

25. **The EAP comprised several components.** It entailed a set of criteria that needed to be met, a higher burden of proof (relative to normal access cases) in program documents, enhanced procedures for Board consultation, and an EPE to be completed within one year of the end of the program (see Box 4). The decision-making procedures were further enumerated in 2003.

[22] The PRGT-EAP, established in 2009, *did* include upper limits on EA, owing to the relatively limited resources under the PRGT. Those ceilings were ended in 2021.

[23] While the Summing Up of the Board discussion did so, the staff report did not discuss the possible continued need for the use of the EC clause for current account crises (see IMF, 2002a). Further, a 2005 review of access policy noted that the 2002–03 Board discussions on EA did not consider the use of EA outside of capital account crises (IMF, 2005).

Box 4. Key Elements of the Exceptional Access Policy, 2002–03

The key elements of the Exceptional Access Policy and associated procedures the Fund adopted in 2002 for access to the General Resources Account in excess of normal access limits for members facing capital account-related crises were as follows.

Criteria to Justify Exceptional Access (2002)

(i) The member is experiencing exceptional balance of payment pressures on the capital account resulting in a need for Fund financing that cannot be met within the normal access limits;

(ii) A rigorous and systematic analysis indicates that there is a high probability that debt will remain sustainable;

(iii) 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; and

(iv) 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.

Measures on Decision Making (2003)

(i) A higher burden of proof in 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) Requirements and expectations regarding early Board consultation on the status of negotiations for exceptional access cases.

Ex Post Evaluation

An ex post evaluation of lending programs supported by exceptional access within one year after the end of the arrangement, to be conducted by staff independent from the program.

Source: IMF (2002a).

26. **The four EAC needed to be met to justify EA for members facing a capital account crisis.**[24] Under the EAP, the first criterion (EAC1) was that the member's capital account BOP need was exceptional, in that it could not be met within normal access limits. EAC2 entailed a "high probability" that debt would remain sustainable. EAC3 called for justification of strong prospects that market access would be regained while IMF financing was outstanding. EAC4 called for reasonably strong prospects of program success, taking into account not only adjustment plans but also the member's political and institutional capacity to deliver the planned adjustment.

27. **While not substantively different from requirements for normal access programs (beyond those related to debt sustainability), the criteria required more explicit scrutiny and justification.** Program approval for normal access to Fund resources already required that

[24] During the 2002 discussion of the EAP, Directors considered that "at a minimum, the [four] criteria would need to be met to justify exceptional access for members facing a capital account crisis." Several Directors also saw scope for further strengthening the criteria so as to ensure their strict application. Directors underscored the importance of involving the private sector for program success, and a number of Directors expressed the view that the member's best efforts to secure private sector involvement in program financing should be an important consideration for justifying EA.

the member have an actual or potential BOP need and the capacity to repay the Fund (taking into account the strength of the program).[25] For normal access programs, public debt needed to be sustainable, although with no presumption of "high probability." For normal access programs, under the Fund's conditionality guidelines the programs have been expected to help restore the member's medium-term external viability, but without specifying if that would necessarily involve market access (which seemingly was more relevant for capital account crises). Similarly, while an assessment of reasonable prospects for program success was implicit in Fund lending, it bore explicit scrutiny in EA programs.

28. **During interviews for this review, a number of stakeholders noted that the EAC were intended to work together as part of a coherent whole**. They noted the interrelationships among the various criteria. Earlier, Schadler (2013) concluded that "the underlying logic of the four criteria [was] unassailable" and that the four criteria formed "a tight and integrated framework." The market access test (EAC3) reinforced the debt sustainability test (EAC2) and capacity to repay the Fund, and neither was likely to be met in conditions of significant BOP pressures (EAC1) unless the policy program was credible and likely to be effective (EAC4). Some interviewees, however, believed some interrelationships between criteria led to redundancies (for example, debt sustainability and market access often go hand in hand) and noted the substantive similarity between the EAC and the requirements for normal access programs.

29. **The EAP procedures aimed at introducing a higher evidentiary standard were in fact different as compared to normal access programs.** First, the procedures raised the burden of proof required in program documents, which would be expected to include a thorough discussion of the need for and proposed level of access, a rigorous analysis of debt sustainability,[26] and an assessment of the risks to the Fund arising from the exposure and its effect on the Fund's liquidity. Second, the procedures called for formalizing requirements regarding early Board consultation on the status of negotiations in EA cases, building on the practice under which the Board had confidential briefings on the broad strategy of a program and the case for access above normal limits before negotiations were to be concluded. Third, an EPE was required within one year after the end of the arrangement by staff who had not worked on the arrangement.

[25] Approval also took into account the amount of the member's outstanding use of Fund credit and track record on using Fund resources.

[26] An IMF debt sustainability analysis template for market access countries (MAC DSA) was developed in 2002. However, it did not include guidance on how to determine "high probability," which was left to staff's judgment. In 2021, the Executive Board approved a new framework for assessing sovereign risk and debt sustainability for market access countries (SRDSF). A new template was developed for conducting the Sovereign Risk and Debt Sustainability Analysis (SRDSA), including a Board-approved quantification of "high probability" at 80 percent. For more detail and assessment of the debt sustainability criteria and the EAP, see Erce (2024).

30. **Many interviewees believed that while the EAC provided a guardrail, ultimately the Fund could be influenced by key shareholders' support or opposition to EA programs or by strategic considerations regardless of the criteria**. In their view, if the criteria were not met in such cases, the possibility existed that they could be changed or assessed with an unduly optimistic bias (what they called "reverse engineering").

31. **The frequency with which the criteria needed to be met was not initially clear.** The original documentation referred only to a need for the criteria to be met in order for a relevant program to be *approved*. Document review for this paper revealed that in a few early cases, program staff reports explicitly discussed the criteria as met only at the initial program approval stage and not at each subsequent program review. However, interviewees for this paper asserted that the underlying logic had been that the criteria needed to be met throughout the period of the program, this was how the review process in fact had treated the criteria, and that a staff report for an EA program review could only have been approved if the criteria were met. In the context of several EAP programs, they noted that much debate occurred over the criteria while the program was already underway.

32. **The next key element of the design was the level of access which, although not limited, was defined only in terms of quota and not in terms of any other variables.** Access in percent of quotas had varied widely in capital account crises in part because, for some members, their quota may not have reflected the relative size of their economy or capital flows. But the majority of Directors believed that quota should remain the fundamental metric for access as the Fund was a quota-based institution and quota formed the basis for gauging the Fund's resources and lending as provided in the Articles. At the same time, Directors recognized that examining access relative to other relevant metrics could provide additional useful perspectives on the scale of access in individual cases. Such metrics included GDP, exports, and gross reserves. In practice, however, interviewees generally did not recall much inclusion and analysis of alternative metrics in the subsequent EAP program discussions. The relevant staff reports routinely show such alternative metrics in the annexes discussing capacity to repay but most do not discuss them in the main report.

33. **At the time of EAP approval, the Fund agreed that even when financing needs were large, its financing should play a catalytic role rather than fully fund the need.** This was appropriate to ensure the predictability of Fund support and protect the revolving nature of Fund resources. In practice, the Fund had covered only a portion of the gross financing need for recent EA cases; private sector and other official financing had filled the balance. The role of private sector involvement in EA cases remained a subject for further discussion: it was agreed that efforts to involve private sector creditors in program financing should be continued, but recognized that concerted or involuntary action by private creditors could dampen confidence and market access.

34. **The scope for increasing the rate of charge (surcharges) to discourage EA was seen as limited**. Time-based surcharges for the use of IMF resources were introduced in 1997 to incentivize early repayment by members experiencing capital account crises (see Box 5). These charges depend on the length of time credit remains outstanding and are applied to high and prolonged borrowing of GRA resources. When introduced, surcharges applied only to the SRF. In 2000, the IMF also established level-based surcharges to provide incentives for members to limit the size of IMF borrowing and diversify their sources of financing. As for EA cases, in 2002 the Fund did not increase the rate of charge, which it saw not to be a disincentive for members who were truly in need of exceptional financing.

Box 5. 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.

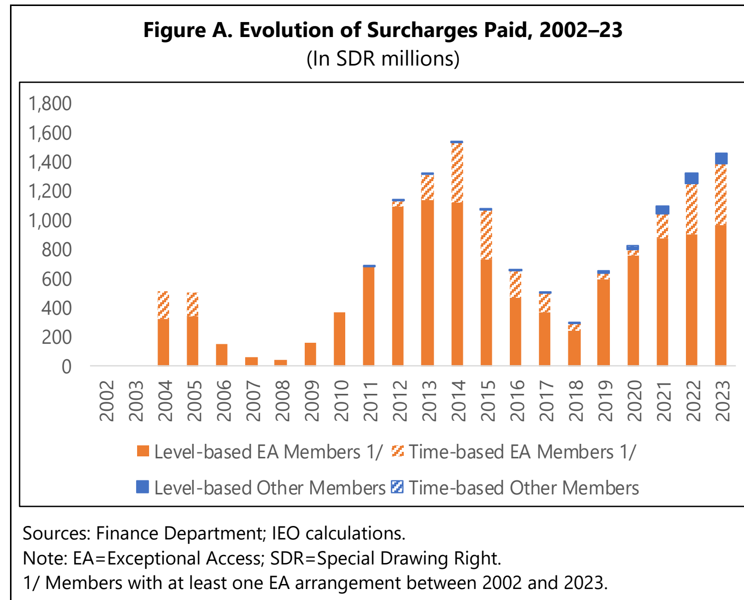
Surcharges were further reviewed in 2016, once the Fourteenth General Review of Quotas became effective doubling members' quotas. In the February 2016 review, the threshold for the 200-basis point level-based surcharge was revised to 187.5 percent of quota. The review also extended the trigger for the 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 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. 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 A. Evolution of Surcharges Paid, 2002–23
(In SDR millions)



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

Source: IMF (2018).

[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 normal access 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.

[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.

IV. EVOLUTION

A. Exceptional Access Policy, 2003–05

2003: EAP Procedures

35. **In February 2003, the Fund adopted proposals to make the EAP more operational, including Board consultation procedures.[27]** The purpose of the policy was reiterated as being to "help ensure that exceptional access remains exceptional, while retaining the Fund's flexibility to provide adequate assistance to members facing a capital account crisis" (IMF, 2003). It was agreed, however, that the enhanced procedures would apply to any EA case, even if it did not involve a capital account crisis.

36. **The enhanced Board consultation procedures enumerated a series of steps.[28]** They provided that once management decided a new EA program or augmentation may be appropriate, it would consult with the Board promptly in an informal meeting. Directors would be provided with a concise note that set out a number of elements as fully as possible. Staff would circulate this note to Directors at least two hours prior to the informal session. The meeting would provide the basis for consultation with capitals and the issues that emerged would be addressed in a further informal session.[29] In agreeing to these procedures, Directors underscored that strict confidentiality would need to be maintained and that 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 (IMF, 2003).

37. **In the program documentation, a standard table was required that would gauge proposed access levels against a broader set of metrics and complement quota-based metrics.** While Fund access would not be constrained to, or evaluated against, any of the broader indicators, these indicators would provide useful additional perspective and help ensure uniformity of treatment among members. A table along these lines was to be included in all requests for EA, with additional indicators being shown as needed (IMF, 2003).

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[27] The February 2003 Summing Up also varied the articulation of the original EAP procedures. It noted: "the Board agreed in September, the staff report for an arrangement proposing exceptional access will include: a consideration of each of the four substantive criteria for exceptional access in capital account crises (including a rigorous analysis of debt sustainability); a thorough discussion of need and the proposed level of access; an assessment of the risks to the Fund arising from the exposure and its effect on liquidity; *and systematic and comprehensive information on the member's capacity to repay the Fund*" [emphasis added, reflecting the difference in language] (IMF, 2003).

[28] Kincaid (2024) presents a fuller description and analysis of these procedures.

[29] At the same time, Directors recognized the constraints imposed by the special circumstances under which EA programs are negotiated and that these constraints would affect different cases differently. They noted that these programs were frequently negotiated over a very short time with a backdrop of a worsening crisis, where new information and developments may require substantial changes in the program at very short notice. Directors also agreed that management and staff should have sufficient flexibility and discretion in coming to an agreement in crisis situations without undue delay. The need to move very quickly in some situations was also emphasized by several Directors (IMF, 2003).

38. **A decision was reached on how to treat debt restructuring in the context of EA.** Access in debt restructuring cases would be expected to be within the normal access limits, although there could be rare circumstances warranting exceptional access. For such cases, the Fund could use the EC clause to provide the member with EA even if the program did not meet all of the EAC.

39. **The Board also briefly discussed PSI, agreed on provisions related to the SRF, and looked forward to a proposed review of the EAP operational framework.** The Board lengthened the maturity of SRF expectations and agreed to provisions regarding SRF repurchases. A stock taking on the operation of the EAP framework was expected to take place after one year (IMF, 2003).

2004: EAP Review

40. **In 2004, the Fund conducted its only dedicated review of the EAP as a whole during 2002–23.**[30] The review concluded that the EAC remained appropriate. Given limited experience with the framework, it was considered premature to change the criteria at that time. However, some stressed the need for firmer application of the criteria, consistent with the Board's understanding at the time the EAP was adopted that the EAC represented a key pillar of the Fund's enhanced risk management framework. They also recalled that when the criteria were introduced, the Board had suggested the staff should deepen the analytical basis upon which assessments against the four criteria were to be made (IMF, 2004b).

41. **The Board reiterated that EA cases should be few in number, in order to safeguard the revolving nature of Fund resources and not present risks to the Fund's financial position.** The Fund did not adopt the staff proposal for dealing with EA arising in situations where the member had a pre-existing high exposure to the Fund and did not face a capital account crisis (IMF, 2004b). It recognized that a need for EA could arise in situations other than a capital account crisis and that in those cases a member could not be expected to meet all four criteria. The Fund already had the flexibility to grant access under the EC clause in those cases, which were expected to be rare (IMF, 2004a).

42. **The Fund also retained the principle that EAP would apply only for actual BOP needs, not on a precautionary basis**. There was some support for the possibility of EA in precautionary arrangements, especially where a member already had pre-existing EA exposure, as part of an exit strategy to phase out the use of Fund resources. But, more generally, there was little support for the concept of "potential" need for EA, based on concerns that the provision of large Fund financing as insurance against potential problems could create problems of moral hazard, diminish the role of conditionality, and lead to market expectations of augmentation of EA (IMF, 2004a). It was also seen as preferable to have only one set of criteria (IMF, 2004b). If precautionary EA was to be granted, therefore, it would have to be done by invoking the EC clause.

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[30] While no other comprehensive reviews of the EAP were conducted, related policies like access limits and surcharges were periodically reviewed (IMF, 2016).

43. **It was agreed that future reviews of the EAP should be undertaken at the same time as regular reviews of access policy in the credit tranches and under the EFF.** It was also noted that the Board would further discuss issues related to EA in a precautionary setting, including as part of an exit strategy, in the context of an upcoming discussion on precautionary arrangements in July 2004 (IMF, 2004a).

2005: Review of Access Limits and the EFF

44. **In reviewing access limits in 2005, Directors did not support staff's proposal to adopt separate EAC for non-capital account crises (IMF, 2005a).** They did not believe it was appropriate to develop two separate sets of criteria for EA for a number of reasons, including that a sharp distinction between the drivers of a crisis might not be immediately apparent.[31] Requests for EA from members not experiencing capital account crises would continue to be dealt with through the EC clause.[32, 33] Furthermore, they noted that in rare cases where a member [facing a capital account crisis] could not be expected to meet all of the EAC, the Fund had flexibility to grant EA under the EC clause. Finally, the review signaled that the Board would discuss EAP-related issues, including under the SRF, in the context of the review of charges and maturities planned for the following spring (IMF, 2005b).

45. **In addition, some Directors were concerned that a proliferation of criteria could create more ambiguity than the clarity being sought about the interpretation of EAP.** In particular, some felt that to specify and enable a variety of additional contexts and scenarios under which EA could arise, as staff proposed, would weaken the clarity, discipline, objectivity, and consistency of decision-making the new framework was designed to create. In one Executive Director's view at the time, when the Board initially adopted the EAP, it recognized that the four substantive criteria could not cover all foreseeable cases. Rather, the main frustration at the time stemmed from its inability to set rules or principles that could be strictly enforced. In this Director's view, the EAP was a means to an end: ultimately what would count is the quality of Board decisions. According to another Director, "we have a strong preference for a rules-based approach to policy for the sake of clarity and predictability. When the Board agreed on rules for the [EAP], it was aware that some discretion would be needed in rare cases" (IMF, 2005b). This view bolstered the acceptance of "constrained discretion" in the Board's decision making.

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[31] One Director reiterated the view that exceptional current account cases should be extremely rare and noted that an attempt to define applicable criteria could (improperly) suggest that the Board anticipated a proliferation of cases that would require a special policy (IMF, 2005b).

[32] While not reiterated in the Summing Up, this meant in the case of non-capital account crises, i.e., current account crises. As noted in the staff report, in such cases the procedures for EA would continue to apply, and the request would be judged "in light of the four substantive criteria," but the approval of the request would not necessarily be conditioned on meeting those criteria.

[33] These included the preparation of a separate staff paper evaluating the case for EA based on the criteria.

46. **The Fund revisited the possibility of application of the EAP in the context of precautionary arrangements.**[34] With the Contingent Credit Line discontinued, there were renewed calls for application of the EAP in the context of precautionary arrangements for crisis prevention (IMF, 2005b).[35] However, the Summing Up of the Board discussion reflected a general reluctance to extend the use of EAP for precautionary purposes. In practice, during the 2002–09 period, in some instances the Fund did approve EA on a precautionary basis, for example in the case of the 2005 SBA for Uruguay. It did so by using the EC clause, noting that the first criterion under EAP (relating to actual BOP need) was not met.

47. **The question of how to navigate cases where debt restructuring may be needed was not included in the original design of EAP**. This may have been because, as noted, at the time EAP was adopted it was believed that some type of debt restructuring mechanism would be created and, in the meantime, in those rare debt restructuring cases where EA was warranted, the Fund could provide EA by using the EC clause. The Argentina (September 2003) SBA was a capital account crisis program that was approved by using the EC clause rather than the EAP on the grounds that it was a restructuring case where not all of the EAC were met.

48. **There was discussion at the Fund regarding a discussion of exit strategies in staff reports.** This issue applied across Fund programs, beyond EA programs. There was a strong presumption that exit strategies would be formulated in the context of a single arrangement, and reservations were expressed about explicit discussions in staff reports of possible successor arrangements as part of exit strategies. Discussions of successor arrangements could convey the impression that policies in Fund-supported programs were insufficient to correct imbalances and could create incentives for members to postpone difficult reforms. The Fund recognized, however, that in some circumstances follow-up arrangements might be warranted. But the Board emphasized discussions in such cases should not imply a Fund commitment to a further arrangement or any particular level of access (IMF, 2005a).

[34] At the time, there seemed to be a lack of common understanding on the matter. During the Board discussion, in response to questions from a Director, a staff representative confirmed that the current framework did not preclude the Board from approving EA in a precautionary setting. In response, the Director noted that while he understood EA in a precautionary setting was possible by using the EC clause, his question was whether it was possible under the EAP. In other words, could the first criterion of the EA framework be applied also to a *potential* capital account crisis (IMF, 2005b). Literally speaking, it could not as EAC1 referred clearly to "actual," not potential, BOP needs.

[35] The Director championing this initiative noted: "we have been arguing that the scope of the framework should not be limited to cases where a capital account crisis is already underway, since there may be, and indeed are, cases where exceptional access could be justified even in the absence of such a crisis. We, therefore, think it appropriate to revise the current framework to make it a general policy, rather than to establish another framework for non-capital account crisis cases" (IMF, 2005b).

B. Exceptional Access Policy, 2009: Extensions of Coverage

49. **In 2009, the Fund made significant changes to the EAP in the context of the lending toolkit reforms in response to the global financial crisis.** With continuing quota erosion, the amounts available under existing access limits had declined significantly relative to global GDP, trade, and capital flows. An increase in members' access to Fund resources was seen as warranted, particularly given the high uncertainty in global financial markets, through higher normal access limits as well as a wider but rigorous application of the EAP and other safeguards for Fund resources.

50. **After being uncomfortable to do so years prior, Directors approved modifications of the EAP that included making the policy applicable to non-capital account crises and to EA programs on a precautionary basis (IMF, 2009a).[36]** The move was informed by country experience, as occasional requests for EA precautionary programs (such as Türkiye, 2005 and Uruguay, 2005) had in fact arisen in the preceding years and been approved through the use of the EC clause. The first EAP criterion relating to BOP need accordingly was modified to recognize "potential" BOP needs to recognize the possible crisis prevention role of the EAP. To explain the applicability of the EAP to non-capital-account crises, the policy paper noted the asymmetry in the treatment of capital versus non-capital-account cases 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 requirement to meet them. The paper argued that this asymmetry led to a perception that access decisions in non-capital-account cases were more ad hoc and unpredictable and less constrained than in capital account cases.

51. **Separately, the market access criterion was amended to remove the references to Fund financing as a "bridge" to market financing and to "good" prospects for regaining market access.** However, more generally, the EAC were not changed to reflect features of non-capital-account crises, even though they had been formulated in the context of capital account crises. As in 2002 and 2004, the Fund preferred to maintain a single set of criteria.

52. **The expanded applicability of the EAP to encompass both capital and non-capital account cases effectively made it the definitive policy for EA.** That is, since all GRA programs now were required to meet the EAC, in the event the criteria were not met there was no scope for the Fund to approve an EA program by invoking the EC clause. While the record does not show an explicit statement to the effect that the EC clause was abolished or superseded by the policy, this review finds that in effect this is how it was interpreted and applied. That is, the EC clause was effectively set aside as a byproduct of the expansion in coverage of the EAP, with no explicit discussion or decision regarding the clause itself.

[36] Access limit revisions were not made, as they awaited the pending general review of quotas in 2010.

53. **The debt sustainability criterion was modified in two respects.** First, the applicable definition of (public) debt was clarified to refer to both domestic and external debt. The clarification was made to remove ambiguity that had occasionally arisen about the scope of the debt being considered. It also served to clarify that any potential contingent liabilities of the government, including those potentially arising from high private external indebtedness (as could be the case when the authorities assumed liabilities of failed private banks that enjoyed significant foreign financing) be incorporated into the analysis of public debt sustainability. Second, a forward-looking focus was introduced to the criterion so that the assessment would take into account programmed fiscal policy adjustment and any explicit commitment by the member to achieve sustainability by restructuring public liabilities. It was also agreed that lending in the presence of sovereign debt arrears would continue to be guided by the Fund's policy on lending into arrears (IMF, 2009b).

54. **In 2009, the Fund introduced the Flexible Credit Line (FCL) as a window within the credit tranches.** The FCL had rigorous qualification requirements, being available to members with very strong policies and underlying economic fundamentals, and a sustained very strong policy track record. While the FCL could involve EA, and did not have an upper limit on access, it was not subject to the EAP given its very high qualification requirements and procedures that were substantively similar to those under the EAP, particularly with regard to the Board's close and early involvement.

55. **In 2009, the Fund approved a dedicated EA and High Access framework under the new PRGT for concessional lending** (see Box 6 and Annex II). The PRGT-EAP criteria were similar to the GRA EAP criteria, but differed with respect to BOP need (which was based on actual needs), debt sustainability (which also took into account the risk of debt distress), and market access (which was framed differently for PRGT cases). The associated procedures required early engagement with the Board through an Informal Board meeting where 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 EAP for GRA lending, the Informal Board meeting was to take place as soon as management concurred that a new request involving exceptional or high access could be appropriate. Unlike the EAP framework under GRA lending, the PRGT EAP included a ceiling on

access (annual limit of 150 percent of quota and cumulative limit of 450 percent), mainly reflecting the relative scarcity of PRGT resources.[37, 38, 39]

Box 6. PRGT Facilities: Exceptional Access Policy

The PRGT lending framework includes criteria and procedural safeguards for new financing requests or augmentations involving access to concessional resources above normal limits. These safeguards were introduced in 2009, when the PRGT facilities framework was established, with the aim of protecting PRGT resources through enhanced Board oversight of financing requests involving high access.

The PRGT criteria are analogous to the GRA-EAP criteria, although they are adapted for the context of LICs (see Annex II). In particular, market access considerations were framed differently for LICs. Debt sustainability assessments for LICs take into account risks of debt distress and debt-carrying capacity in a more explicit manner than they do for non-PRGT-eligible members.

The procedures require early engagement with the Board through an Informal Board meeting. Additional consultations with Executive Directors are normally expected between the initial informal meeting and the Board's consideration of the staff report. To ensure Directors' views on access levels are appropriately reflected in the negotiations, the Informal Board meetings is to take place as soon as management concurs that a new request involving exceptional or high access could be appropriate. At the Informal Board meeting, Directors are to be presented with an initial assessment of the member's balance of payments need, macroeconomic situation, and potential fiscal and debt vulnerabilities, as well as information on the proposed program and related impact on concessional resources. Specific informational requirements include:

- The factors underlying the large balance of payments need, after accounting for financing from donors.
- A brief summary of the main policy measures and macroeconomic framework.
- The expected strength of the program and an assessment of the capacity to repay the Fund, including an updated capacity-to-repay table.
- An analysis of debt vulnerabilities, including the identification of potential data weaknesses and discussion of results from "realism" tools included in the LIC DSF.
- A reference to the impact on the Fund's concessional resources.
- A likely timetable for discussion with authorities.
- A Selected Economic Indicators table.
- DSA charts.

Source: IMF (2023b).

[37] These changes were made just months after Directors had agreed to double access limits under the Poverty Reduction and Growth Facility and the Exogenous Shocks Facility High-Access Component. At the time, some Directors considered a doubling of the PRGF EA limits to be inadequate and had urged a larger increase.

[38] In September 2020, additional policy safeguards were put in place to apply when countries seek access to Fund financial support that would lead to high levels of combined GRA-PRGT exposure (see Annex II). Until 2020, the respective policies governing EA to the GRA and the PRGT operated independently. This implied that PRGT-eligible countries could request access to a mix of resources from the GRA and PRGT at levels that, on a combined basis, exceeded the levels that constituted EA in the GRA and the PRGT, yet taken separately did not meet EA thresholds under either the GRA or the PRGT. Such requests, though large in scale, were not subject to the scrutiny of either GRA or PRGT EA frameworks. The Board approved the Policy Safeguards-High Combined Credit to address this gap (IMF, 2023a).

[39] In March 2021 the Fund introduced new enhanced safeguards that apply to requests for new PRGT financing arrangements or augmentations involving access above certain thresholds or where debt vulnerabilities are high (see Annex II). The safeguards were further elaborated and endorsed by the Board in July 2021, in the context of the increase in normal access limits and other reforms to the PRGT. They are intended to mitigate risks associated with higher Fund lending to LICs by strengthening scrutiny of debt sustainability and capacity to repay the Fund.

C. Exceptional Access Policy, 2010: The Systemic Exemption

56. **In 2010, the IMF altered the debt sustainability criterion (EAC2) by creating the so-called "systemic exemption" clause** (see Box 7). The clause was created in the context of the approval of the 2010 Greece SBA, which entailed EA. The staff report determined that debt sustainability did not meet the "high probability" bar required under the EAP. It proposed, however, that the IMF should allow EA to go ahead in cases where there were significant uncertainties around debt sustainability if there was a high risk of systemic international spillovers. In the absence of financial "firewalls" in the Euro Area at the time, there was a fear that without EA support to Greece the problems there were likely to spill over to other European countries. Without an exemption on these grounds, the IMF would not have been able to lend to Greece under the EAP given staff's determination there was not the requisite high probability that Greece's debt would remain sustainable.[40]

Box 7. Exceptional Access Criteria, 2010: The Systemic Exemption

In 2010, the second EAP criterion on debt sustainability was modified to read as follows, with the text in italics reflecting additions to the original 2002 criteria:

1. The member is experiencing or has the potential to experience exceptional balance of payments pressures on the current account or the capital account resulting in a need for Fund financing that cannot be met within the normal limits.
2. 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 would be justified if there is a high risk of international systemic spillovers*.
3. The member has prospects of gaining or regaining access to private capital markets within the timeframe when Fund resources are outstanding.
4. The policy program 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.

Source: IMF (2010).

57. **The Board approved the program on these grounds and, in so doing, altered the EAP to include the systemic exemption**. The exemption was applied in subsequent EA programs for Ireland and Portugal, and again for Greece (2012). The adoption of the exemption was controversial, as discussed by IEO (2016), de Las Casas (2016), Schadler (2016), and others, in part because of the manner in which it was introduced. While changes in Fund policy are normally deliberated upon transparently and separate from countries cases, to which they subsequently apply, in this case the policy change was embedded in the staff report that proposed approval of the Greece program.[41]

[40] In the discussions that led to the introduction of the systemic exemption in 2010, there is no record that the EC clause was considered as a means to approve EA programs in the event that one or more criteria were not met. Rather, there was a clear understanding across the Fund that the EAC must be met in order for an EA program to go ahead.

[41] This change to the EAP was effectuated through the Summing Up and Decision on the Greece 2010 SBA. See Erce (2024) and Lane and Saveikyte (2024) for further discussion of the systemic exemption and its application in selected cases.

D. Exceptional Access Policy, 2016: Removal of Systemic Exemption, Introduction of "Gray Zone," and Further Clarifications

58. **In 2016, the Fund further revised the EAP debt sustainability criterion by removing the systemic exemption while, at the same time, retaining some scope for EA even if a member's debt sustainability was not at "high probability."** In the staff paper prepared for Board discussion on the matter, the systemic exemption was seen to have several shortcomings, including undermining safeguards for the Fund's resources, not being reliable in mitigating contagion, and aggravating moral hazard in the international financial system thereby possibly exacerbating market uncertainty in periods of sovereign stress.

59. **Meanwhile, where debt was assessed to be sustainable but not with high probability, EA became permissible under certain conditions**. Specifically, in such cases EA became permissible as long as financing from other sources during the program was on a scale and terms such that together with program policies, even if they may not restore projected debt sustainability with high probability, they would improve debt sustainability and sufficiently enhance the safeguards for Fund resources. Such financing could include, among other options, debt "reprofiling."[42] Directors agreed a reprofiling could be less costly to debtors, creditors, and the system than a definitive debt restructuring. But they believed that where it was needed, a reprofiling ideally would be undertaken before approval of a Fund arrangement, although in some circumstances more flexibility might be needed so that the debt operation could be concluded at a later date.

60. **The market access criterion was also modified.** The timeframe to gain or regain access to private capital markets was modified from "within the timeframe when Fund resources are outstanding" to "within a timeframe and on a scale that would enable the member to meet its obligations falling due to the Fund." The change was intended to clarify the Fund's expectation that the member gain or regain market access within a timeframe that facilitated the repayment of all its obligations to the Fund, not only the last repayment as the previous formulation might have suggested. Separately, Directors agreed that the criterion needed to be met even in cases involving open-ended commitments of official support beyond the program period. That is, while official financing commitments were seen to provide a useful backstop, the criterion remained relevant because key objectives of IMF lending include the resolution of a member's BOP problem and achievement of medium-term external viability. A member's *ability* (distinct from its *need*) to access private capital markets is important for this resolution.

61. **The 2016 discussion of the criteria also codified existing practice regarding the frequency with which the criteria needed to be met.** It confirmed that the EAP would apply to the approval of new Fund arrangements *and* to all future completion of reviews under existing arrangements. The Summing Up of the Board meeting reaffirmed that the Fund may approve access in excess of normal limits in exceptional circumstances "provided that" the four

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[42] Reprofiling referred to a short extension of maturities falling due during the program, normally with no reduction in principal or coupons.

substantive criteria are met. The text effectively reiterated that the EAP was the only way for the Fund to approve exceptional access; it left no scope for the Fund to use the EC clause as a way to approve exceptional access if the criteria were not met.

E. Related Fund Policies

62. **The EAP operates as part of an array of Fund policies in the Fund's lending framework and has linkages with other key policies**. 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. Selected policies and frameworks are discussed below.

Lending into Arrears/Official Arrears

63. **Until 1989, it was Fund policy to make the elimination of existing arrears and the non-accumulation of new arrears general conditions for the availability of its resources**. Following modifications that year, the Fund-supported programs that tolerated the accumulation of arrears to commercial banks pending the negotiation of a voluntary market restructuring agreement. To that extent, the Fund had been willing to "lend into arrears."[43] Over the years, two principles had an important effect on the scope and objectives of this policy: (i) effective BOP adjustment "without resorting to measures destructive to national and international prosperity;" and (ii) safeguarding Fund resources. The Fund's lending into arrears (to private creditors) and lending into official arrears (LIOA, to official creditors) policies can also be relevant for EA programs.

Financing Assurances

64. **Exceptional access programs, like any Fund-supported program, must be fully financed**. The purpose of the Fund's financing assurances policy is to ensure that the use of Fund resources is consistent with the member's return to external viability and ability to repay the Fund, that there is fair burden sharing between the official and private sectors, and that the program would contribute to orderly relations between the member and its creditors. With respect to new official external financing that is needed to fill any financing gap, the policy requires that there be "firm commitments" of financing during the first 12 months of an arrangement and "good prospects" of adequate financing for the remaining period. Separately, after the program period, the member may be subject to post-financing assessments (previously called post-program monitoring) while its credit outstanding to the Fund is above a certain threshold. Additional requirements apply when the member's debt is unsustainable or in situations of exceptionally high uncertainty.

[43] The basis for the lending into arrears policy is found in Article V, Section 3, which directs the Fund to adopt policies on the use of its general resources that will assist members to solve their BOP problems in a manner consistent with the provisions of the Articles and that will establish adequate safeguards for the temporary use of the general resources of the Fund.

Lending Toolkit and Conditionality

65. **Following the Global Financial Crisis, the Fund began to use the EFF to tackle deep-seated issues in structural programs.** During 2002–09, all EA programs were supported with the SBA, while subsequently, EFFs were also approved under the EAP. In 2009, in discussing the GRA lending toolkit and conditionality, the Executive Board expressed the expectation that the EFF would not normally be used to provide EA financing (IMF, 2009b). In 2010, however, the Board approved an EFF for Ireland to resolve its medium-term BOP needs and the need for deep structural reforms. While a departure from the Board's previous expectation, it was believed that the EFF allowed the Fund to tackle the deep-seated structural issues in EA programs—an early crisis lesson from the Greece 2010 SBA. The EFF was later also used for EA programs in Argentina, Ecuador, Egypt, Greece, Portugal, and Ukraine. Interviewees viewed this as a pragmatic move, recognizing that exceptional BOP needs may arise from difficulties that need sufficient time to address, and some asserted that EFFs should become the norm for EA programs.

66. **Separately, in 2010 the IMF created the IMF's Precautionary Credit Line (PCL), later changed to the Precautionary Liquidity Line (PLL).** The PLL could be used by countries that faced potential (as distinct from actual) BOP needs and that had sound fundamentals, policies, and institutional frameworks but whose remaining vulnerabilities precluded them from using the FCL. Compared with the FCL, the PLL had less stringent qualification criteria and was subject to the EAP. Unlike other EA arrangements, PLLs were also subject to annual and cumulative access limits.[44] The PLL qualification criteria were somewhat broader than the EAC. The eligibility criteria were grouped in five qualification areas, comprising: external position and market access, fiscal policy (including debt sustainability), monetary policy, financial sector soundness and supervision, and data adequacy. Strong performance is required in at least three of the five qualification areas; substantial underperformance in any area would signal the member does not qualify.[45]

Enterprise Risk Management

67. **While the IMF did not have an explicit enterprise risk management (ERM) policy at the time the EAP was adopted and modified, the EAP was intended to play an important risk management role (see Box 8).** When the Fund adopted the EAP, it did have in place risk mitigation practices and policies for lending and financial risks that were embedded in its lending framework and procedures. These included access limits, conditionality, program policies, debt sustainability requirements, phasing of disbursements, regular reviews, safeguards, and other tools. The interdepartmental review process sought to ensure that these policies were followed.

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[44] EA under a PCL arrangement, combined with access to other Fund resources, was subject to a cumulative cap of 1000 percent of quota.

[45] Ineligibility also arises if any of the following conditions apply: sustained inability to access international capital markets, significant macroeconomic or structural policy adjustment needs, medium-term debt sustainability that is not assessed at a high probability, and widespread bank insolvencies.

The EAP added to this approach higher evidentiary standards, criteria that included a higher bar for debt sustainability, an explicit consideration of risks to the Fund's finances and liquidity, and enhanced Board decision-making procedures.

68. **While program-related staff reports and the review process did cover aspects of enterprise risk, EAP application did not involve a formal and systematic discussion of the enterprise risks associated with individual programs.** The Fund's risk acceptance levels were established at an aggregate (not program) level. With no systematic discussion of enterprise risks for individual EA programs, nor risk acceptance levels agreed at program level, the Fund had no mechanism to ascertain the extent and acceptability of risk mitigation resulting from application of the EAP in particular EA programs. It also did not articulate how the residual risks associated with EA programs should be expected compare with those from normal access programs. The Office of Risk Management (ORM), formerly the Risk Management Unit, was not permitted under its terms of reference to participate in the interdepartmental review of individual programs, including EA programs. It could only review programs' enterprise risk implications at an aggregate level. There was, therefore, no basis for a discussion in real time of the enterprise risk implications of applying the EAP.[46] The risks for the Fund and the membership associated with the Fund not providing financial support (including EA) were not articulated in the framework.

Box 8. 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, 2004b), 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 (2004b; 2022); IEO desk review and interviews.

[46] While beyond the evaluation period, at the time this paper was prepared, steps to further the integration of ERM policy with the EAP were in the pilot phase through the use of Document Risk Self Assessments in key instances. According to staff, teams in a number of high-risk country engagements, including most major EA cases, prepared comprehensive stand-alone enterprise risk assessments (ERAs) that were shared with the Executive Board. These ERAs were prepared by the relevant departments with comments from ORM and others, and clearance by the SPR.

V. CONCLUSIONS

Rationale

69. **The Fund adopted the EAP in 2002 in order to be better able to support members facing exceptional needs while addressing concerns associated with the previous approach that relied on ad hoc use of the EC clause.** The previous approach was seen at the time to be associated with undue risks for the revolving nature of Fund resources and insufficient predictability among members and markets about Fund support, related Board decision-making processes, and uniformity of treatment of members.

70. **The Fund viewed the EAP as the best available option for anchoring its provision of exceptional access.** Prospects for raising quotas were uncertain, the GAB and NAB were only for use in systemic situations, official creditor lending was down, there was to be no international debt adjustment facility, and other remaining options such as anticipated public sector involvement were seen as insufficient on their own for responding to all the related concerns. But in the face of increasingly severe and frequent capital account crises, it was believed exceptional access would continue to be needed. Therefore, devising a policy and procedures to eliminate ad hoc application of the EC clause while balancing member and Fund needs was agreed by staff, management, and Directors as the way to proceed.

71. **The EAP aimed to enable the Fund to play its role in helping members facing exceptional circumstances while seeking to strengthen safeguards for members and the Fund.** The objectives in this context included: (i) to shape members' and market expectations; (ii) to provide clearer benchmarks for Board decisions on program design and EA; (iii) to safeguard the Fund's resources by controlling the Fund's assumption of risk; and (iv) to help to ensure uniformity of treatment of members.

72. **At the time it was adopted, the rationale for the EAP was not explicated as fully or explicitly as set out in this paper.** This explication has emerged over time based on application of the policy and on evaluative evidence, including desk reviews and interviews conducted for this paper. Interviewees recalled that the preference for a policy over the status quo appears to have stemmed from various shareholders who were concerned with the lack of rules. Other shareholders, meanwhile, would have preferred to retain the exceptional circumstances approach, which provided greater discretion for the Fund. Some described the balance achieved by the EAP as "constrained discretion," which met the intersecting sets of preferences for rules versus flexibility. This debate was not, however, reflected in the staff report associated with the EAP decision or the Board discussion.

Design

73. **While the EAC originally were motivated by the need to deal with capital account crises, the applicability of EAP also to non-capital account-related crises in 2009 was not accompanied by revisions of the EAC to reflect this extension in scope**. The application of EAP to cases involving deep-rooted structural problems or extensive budget support needs raised a tension between the design of the EAP founded in the context of short-term, capital account shocks and the objectives of some EA programs designed to address medium-term, structural problems. This tension was reflected in the relatively protracted use of Fund resources in some cases, and the repeated use of Fund resources in others (albeit sometimes reflecting countries' vulnerability to successive shocks). Long or repeated use of Fund resources contrasted with the initial logic of the EAP (building on the SRF) to facilitate a large injection of liquidity that could stem a confidence shock and encourage a return of capital flows motivated by strong policy adjustment and solvent fundamentals. However, the Fund's approval of EFFs under the EAP was seen as a pragmatic move in this context.

74. **The EAC and procedures as a whole were intended to provide a higher burden of proof relative to normal access programs.** The original policy and its modifications during 2002–10 did not specify that the criteria must be satisfied at each program review, rather than only at program approval. But numerous interviewees asserted it was staff's common understanding, including in the review process, that the criteria had also to be met at each review. This review finds that with few exceptions during 2002–10, staff reports did indeed justify the criteria at both program approval and each review. The requirement was codified in 2016. Several stakeholders viewed the criteria as having been designed as a mutually reinforcing coherent whole. Some, however, saw overlaps and redundancies between some of the criteria, as well as a lack of substantive distinction from the requirements for normal access programs other than with respect to debt sustainability.

75. **Interviewees recognized the rationale for using quota as the metric for calibrating access given the quota-based nature of the Fund, even while alternative metrics might more accurately reflect members' positions in the global economy.** As widely documented, quotas did not adequately reflect the relative position of several members, especially among EMDEs, whose quotas were eroded relative to relevant metrics that reflected their size and openness. Establishing access limits in percent of quota may not, therefore, have always reflected countries' BOP needs. The Fund's available resources, more than members' financing needs, were seen as the key consideration for determining access limits, which may therefore seem arbitrary from an individual member's perspective. Directors agreed at the time the EAP was adopted that it would be useful to consider alternative metrics as complementary indicators in assessing the relevance of access levels, while retaining quota as the central element given its role in Fund resources and governance.

Evolution

76. **The evolution of the policy reflected multiple forces**. Often it reflected an attempt by the Fund to catch up with the changing needs of members. The evolution was marked at times by substantive differences in Directors' views versus staff's views, especially in the early part of the review period. For example, staff's proposals in the early years to introduce modifications to the EAP were met with resistance although later their need was borne out. At times the evolution reflected a change in the rules to accommodate strategic preferences on the part of management to proceed with exceptional access (for example, with the systemic exemption). The scope for strategic considerations to drive changes in the policy gave rise to questions about uniformity of treatment.

77. **While the Fund modified the EAP on several occasions since adopting the policy in 2002, it has not conducted a dedicated review of the EAP as a whole since 2004**. The important evolutions in the policy in 2003–05, 2009, 2010, and 2016 entailed significant changes during which key policy issues were considered. However, these modifications entailed adjustments to one or two criteria at a time on an ad hoc basis and should not be viewed as sufficing for the comprehensive regular reviews of the policy that Directors envisioned. A more comprehensive review would consider the EAP as a whole, including broad questions such as whether the policy is being applied in a manner that meets its objectives, whether the various elements of the EAP (the criteria, enhanced procedures, and EPEs) are working as intended and are fit for purpose and whether the policy has helped the Fund and members to achieve desired outcomes.

78. **While the EC clause was never explicitly revoked, it is understood in practice to have been overtaken by the EAP in 2009**. Since then, exceptional access in both capital- and non-capital account crisis cases—whether actual or potential—has only been possible if the EAC have been met. The EAP has therefore been the definitive policy for the provision of exceptional access by the Fund.[47] There was never an explicit Board decision to set aside the EC clause; rather, this was a by-product of the 2009 decision to extend the scope of the EAP.

79. **Debt sustainability remained a key consideration for EAP, but the design and application of EAC2 changed over time.** Debt sustainability was seen at the time as key for ensuring that large access by the Fund helped the member regain external viability and did not feed moral hazard among private creditors or go toward financing large or sustained capital outflows. The need for a determination of debt sustainability with high probability was well accepted in order for EA to proceed. However, interviews suggested that in practice the distinction between liquidity and solvency was not always clear-cut. In practice, EA proceeded even when debt was sustainable but not with high probability with the creation of the systemic exemption in 2010 and, after its removal in 2016, the introduction of flexibility if debt sustainability were in the "gray zone."

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[47] As noted, in the discussions that led to the introduction of the systemic exemption in 2010, for example, there is no record that the EC clause was considered as an alternative means for the Fund to approve the EA program in the event that one or more EAC were not met.

80. **A sense that emerged from the interviews was that while the EAP involves scope for judgment in assessing the criteria, it lacks an "escape clause" in the event the criteria are not met**. Some interviewees viewed the measure of judgment involved in assessing the criteria as providing necessary flexibility. Some were also concerned about what would happen in cases where the criteria were not met, or were borderline, but there was strong strategic interest for the Fund to provide exceptional access for a member. A view expressed by some interviewees was that while the Fund would not proceed if the criteria were not met, there may be pressure on staff in such cases to apply judgment in a way that ensured the criteria were met. While this evaluation did not find direct evidence of what these interviewees called "reverse engineering" of assessments, the view was that even perception of reverse engineering would damage the Fund's credibility and legitimacy.

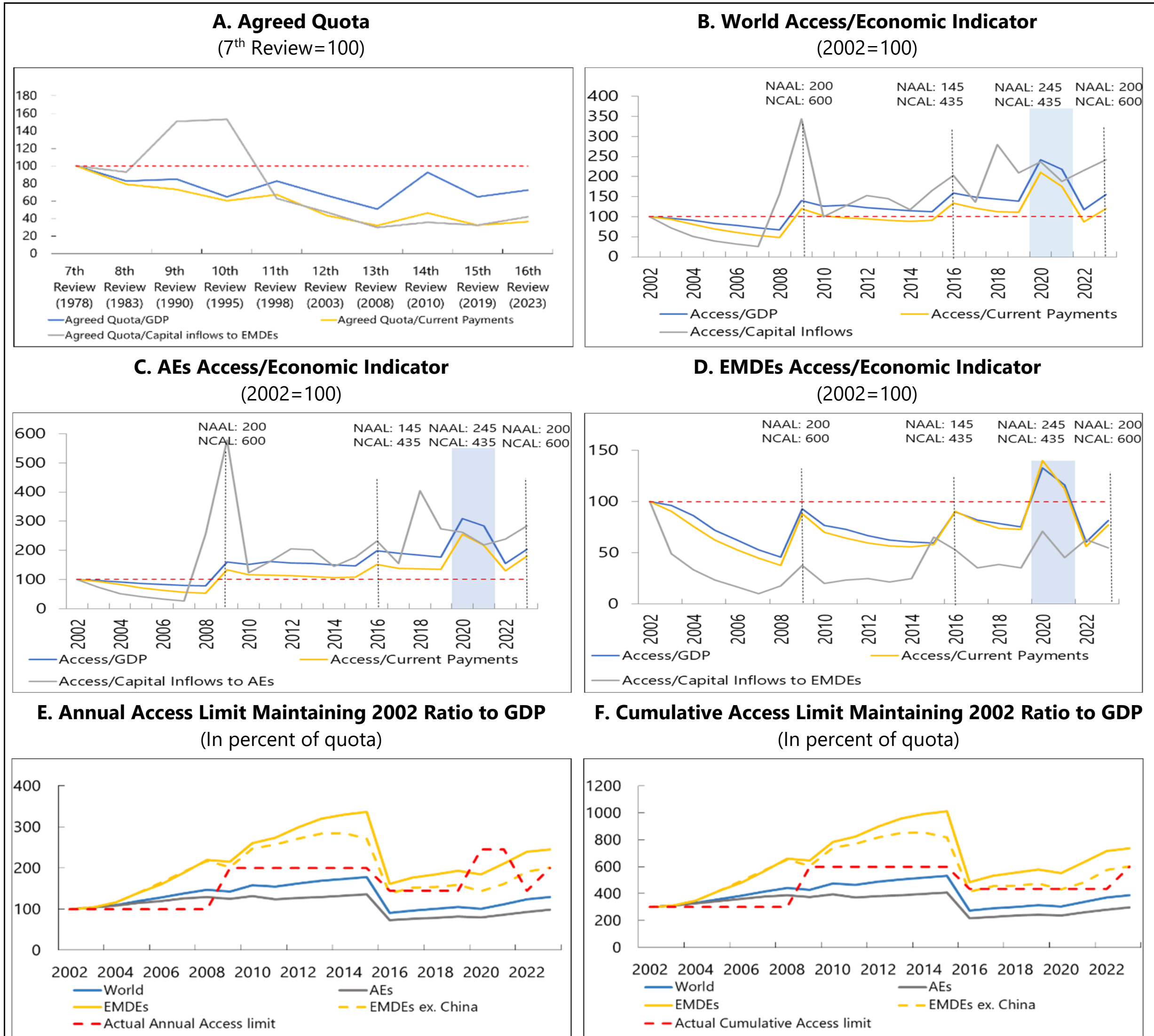
Coherence with Other Fund Policies and Practices

81. **The coherence of the EAP with related Fund policies and practices over the evaluation period varied.** Some Fund policies were considered by EAP from the start—such as debt sustainability, financing assurances, lending into arrears, and surcharges; others were incorporated later based on members' experience (such as current-account-related programs and precautionary programs); and still others remain to be mutually reflected (such as the ERM policy).

82. **The rationale and design of the EAP sought to mitigate several enterprise risks, but the integration of EAP with the ERM policy remains a work in progress**. Since the Fund did not have an ERM policy at the time it adopted the EAP, the risk mitigation features of the EAP were not described in terms that are familiar under the current ERM Policy. If described in such terms, it would seem the EAP as initially approved sought chiefly to mitigate business risks, including financial risks, as well as strategic and reputational risks. A number of interviewees understood that the application of EAP provided a meaningful degree of risk mitigation, but they were not clear what relative contributions the EAP and related policies made to risk mitigation and whether the EAP as conceived and designed was intended to reduce residual risks to a level comparable with normal access programs.

ANNEX I. ACCESS LIMITS AND EROSION OF QUOTAS

This Annex illustrates the trends outlined in Box 1 of the text on 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 EMDEs, whose quotas relative to various indicators are lower now than they were in 2002.



Sources: *World Economic Outlook; International Financial Statistics;* IMF (2021); and IEO calculations.
Notes: 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 limits 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 of quota that lasted from mid-2020 until end-2021.
[1] 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 the Fund's conditionality guidelines, 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 II. 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 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 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 (PS-HCC) apply.[2] Only poorer LICs—those do not meet the income criterion for blending—are eligible for PRGT-EA 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, 2009c). 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, 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 GNI per capita was below 80 percent of the specified level (IDA operational cutoff).

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[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, which was temporarily raised in December 2023 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, which was abolished in February 2021.

The PS-HCC was introduced in 2020 and the PRGT was amended in 2021 (IMF 2020c; 2021). The criteria under the PS-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 AII.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.

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[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 AII.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 normal access limits		Actual or potential BOP need that cannot be met without exceeding PS-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-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.

Source: IMF (2023b).

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