



Independent Evaluation Office  
of the International Monetary Fund

# BACKGROUND PAPER



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

Peter Montiel, Jérémie Cohen-Setton, and Jiakun Li

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with Exceptional Access

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**ABBREVIATIONS**

BOP	Balance of Payments
CA	Current Account
CFM	Capital Flow Management
EA	Exceptional Access
EAC	Exceptional Access Criterion
EAP	Exceptional Access Policy
EFF	Extended Fund Facility
EPE	Ex Post Evaluation
EU	European Union
IT	Inflation Targeting
MONA	Monitoring of Fund Arrangements
MPM	Macroprudential Measure
NA	Normal Access
PCL	Precautionary Credit Line
PLL	Precautionary Liquidity Line
SBA	Stand-By Arrangement
SSC	Social Spending Conditionality
QPC	Quantitative Performance Criteria
ROC	Review of Conditionality
SC	Structural Condition
WEO	World Economic Outlook

## EXECUTIVE SUMMARY

**This paper examines the design and outcomes of IMF-supported GRA arrangements involving exceptional access (EA) during 2002–23.** It focuses on evaluating the clarity and depth of justifications for the selected macroeconomic strategies outlined in program documents. Through empirical analyses, the paper seeks to assess the appropriateness of these strategies to deal with the issues faced by member countries. It explores whether countries with similar challenges received similar advice, examines the extent to which program designs were tailored to specific circumstances, and evaluates the outcomes of these programs.

**The key findings and conclusions are as follows:**

- The policy framework for EA program design aligns well with the professional consensus on promoting medium-term macroeconomic and external stability.
- Despite differing initial conditions, EA programs adopted similar policies such as fiscal consolidation, tight monetary policy, more flexible exchange rates, and structural reforms aimed at increasing potential growth, Debt restructuring, capital flow management measures, and macroprudential policies were relatively rare.
- Despite the Fund’s initiatives to streamline conditionality, EA programs contained a large number of pro-growth structural conditions whose criticality for short- and medium-term stabilization is unclear.
- While EA programs aimed to bolster investor confidence, the channels through which their specific policy measures were expected to do so were somewhat unclear.
- The limited clarity and depth of explanations for program design in EA program documents, especially when policy differences across programs were not clearly justified by differing initial conditions, may have contributed to perceptions of unevenhandedness.
- EA programs had mixed outcomes. Their growth and fiscal outcomes were weaker relative to forecasts compared with normal access (NA) programs and their catalytic effects were weaker. They were, at the same time, generally dealing with very difficult initial conditions.



## I. INTRODUCTION

1. **This background paper to the IEO evaluation of the IMF’s Exceptional Access Policy (EAP) evaluates the design and outcomes of Fund-supported programs under the EAP over the period 2002–23.** Program design encompasses decisions on program type, duration, access volume and phasing, review timing and frequency, and policy content. Given the centrality of policy content to program design and outcomes, this paper focuses on analyzing the rationales behind particular policy decisions in light of the broadly accepted professional consensus regarding the impact of these policies in their respective contexts.

2. **A key question is whether the program design was suitable for achieving program objectives and whether it was likely to be effectively implemented.** As outlined in Abrams and Arora (2024), the EAP requires programs to meet four criteria to qualify for exceptional access. Criterion 1 (EAC1) mandates an exceptional balance of payments need that cannot be addressed within the normal access (NA) limits. Criterion 2 (EAC2) requires that public debt remains sustainable with high probability under the program’s policies.<sup>1</sup> Criterion 3 (EAC3) stipulates that the program should offer good prospects of (re)gaining market access while IMF financing is outstanding. Criterion 4 (EAC4) requires reasonably strong prospects of program success, encompassing not only the member’s adjustment plans but also its institutional and political capacity to execute those plans. When relevant, the paper seeks to identify the role each of these four criteria played in shaping program design.

3. **The lending criteria for exceptional access (EA) programs are not qualitatively different than those for NA programs, but EA programs require heightened scrutiny on all four criteria** (Abrams and Arora, 2024). For EAC2, the standard is elevated, as NA programs require only that public debt be sustainable, whereas EA programs require debt sustainability with high probability. For the other criteria, while the requirements are not stricter, the burden of proof in program documentation is greater. Specifically, program documents must explicitly justify that each of the EA criteria outlined above is satisfied.

4. **This paper presents an empirical analysis of the main design features and outcomes of 38 EA programs approved by the Fund from 2002 to July 2023,<sup>2</sup> drawing comparisons with 73 NA programs approved during the same period.** The analysis draws on data from the IMF’s Monitoring of Fund Arrangements (MONA) database, Staff Reports, and the World Economic Outlook (WEO) database. To assess the rationale behind key policy decisions in the

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<sup>1</sup> In 2010, the IMF altered the debt sustainability criterion by creating the so-called “systemic exemption” clause. In 2016, the clause was removed, and a so-called “gray zone” was introduced that allowed EA to go ahead under certain conditions even if debt sustainability was not above the high probability threshold.

<sup>2</sup> Thirty-one programs were approved under the EAP, while seven were approved under the exceptional circumstances clause that was active during the 2002–09 period. It is useful to examine all of these programs together for purposes of comparability, given their exceptional access nature.

38 EAP programs, the paper also includes a desk review of published program request and ex post evaluation (EPE) documents for each EA program in the sample, supplemented by selected interviews. By relying exclusively on published program request and EPE documents, this approach aims to ensure comparability across programs and to support transparency in the review of our results and interpretations. However, we recognize that this choice imposes certain limitations on the scope of our analysis.

4. **The paper is organized as follows.** Section II outlines the typical menu of policy options available in designing IMF-supported programs, categorizes EA programs according to the specific challenges they encountered, and assesses how well policies were tailored to varying conditions of program countries. It also examines the extent to which similar policy measures were applied across countries facing similar circumstances (evenhandedness). Section III reviews the implementation of these policies and assesses whether they achieved the anticipated macroeconomic outcomes. Section IV takes an alternative perspective on program design, analyzing the rationale behind specific policy decisions in EA programs in relation to the prevailing professional consensus on the expected effects of these policies in their given contexts. Section V summarizes our findings and presents conclusions.

## II. PROGRAM DESIGN AND STRATEGY

### A. Balance of Payments Needs in EA Programs

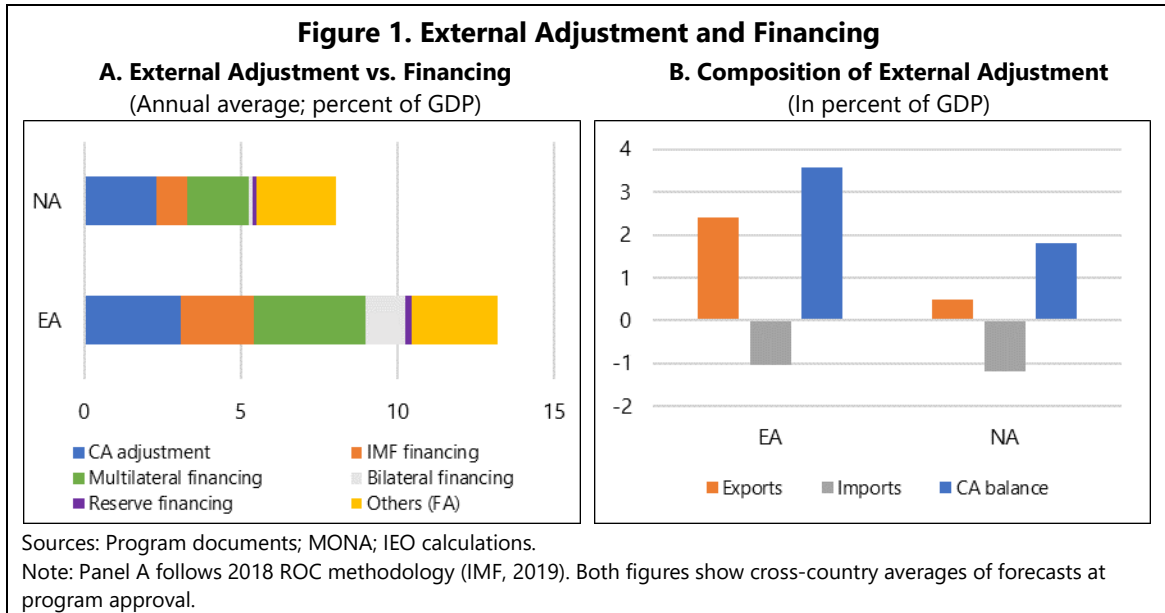
5. **IMF-supported programs aim to solve a member’s balance of payments (BOP) challenges in a manner consistent with the Articles of Agreement, and with adequate safeguards for the temporary use of Fund resources.** Approval of a Fund arrangement necessitates the demonstration of actual, prospective or potential BOP needs. The primary goals of IMF-supported programs are to resolve the member’s BOP issues without resorting to measures that could undermine national or international prosperity, and to achieve medium-term external viability while promoting sustainable economic growth (IMF, 2024).

6. **Countries with EA programs in the evaluation sample generally encountered more challenging initial conditions than those with NA programs, as evidenced by significantly larger BOP needs that could not be met within the NA limits.** Using the same methodology as IMF (2019), we find that the BOP gaps for EA programs were, on average, more than 50 percent larger than those of NA programs, aligning with EAC1 (Figure 1A). These larger gaps were anticipated to be addressed not only through larger financial support from the Fund but also through greater financial commitments from other international financial institutions and bilateral donors, alongside more robust current account (CA) adjustments—particularly by boosting exports instead of reducing imports (Figure 1B).



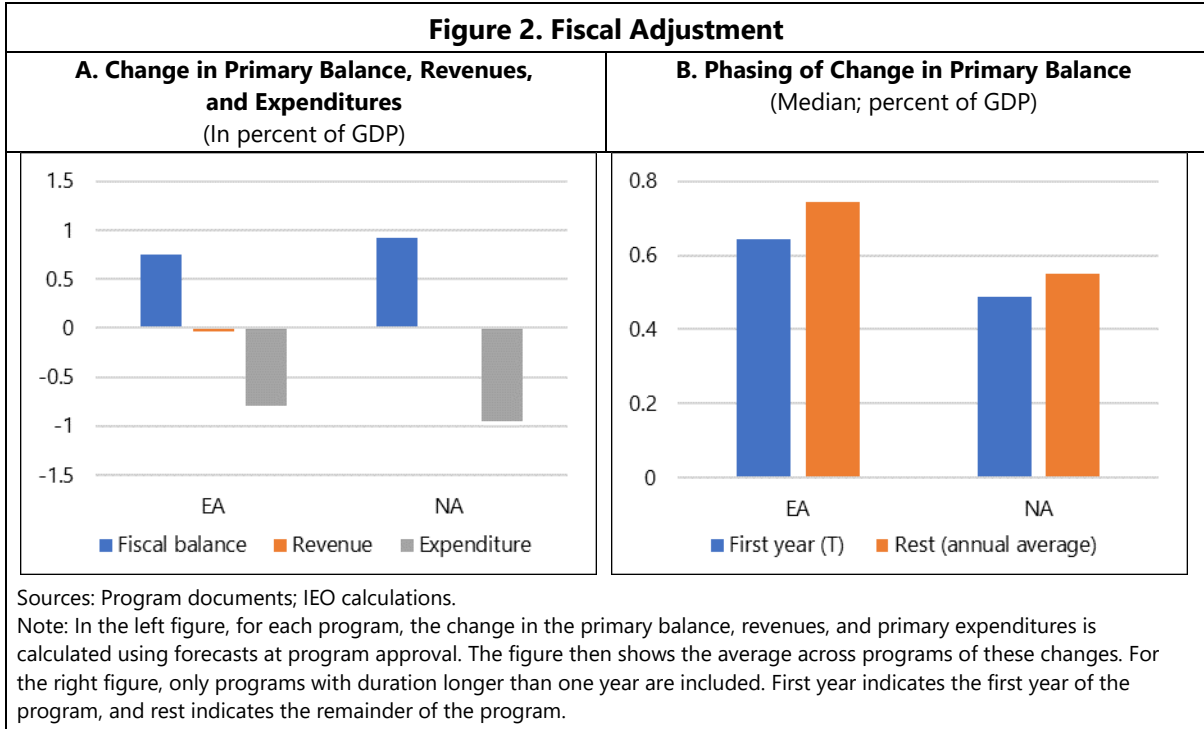
## B. The Menu of Policy Choices in IMF-Supported Programs

7. **Program policy choices reflect the strategic approach adopted to promote external adjustment and medium-term economic growth** (IMF, 2024). This strategy encompasses a diverse array of potential policy options, including fiscal policy, debt management, monetary and exchange rate policies, macroprudential measures (MPMs), microprudential financial sector regulation, capital flow management (CFM), and pro-growth structural reforms. We next describe how these options were exercised in the 38 EA programs approved during our sample period.



8. **Fiscal adjustment was the centerpiece of most EA programs (Figure 3)**, except in instances of domestic financial crises, such as Iceland (2009) and Ireland (2010), where the resolution of financial sector distress appropriately took center stage. Nevertheless, even in these particular cases, fiscal adjustment continued to play a significant supportive role. As shown in Figure 2, fiscal adjustment strategies commonly entailed efforts to raise the public sector's primary surplus-to-GDP ratio and maintain it above a certain minimum level throughout the duration of the program.

9. **The specific nature of fiscal adjustment was tailored to each country's situation but, in both EA and NA programs, it was generally backloaded.** Adjustment predominantly involved expenditure reduction, while safeguarding certain categories of spending. Specifically, programs typically strove to protect spending directed toward the most vulnerable sectors of the population (Box 1), as well as public capital investments. To enhance the durability of fiscal adjustments, nearly all programs—except for Costa Rica (2009) and Macedonia (2011)—incorporated fiscal reforms (Figure 3), usually specified as structural benchmarks (SBs), aimed at improving both expenditure management and revenue generation.



### Box 1. Budget Support and Social Spending in EA Programs

**The provision of budget support is consistent with the mandate and legal framework of the IMF, provided that the resources allocated support policies aimed at addressing the member's BOP issues** (IMF, 2010). Given the intertwined nature of budget and BOP financing needs, it is unsurprising that budget support has been a common component of past IMF-supported programs.

**The use of IMF resources for budget support has become increasingly prevalent in recent EA programs.** The proportion of EA programs that include budget support rose from around 45 percent before 2010 to over 60 percent between 2010 and 2015, reaching approximately 75 percent after 2015. This trend is particularly pronounced in IMF-supported programs for fully dollarized economies, such as Ecuador in 2020, and in countries within currency unions, such as Ireland in 2010, Portugal in 2011, and Greece in 2010/12, where the central bank plays a relatively passive role.

**IMF-supported programs have also increasingly recognized the importance of protecting social spending despite the need for macroeconomic adjustment.** According to the IMF's Operational Guidance Note on Program Design and Conditionality (IMF, 2024), safeguarding these expenditures plays a pivotal role in mitigating the possible negative effects of adjustment measures. In line with the principle of parsimony, the guidelines emphasize that social spending conditionality (SSC) should be essential for program success and tailored to the country's implementation capacity.

**IMF-supported programs have increasingly relied on social spending conditionality (SSC) to protect the most vulnerable.** The proportion of IMF-supported programs that included SSC rose from 40 percent in 2002–11 to over 75 percent in 2012–17, and surpasses 80 percent thereafter. In contrast, the share of IMF-supported programs featuring structural conditionality, in the form of Structural Benchmarks (SBs) and Prior Actions (PAs), has remained stable.

**Social spending floors have emerged as the predominant form of quantitative SSC, primarily aimed at sustaining social assistance expenditures.** The objective of these floors is to preserve social spending; however, they are typically not earmarked for specific uses (IMF, 2019). In recent years, the focus of these SSCs has shifted significantly, with a notable emphasis on social assistance, which accounted for 77 percent of all targets between January 2018 and June 2023. This trend marks a departure from earlier periods when SSCs more frequently targeted pensions and health sectors, illustrating a strategic pivot towards immediate relief.

Sources: IMF (2010; 2019); MONA; IEO calculations.

10. **Debt restructuring or reprofiling was rarely practiced both before and after the 2016 EAP reform (Figure 3), despite widespread debt-related concerns noted in program documents (Figure 4).** Until 2016, EA lending required a high probability of sustainable public debt under program policies (unless the member was subject to the “systemic exemption” during 2010–16); otherwise, a debt restructuring was necessary for approval.<sup>3</sup> However, restructuring was not common in program design, with only Argentina (2003), St. Kitts and Nevis (2011), Greece (2012), and Ukraine (2015) including it out of the 34 pre–2016 programs.<sup>4</sup> The 2016 EAP reform allowed for EA to be approved even when debt was deemed sustainable but not with high probability, provided that financing safeguards from other creditors improved debt sustainability during the program—albeit without necessarily restoring it to a high probability level. These safeguards could include co-financing from non-IMF sources, such as extensions of short maturity for privately held debt maturing during the program, without reductions in principal or coupons (a debt reprofiling). Among the four EA programs approved after the reform, only Ecuador (2020) incorporated public debt restructuring as part of its program design.

11. **In countries with independent central banks, all EA programs recommended tightening monetary policies (Figure 3), in part to curb inflation.**<sup>5</sup> Both NA and EA programs typically implemented monetary tightening by imposing ceilings on the growth of net domestic assets (NDA) of the central bank and by establishing floors on the level of net international reserves (NIR). Additionally, 18 EA programs recommended enhancing central bank independence as a structural reform to solidify short-term stabilization gains.

12. **Where the authorities were not committed to a fixed exchange rate regime, increased exchange rate flexibility was recommended.** In fact, EA programs generally anticipated larger nominal exchange rate adjustments compared to NA programs (Figure 5). The adoption of inflation targeting (IT) was supported in 20 of the 30 programs with independent central banks (Figure 3).<sup>6</sup>

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<sup>3</sup> As explained in Abrams and Arora (2024), exceptional access could, however, be provided in the period 2010–16 where there were significant uncertainties around debt sustainability when there was a high risk of systemic international spillovers.

<sup>4</sup> Greece (2010 and 2012), Portugal (2011), and Ireland (2010) obtained EA despite debt sustainability concerns by invoking the systemic exemption.

<sup>5</sup> Eight EA programs were adopted in countries without independent central banks (dollarized economies or members of currency unions): five were implemented in members of currency unions (Ireland (2010), Greece (2010 and 2012), Portugal (2011) and St. Kitts and Nevis (2011)), while three were in dollarized economies (Ecuador (2020), El Salvador (2009), and Panama (2021)). In these countries, adjustments in monetary and exchange rate policies were not an option, so the burden of adjustment fell on alternative policies. For instance, improvements in competitiveness had to rely on “internal devaluation” and/or enhancements in productivity (see IMF, 2015c).

<sup>6</sup> Among the EA program countries in our sample, Jordan, Latvia, Macedonia, and Romania expressed strong commitments to maintaining exchange rate pegs.

**Figure 3. Heatmap of Policies**

				Fiscal Policy			Debt Policy	Monetary and Exchange Rate Policies			Capital Account Policies		Financial Sector Policies	Pro-growth Structural Policies
	Country	Year	Type	Fiscal consolidation (ST)	Fiscal consolidation (MT)	Fiscal reforms	Debt restructuring	Monetary tightening	Support for Inflation Targeting	More ER flexibility	CFM	Standstill		
Moderate adjustment	Brazil	2002	SBA											
	Turkey	2005	SBA											
	Uruguay	2005	SBA											
	Georgia	2008	SBA											
	El Salvador	2009	SBA											
	Costa Rica	2009	SBA											
	Guatemala	2009	SBA											
	Macedonia	2011	PCL											
	Romania	2011	SBA											
	Morocco	2012	PLL											
	Romania	2013	SBA											
	Morocco	2014	PLL											
	Egypt	2020	SBA											
Panama	2021	PLL												
Current account crisis	Pakistan	2008	SBA											
	Belarus	2008	SBA											
	Mongolia	2009	SBA											
	Sri Lanka	2009	SBA											
	Jordan	2012	SBA											
Multiple equilibria	Ukraine	2008	SBA											
	Hungary	2008	SBA											
	Latvia	2008	SBA											
	Serbia	2009	SBA											
	Armenia	2009	SBA											
	Romania	2008	SBA											
Multiple crisis	Argentina	2003	SBA											
	Iceland	2008	SBA											
	Greece	2010	SBA											
	Ireland	2010	EFF											
	Portugal	2011	EFF											
	St. Kitts and Nevis	2011	SBA											
	Greece	2012	EFF											
	Ukraine	2014	SBA											
	Ukraine	2015	EFF											
	Argentina	2018	SBA											
Ecuador	2020	EFF												
Others	Ukraine	2010	SBA											

Source: Program request documents.

Note: Policy coverage is identified through discussions in the staff reports. If there is insufficient information to determine whether a policy is adopted, or if certain policies are not applicable (e.g., exchange rate flexibility for members of a currency union), the cell is left blank. If sufficient information indicates that a policy is included in the program, the cell is colored yellow; conversely, the cell is colored green.

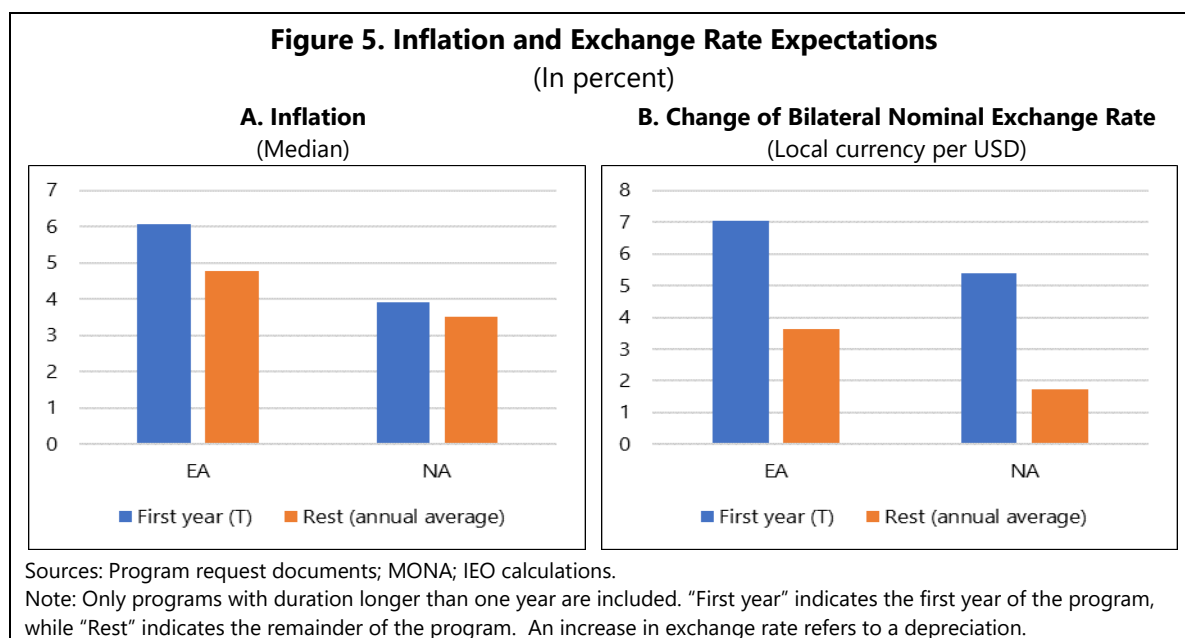
**Figure 4. Heatmap of Vulnerabilities According to Program Documents**

				Fiscal Sector				External Sector			Financial Sector		Other
	Country	Year	Type	Public debt (level)	Public debt (composition)	Previous default	Fiscal balance	CA balance	Net capital inflows	Limited access to international markets	Financial sector vulnerabilities	Currency mismatches	Policy uncertainty
Moderate adjustment	Brazil	2002	SBA	Yellow	Green	Green	Green	Yellow	Green	Green	Green	Green	Yellow
	Turkey	2005	SBA	Yellow	Green	Green	Green	Yellow	Green	Green	Green	Green	Green
	Uruguay	2005	SBA	Yellow	Green	Green	Green	Yellow	Green	Green	Green	Green	Green
	Georgia	2008	SBA	Green	Green	Green	Green	Yellow	Green	Green	Yellow	Green	Green
	El Salvador	2009	SBA	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Yellow
	Costa Rica	2009	SBA	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green
	Guatemala	2009	SBA	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green
	Macedonia	2011	PCL	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green
	Romania	2011	SBA	Green	Yellow	Green	Green	Yellow	Green	Green	Green	Yellow	Green
	Morocco	2012	PLL	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Green
	Romania	2013	SBA	Green	Green	Green	Green	Yellow	Yellow	Green	Yellow	Green	Yellow
	Morocco	2014	PLL	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Green
	Egypt	2020	SBA	Green	Yellow	Green	Green	Yellow	Yellow	Green	Green	Green	Green
	Panama	2021	PLL	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Green
Current account crisis	Pakistan	2008	SBA	Yellow	Green	Green	Green	Yellow	Green	Green	Green	Green	Green
	Belarus	2008	SBA	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green
	Mongolia	2009	SBA	Yellow	Green	Green	Yellow	Yellow	Green	Green	Yellow	Green	Green
	Sri Lanka	2009	SBA	Yellow	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Green
	Jordan	2012	SBA	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green
Multiple equilibria	Ukraine	2008	SBA	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Yellow
	Hungary	2008	SBA	Yellow	Green	Green	Green	Yellow	Green	Green	Green	Green	Yellow
	Latvia	2008	SBA	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Green
	Serbia	2009	SBA	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green
	Armenia	2009	SBA	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green
	Romania	2008	SBA	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green
Multiple crisis	Argentina	2003	SBA	Yellow	Green	Green	Green	Yellow	Green	Green	Green	Green	Yellow
	Iceland	2008	SBA	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Yellow
	Greece	2010	SBA	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Yellow
	Ireland	2010	EFF	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Yellow
	Portugal	2011	EFF	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Yellow
	St. Kitts and Nevis	2011	SBA	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Yellow
	Greece	2012	EFF	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Yellow
	Ukraine	2014	SBA	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Yellow
	Ukraine	2015	EFF	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Yellow
	Argentina	2018	SBA	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Yellow
Ecuador	2020	EFF	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Green	Yellow	
Others	Ukraine	2010	SBA	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	

Source: Program request documents.

Note: Policy coverage is identified through discussions in the staff reports, including structural conditions and quantitative targets. If insufficient information is provided to determine whether an area is of concern, the cell is left blank. If sufficient information indicates that an area is of concern, the cell is colored yellow; conversely, if an area is not of concern, the cell is colored green.

13. **To ensure that the borrowing member’s BOP was fully financed over the remainder of the program, EA programs relied on financing assurances from official creditors and rollover agreements with private creditors, rather than on outflow CFM measures (Figure 3).** Financing assurances in the form of financial commitments from official creditors were important in Brazil (2002) and several European programs, including Greece (2012), Hungary (2008), Iceland (2008), Latvia (2009), Romania (2009 and 2013), Serbia (2009), and Ukraine (2008). However, EA programs have generally not depended on outflow CFM measures, except in specific cases such as Iceland (2009), Morocco (2012), and Ukraine (2015). Notably, programs in Argentina (2003), Ecuador (2020), and Ukraine (in multiple years) actively sought to remove CFM measures as part of their design.

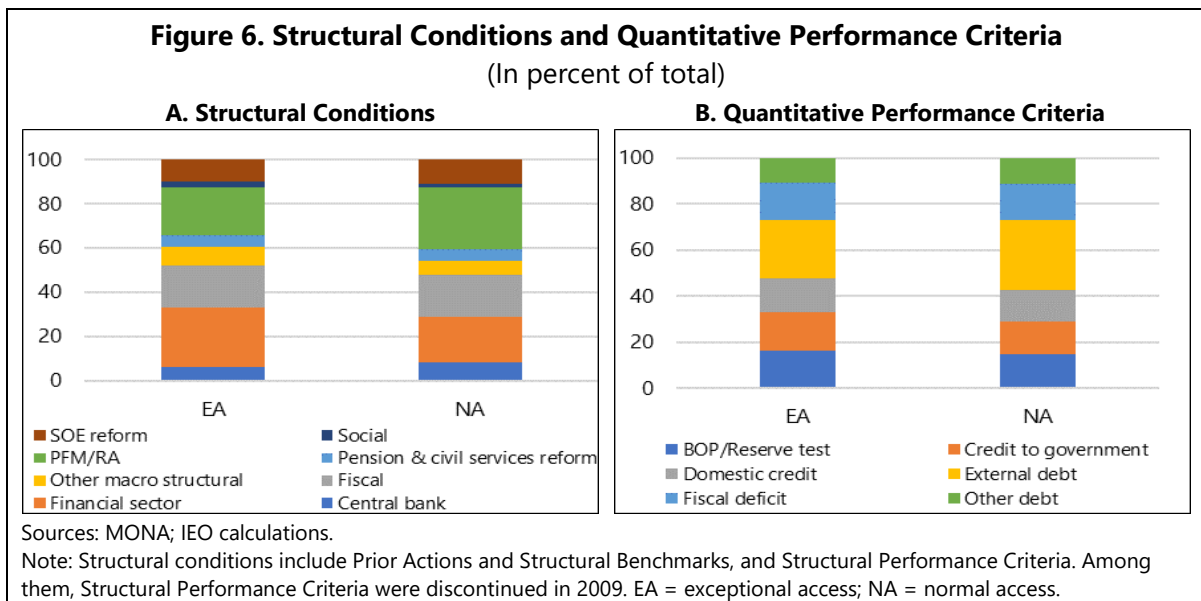


14. **Microprudential policies aimed at strengthening the domestic financial sector were generally implemented in EA programs, unless the financial sector was considered robust.** These policies were designed to ensure that financial institutions were appropriately supervised and well-capitalized, enabling them to receive liquidity support in case of emergencies. Programs also sought to establish appropriate mechanisms for resolving failed institutions both at the time of the program and in the future. Financial sector reforms were central to the programs in Iceland (2009), Ireland (2010) and Greece (2012), and included in all EA programs except those in Argentina (2018), Belarus (2009), and Macedonia (2011) (Figure 3).

15. **In addition to stabilization policies, the strategic mix of policies adopted in EA programs has typically included institutional reforms and structural policies aimed at fostering long-term growth.**<sup>7</sup> Direct stabilization policies, such as adjustments in

<sup>7</sup> In program documents, the term "structural reforms" typically encompasses both the reform of macroeconomic policy institutions and pro-growth structural reforms, which are intended to promote growth without necessarily reforming macroeconomic policy institutions.

macroeconomic policy stances, are often complemented by medium-term institutional reforms in the fiscal and monetary policy areas that are designed to lock in short-term stabilization gains. Fiscal sector reforms were included in all EA programs (Figure 3), except for Costa Rica (2009) and Macedonia (2011). Furthermore, 20 of the 30 programs for countries with their own central banks included conditions aimed at strengthening the institutional quality of the central bank. Lastly, 27 programs incorporated pro-growth structural policies beyond reforms of fiscal and monetary institutions.<sup>8</sup> The policy elements of an IMF-supported program are implemented and monitored through Quantitative Performance Criteria (QPCs) and Structural Conditions (SCs) (Figure 6).<sup>9</sup>



### C. Analytical Country Groupings and Program Design in EA Programs

16. **IMF-supported programs aim to address a variety of economic challenges, including trade fluctuations, CA pressures, and actual or potential capital outflow shocks.** Classifying these programs into analytical groups based on the challenges they encounter is beneficial for evaluating the effectiveness and evenhandedness of Fund's financial support and policy advice. The following sections will outline the common initial conditions across programs within each category, and examine how the previously discussed policy options have been tailored to address the specific challenges faced by countries in EA programs.

<sup>8</sup> Over time, the Fund has sought to streamline structural reform conditions by requiring that they be both parsimonious and macrocritical (see IMF, 2002, and IEO, 2007a).

<sup>9</sup> Structural performance criteria (SPCs) were discontinued in 2009 in response to the IEO's Review of Structural Conditionality (IEO, 2007a) and were replaced by structural benchmarks (SBs). The term "SCs" is used here to refer to both SPCs and SBs.

17. **EA programs are categorized in four broad analytical groups, each defined by specific challenges and features:** (i) "moderate adjustment" programs, initiated in countries with relatively sound pre-program policies, aimed at pre-empting abrupt adjustments in the CA due to anticipated disruptions in external financing; (ii) "current account crisis" programs, implemented in countries facing significant negative shocks to their CAs, typically with limited capacity to stabilize domestic consumption through international borrowing; (iii) "multiple equilibria" programs, established in countries where potential capital outflows could lead to a sudden and sharp depreciation of the exchange rate. In economies with extensive currency mismatches in the financial sector, such fluctuations could trigger a banking crisis, which could also impair the sovereign's balance sheet. These programs aimed to pre-emptively stabilize the financial system and protect the broader economic structure from cascading failures; and (iv) "multiple crisis" programs, in countries already experiencing a combination of BOP, financial, fiscal crises at the time of requesting Fund assistance.<sup>10</sup>

18. **By categorizing IMF-supported programs into analytical groups based on similar economic conditions and challenges, this background paper highlights instances where evenhandedness may be called into question.**<sup>11</sup> Evenhandedness is questioned when treatment is not appropriately tailored to country circumstances—that is, when countries with similar initial conditions receive different policy advice, or when countries with different initial conditions receive similar policy advice.

#### **(i) "Moderate Adjustment" Programs**

19. **Some EA programs were initiated in countries with strong pre-program performance and sound policies endorsed by the Fund.** These programs primarily aimed to pre-empt abrupt adjustments in the CA due to potential disruptions in external financing. We classify 14 programs into this group. Relative to other EA programs, the estimated BOP gaps in these countries were modest on average, at less than 2 percent of GDP annually (Figure 7B), and their programs included the lowest average number of SCs and QPCs per review (Appendix Table All.2). Given the alignment between the Fund's staff and national authorities on the pursued strategies, along with the absence of identified needs for significant policy changes, these

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<sup>10</sup> Appendix Table All.1 shows the classification of EA programs into these four analytical groups. It also provides information on approval year, lending instrument, program duration, program status, amounts committed and disbursed. We excluded two programs (Argentina (2003) and Ukraine (2010)) from the sample as they were sui generis and do not fit well within our categories. The January 2003 Argentine program served primarily as a bridge to the September 2003 program. The 2010 Ukraine program, which followed a 2008 program, focused on completing significant structural reforms in the fiscal, monetary, financial, and energy sectors initiated under the previous program.

<sup>11</sup> The guiding principle of evenhandedness is "uniformity of treatment" (IMF, 2023). The principle of uniformity is a legal principle that governs the activities of the IMF (Gold, 1975).



programs did not require a major reorientation of policies. We refer to these as “moderate adjustment” programs.<sup>12</sup> Programs in other groups feature much larger adjustment.

20. **Moderate adjustment programs typically placed less emphasis on concerns regarding debt levels and fiscal deficits, focusing instead on CA deficits within the context of financial vulnerabilities (Figure 4).** While concerns about public debt were noted in Brazil, Turkey, and Uruguay, they were not major issues in the other 11 programs. Fiscal deficits were initially assessed as unduly high only in Morocco, Panama, and Romania. However, CA deficits were deemed too high in 8 of the 14 cases, and vulnerabilities in the financial sector—often related to currency mismatches—were identified in half of these programs.

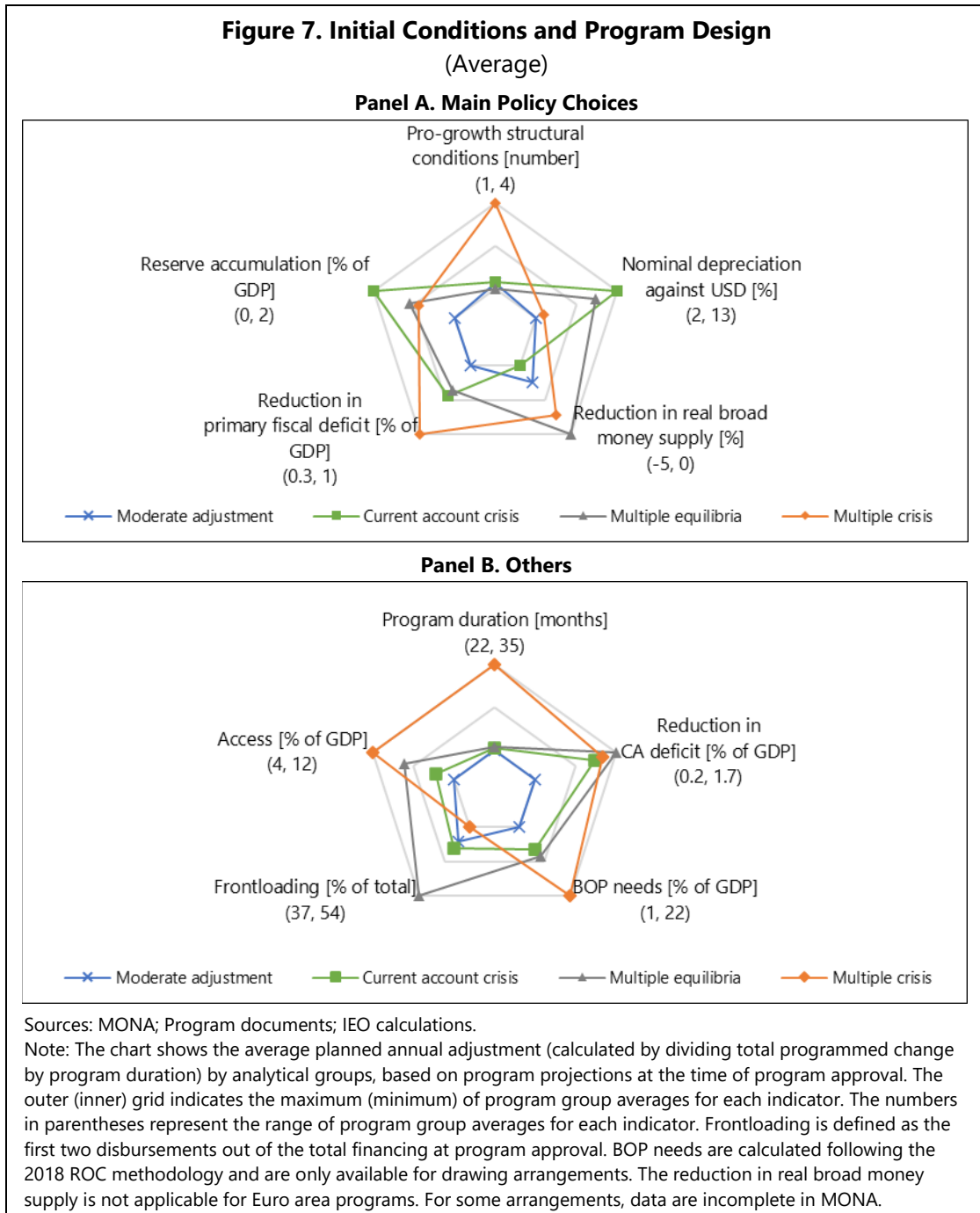
21. **The primary challenge in these cases was to secure an adjustment of the external accounts without large or abrupt exchange rate changes that could jeopardize the stability of the domestic financial system.** The Fund’s role was to support the continuation of the authorities’ policies in pursuing this adjustment by providing its seal of approval and a liquidity buffer. Consequently, “moderate adjustment” programs, while involving EA, featured relatively smaller amounts of financing and policy adjustment compared to other EA programs. They primarily relied on monetary tightening to reduce CA deficits and to limit the decline in net capital inflows (Figure 7). In addition to monetary tightening, these programs included fewer and more moderate policy adjustments than other program groupings. As illustrated in Figure 7, they did not depend on fiscal tightening, and the reliance on pro-growth structural reforms was also limited.<sup>13</sup>

22. **However, differences in policy choices and program design were not always attributable to differing initial conditions and economic challenges (Figure 4 and Appendix Figure AI.1).** For instance, neither Uruguay (2005) nor Macedonia (2011) experienced unfavorable developments in their CAs, yet monetary tightening was included in the policy package for Uruguay (2005). Similarly, although only half of the “moderate adjustment” programs reported concerns about financial sector vulnerabilities, financial sector reforms were recommended for all of them. Furthermore, while fiscal tightening was advised in cases where public debt levels or fiscal deficits were of concern, it was also implemented in Georgia in 2008, despite fiscal vulnerability not being identified as a significant issue.

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<sup>12</sup> Of the seven programs in this group approved after the creation of the Precautionary Credit Line (PCL), four were negotiated under the PCL or its successor, the Precautionary and Liquidity Line (PLL), attesting to the soundness of fundamentals in the relevant program countries.

<sup>13</sup> Since most of these countries did not encounter difficulties accessing private international financial markets, the pursuit of standstills with creditors was rarely undertaken, occurring only in Brazil and Romania (Figure 3).



## (ii) Current Account Crisis Programs

23. **Some EA programs were initiated in countries experiencing significant negative shocks to their CAs, which depleted foreign exchange reserves.** Our classification identifies five programs in this group. Supported by exceptional financing, these programs aimed to implement corrective policies that would enable a more gradual adjustment of the CA than would have been possible otherwise.

24. **Unlike the previous group, these programs required more extensive modifications of pre-program policies.** The countries in this group faced significant BOP needs, averaging approximately 8 percent of GDP (Figure 7B), and had about twice as many SCs and QPCs as the “Moderate Adjustment” programs (Appendix Table AII.2). Consequently, they received larger amounts of IMF financing compared to the previous group and necessitated greater exchange rate flexibility and broader policy adjustments, as illustrated in Figure 7.

25. **These programs relied significantly on exchange rate depreciations to reduce CA deficits and rebuild reserves.** By definition, each of these countries experienced considerable CA deficits, leading to nearly universal recommendations for enhanced exchange rate flexibility to facilitate external adjustment.<sup>14</sup> On average, these programs featured greater exchange rate depreciation and higher reserve accumulation than those in other groups (Figure 7).

26. **Nearly all the programs incorporated reforms in the financial sector and measures for fiscal tightening, even though staff did not always acknowledge the associated concerns regarding financial and fiscal vulnerabilities.** All programs, except Belarus (2008), included financial sector reforms aimed at addressing related vulnerabilities. In three of the four countries with high levels of public debt and/or large fiscal deficits, short-run fiscal tightening was proposed. Jordan (2012) was the exception; in this case, the shift from pre-program policies primarily emphasized the adoption of a tighter monetary policy alongside the pursuit of structural reforms aimed at fostering economic growth. Conversely, Belarus (2008) implemented short-run fiscal tightening even though fiscal issues were not identified as problematic in the program request document.

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### **(iii) “Multiple Equilibria” Programs**

28. **Some EA programs were initiated due to the risk of destabilizing exchange rate depreciations that could potentially trigger banking and sovereign debt crises.** Several of these programs, particularly those in emerging economies in Europe during the Global Financial Crisis (GFC), exhibited common characteristics. These countries managed their own currencies

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<sup>14</sup> The exception was Jordan (2012), where the country’s authorities expressed a strong interest in maintaining the exchange rate peg.

and were highly integrated into international financial markets. At the time of negotiations, they faced overheated economies with inflationary pressures, appreciated real exchange rates, and vulnerabilities in the financial sector related to real exchange rate depreciation (because of liability euroization) and a slowdown in economic activity. Despite generally low public sector debt levels (with the exception of Hungary), the GFC led to a decline in exports, halted capital inflows, and raised concerns regarding financial system stability. This situation heightened the risk of destabilizing exchange rate depreciations that could trigger banking and sovereign debt crises. Six programs fall into this category.

29. **The primary design challenge of these programs was to build sufficient confidence through frontloaded access and strong external adjustments to prevent drastic capital outflows.** These countries faced large CA deficits and significant reductions in net capital inflows, leading to considerable BOP needs averaging around 10 percent of GDP (Figure 7B). The main objective of these programs was to instill confidence to avoid falling into a detrimental economic equilibrium, which explains why financing was substantial and predominantly front-loaded. Additionally, a substantial portion of the overall BOP needs over the program's duration was expected to be met through robust and frontloaded adjustments in the CA balance rather than solely through financing (Figure 7B). As a result, "Multiple Equilibria" programs also included the second highest average number of SCs and QPCs per review among the program groupings (Appendix Table AII.2).

30. **External adjustment was pursued through the tightening of monetary and fiscal policies, managed exchange rate depreciation, and financial sector reforms to prevent destabilizing capital outflows.** In these programs, external adjustment was expected to be achieved by contracting aggregate demand through fiscal and monetary tightening and by moderately depreciating the nominal exchange rate (Figure 6). Short-run fiscal tightening was proposed across all cases except Armenia, reflecting concerns regarding the level of public debt in Hungary, large fiscal deficits in Latvia and Romania, and fiscal financing difficulties in Ukraine.<sup>15</sup> Despite the risks posed by currency mismatches in the financial sector, exchange rate depreciation was included in all programs except Latvia, which, like Jordan in the previous group, expressed a strong preference for maintaining its exchange rate peg. To avoid significant capital outflows, standstills with creditor banks were sought in all cases except Armenia. Given the perceived vulnerability of the domestic financial sector in all of these countries, all programs included proposed reforms of the sector.

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<sup>15</sup> By focusing on the reduction in the primary deficit, Appendix Figure AI.4 doesn't fully capture the fiscal stance in the Latvia program. In fact, while the primary fiscal balance was projected to deteriorate by an average of around 1.5 percent of GDP per year by end 2010, the structural primary balance was instead projected to improve by about 2 percent of GDP per year.

#### (iv) “Multiple Crisis” Programs

31. **The Fund also provided support to countries that were already experiencing multiple crises at the time the programs were being negotiated.** The 11 programs in this group faced a combination of BOP, domestic financial, and sovereign debt crises when they requested Fund assistance. These challenging economic conditions resulted in substantial BOP needs among these countries, averaging 23 percent of GDP, as illustrated in Figure 7. To facilitate the significant adjustments in policies required, these programs included the highest number of SCs and QPCs per reviews among the program groupings (Appendix Table All.2).

32. **Countries in this group faced significant public sector debt sustainability challenges, which led to plans for large and frontloaded fiscal consolidations.** These countries not only implemented major fiscal consolidations, as illustrated in Figure 7, but also engaged in debt operations in cases such as Argentina (2003), St. Kitts and Nevis (2011), Greece (2012), Ukraine (2015), and Ecuador (2020). Additionally, most countries in this group experienced a combination of large CA deficits (with the exceptions of Argentina (2003) and Ecuador (2020)) and reductions in net capital inflows (observed in all countries).

33. **In countries without independent monetary policy, external adjustment was expected to occur through internal devaluation.** Six of the 11 countries in this group lacked independent monetary and exchange rate policies, preventing them from utilizing tighter monetary policy and more flexible exchange rates for external adjustment. As a result, internal devaluation became the chosen strategy, pursued through stringent fiscal adjustments and pro-growth structural reforms aimed at boosting productivity growth—both of which were especially prominent in this group (Figure 7). This approach was applied in all cases except in Iceland in 2009 and Argentina in 2018, where alternative strategies were pursued, as illustrated in Figure 3. The domestic financial sector was perceived to be vulnerable in all cases except for Argentina (2018) and Ecuador (2020), and programs featured financial reforms in all cases except Argentina (2018).

### III. PROGRAM IMPLEMENTATION AND OUTCOMES

34. **The success of a program depends both on aligning desired policy choices with the initial conditions of the program country and on effective implementation.** This section reviews experiences with policy implementation and program completion in EA programs and follows with an analysis of the macroeconomic outcomes associated these programs. In doing so, it aims to highlight the connections between program design and the EAP. It should be noted that the EAP seeks to provide enhanced ex ante safeguards. Ex post outcomes are influenced by a host of factors, including exogenous shocks, implementation (as noted), and complex channels of transmission between policy changes and their impacts. It is, nonetheless, informative to examine EA program outcomes to understand how the policy has worked in practice.

## A. Program Implementation

35. **The similarity in completion rates between NA and EA programs does not indicate significant differences in program ownership or implementation capacity.** Over the evaluation period, EA programs experienced completion rates comparable to those of NA programs, despite facing worse initial conditions (Table 1). Among EA programs, approximately half of the SBA programs, three quarters of EFF programs, and all PCL/PLL programs were completed. Across the analytical EA groups, around half of moderate adjustment programs, a quarter of CA crisis programs, two-thirds of multiple equilibria programs, and half of multiple crisis programs were completed (Table 1).

	All NA	All EA	Moderate adjustment	Current account crisis	Multiple equilibria	Multiple crisis
Completion of program						
Completed	42	45	50	27	60	50
Largely implemented	11	11	21	9	0	0
Off-track	47	45	29	64	40	50
Observance of QPCs						
Met	88	90	94	88	87	89
Not met	12	10	6	12	13	11
Observance of SCs						
Met	72	75	74	67	78	76
Met with delay	13	13	11	29	9	14
Not met	15	12	16	5	13	11

Sources: MONA; Program documents; IEO calculations.  
 Note: Program completion rates are calculated using the 2018 ROC methodology and data from the MONA database. Inaccuracies in the MONA database related to review cancellations and rephasing were identified through the desk review of program requests and EPE documents for EA cases. While these inaccuracies have been addressed for EA cases in Appendix Table All.1, they remain uncorrected in this table to maintain comparability between NA and EA cases. Observance rates capture only the rates for completed reviews. If a program was off-track due to unobserved QPCs or SCs, this is not reflected as a lower observance rate.

36. **Adherence to conditionality was also similar between NA and EA programs, with approximately 90 percent of QPCs and 75 percent of SCs being met on average in both NA and EA programs, although EA programs featured fewer QPCs and SCs per review** (Appendix Table All.2). Within our analytical categories, moderate adjustment programs displayed a higher compliance rate with QPCs compared to other groups, achieving 94 percent compliance versus 87–89 percent for the other groups (Table 1). However, the compliance rate for SCs in the moderate adjustment group was lower, at around 85 percent compared to 87–95 percent for other groupings.

## B. Program Outcomes

37. **To evaluate program outcomes, we employ four approaches.** First, we compare actual outcomes with forecasts made at the time of program approval for key macroeconomic variables.<sup>16</sup> Second, we examine the trajectory of macroeconomic variables before, during, and after the programs, following the methodology used by the European Central Bank (2019). Third, we assess program success using the metric from the 2018 Review of Conditionality (ROC). Fourth, we estimate the catalytic impact of IMF-supported programs using an instrumental variable approach. In each approach, we compare the outcome of EA programs with those of NA programs. Key findings are presented below.

38. **Both EA and NA programs exhibited a tendency toward overly optimistic real GDP growth forecasts, although this tendency was more pronounced in EA programs in the later years.**<sup>17</sup> As shown in Figure 8, Panel A, EA programs typically fell short of their projected growth rates. Economic growth in EA programs experienced a significant decline during the program period, followed by a rebound to levels slightly above those seen before the program began; however, growth remained well below initial projections. In contrast, NA programs demonstrated a more consistent growth performance, as illustrated in Panel A of Figure 8 and further detailed in Appendix II, Figure AI.1.

39. **Both EA and NA programs exhibited a tendency toward optimistic projections for fiscal deficits as a percentage of GDP, with this bias being more pronounced in EA programs.** In these programs, actual fiscal outcomes began diverging from forecasts earlier and more significantly, with a gap of approximately 1 percent of GDP emerging two years after program approval.<sup>18</sup> This discrepancy likely reflects the more challenging initial conditions of EA programs, which typically started with substantially larger primary fiscal deficits compared to NA programs. Forecast errors 3 years after program approval were roughly similar in EA and NA programs. Despite only modest adjustments during the program period, fiscal balances were eventually achieved in the years following the program, as shown in Appendix II, Figure AI.1.

40. **The optimism bias evident in forecasts of fiscal deficits can be attributed to an overly positive outlook on expenditure reductions, as illustrated in Figure 9.** For both NA and EA programs, the expected reductions in spending did not materialize as projected. Although both types of programs started with comparable public debt-to-GDP ratios before the program, only NA programs, on average, succeeded in stabilizing their debt-to-GDP ratios during and after

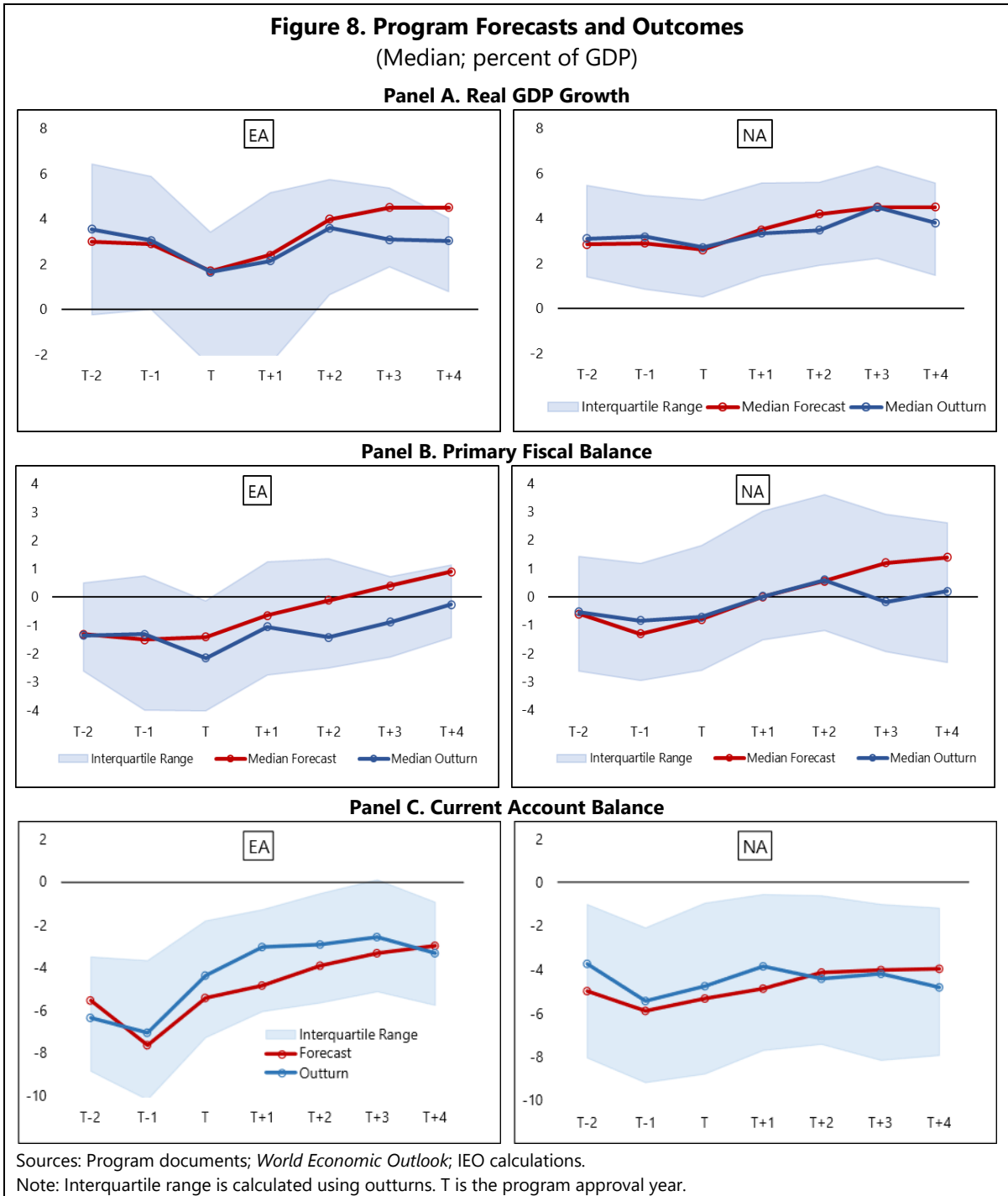
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<sup>16</sup> Similar to Kim and others (2021), we use the latest WEO data to document outturns given data inaccuracies in MONA. However, unlike Kim and others (2021), we do not approximate initial program projections with WEO data from contemporary vintages; instead, we hand-collected initial data projections from program documents.

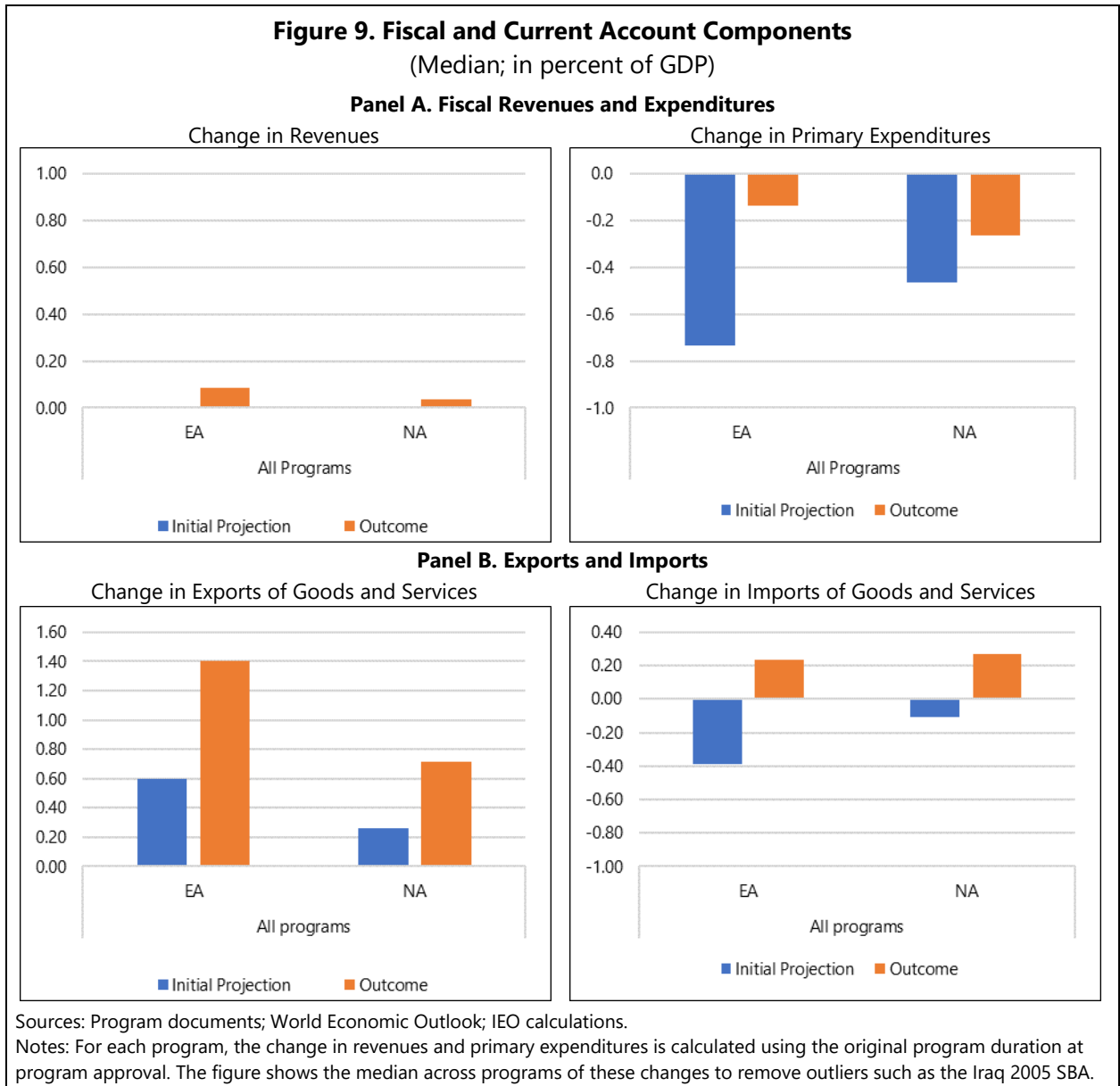
<sup>17</sup> This finding is reminiscent of Musso and Phillips (2002), which already found evidence of greater forecast optimism in large programs.

<sup>18</sup> Statistical tests reject the null hypothesis that the mean forecast errors of primary fiscal balances are equal between NA and EA programs in T+1 and T+2.

the program. In contrast, EA programs experienced a sustained increase in their debt-to-GDP ratios, a situation exacerbated by subdued output growth, relatively restrained fiscal consolidation efforts, and exchange rate depreciation, as detailed in Appendix II, Figure AI.1.







41. **Both EA and NA programs displayed a tendency toward pessimism in CA adjustment, with this bias being more pronounced in EA programs** Specifically, in EA programs, contrary to expectations, imports increased instead of declining, while in NA programs, imports did not stabilize but also increased. However, the discrepancy between expectations and outcomes regarding imports was offset by a more substantial rise in exports than anticipated, leading to a more robust BOP adjustment than initially projected, as illustrated in Figure 9.

42. **The BOP adjustment in IMF-supported programs was facilitated by depreciations in the nominal exchange rate against the US dollar. That adjustment was sharper and more sustained in EA programs compared to NA programs** (Appendix II, Figure AI.1). Countries with EA programs started with larger CA deficits but managed to achieve and sustain substantial

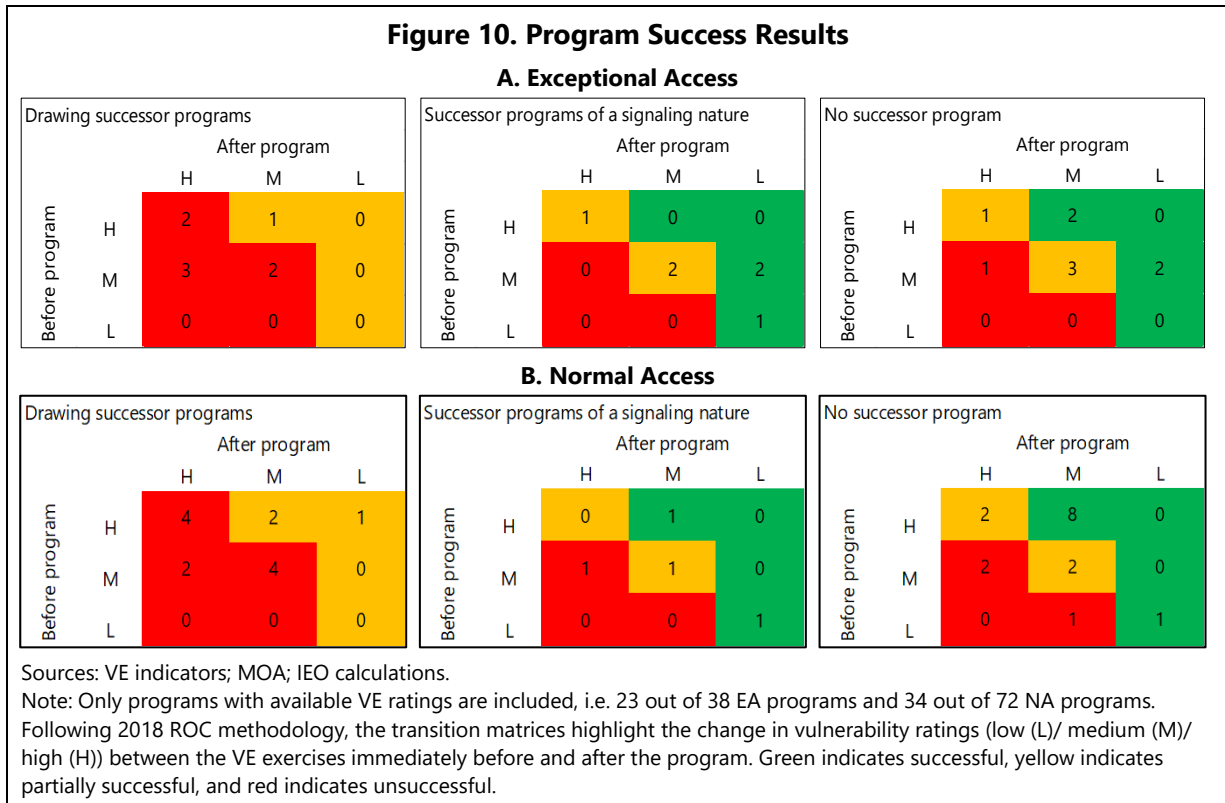
adjustments during and after their programs. International reserve buffers (measured in months of imports) were also rebuilt in both types of programs. However, net capital inflows, which remained stable in NA countries, decreased during and after the programs in EA countries. We will revisit this important issue below with econometric evidence.

### C. Interpreting Program Implementation and Outcomes

43. **A first outcome-based approach to assess the suitability of program design involves applying the program success metric defined in the IMF 2018 ROC.** According to the 2018 ROC, a program is judged to be successful if, after completion, there is no follow-up drawing program and the country's vulnerability rating has improved or remains low. A program is deemed partially successful if it meets only one of the two criteria. All other programs are considered unsuccessful.

44. **According to the 2018 ROC metric, the program success rates of EA and NA programs were quite similar.** By the 2018 ROC standard, EA programs had broadly similar outcomes as NA programs, with their success rates being broadly similar at around one-third (Figure 10). This can be interpreted in two ways. On the one hand, the similarity in success rates can be viewed positively, as it suggests that EA programs are capable of achieving comparable outcomes despite operating under particularly challenging economic circumstances. On the other hand, it raises negative concerns regarding program design, which is supposed to account for these specific challenges (EAC4), yet has not resulted in improved outcomes. However, we would caution readers to not place too much weight on these numbers, as the ROC metric can only be calculated for 61 percent of EA programs (23 out of 38) and 47 percent of NA programs (34 out of 72).

45. **Another outcome-based approach to assess the suitability of program design involves examining whether these programs bolstered investor confidence, as evidenced by movements in capital flows.** The evidence reported in Appendix II, Figure AI.1 suggests that such confidence effects were generally absent for EA programs, with net private capital flows decreasing both during and after programs. However, this before-after assessment does not account for other factors, such as global conditions and country-specific issues, that may simultaneously influence a country's decision to engage in an IMF-supported program and capital inflows. Due to this omitted variable issue, a simple regression of capital inflows on program participation, as shown in in Column (1) of Table 2, would likely produce a downward-biased estimate, which may even suggest that IMF-supported programs have an anti-catalytic effect.



46. **When accounting for endogenous selection, IMF-supported programs are found to have a positive catalytic effect on private capital flows.**<sup>19</sup> Using the same instrumental variable strategy as Gehring and Lang (2020), Krahnke (2023), and He, Johnston, and Velasquez (2024), we estimate the effect of participating in an IMF-supported program on gross private capital flows. Specifically, we use the interaction of past IMF participation and the total IMF resources available as an instrument for current program participation. This approach leverages the fact that a country's history of IMF-supported program participation serves as a stronger predictor of current participation when total IMF liquidity is more constrained. Column (2) of Table 2 shows that when this variation in total IMF liquidity is utilized to create quasi-random variation in a country's participation in an IMF-supported program, we obtain a positive coefficient. This indicates that, on average, IMF-supported programs have a positive catalytic effect on private capital inflows.

<sup>19</sup> We choose to focus on private catalytic effect, because (i) private sector involvement has been an important consideration in the EAP and because (ii) official catalytic effect (Figure 1) has more to do with the coordinating role of the Fund than its catalytic role. As explained in Giannini and Cottarelli (2002), "whether IMF-supported programs lead to more official support is not exactly about the catalytic effect but rather about the coordinating role of the Fund. The catalytic effect primarily refers to the ability of IMF programs to mobilize private capital flows by signaling to the markets the commitment and stability of the borrowing country. In contrast, the coordinating role of the Fund involves organizing and leveraging additional financial resources from other official sources, such as bilateral donors or multilateral organizations, to support the overall financial package for the crisis-hit country."

	(1)	(2)	(3)	(4)
	OLS	IV	IV	IV
IMF program	-0.792 (2.12)	24.57* (13.06)	20.61* (11.49)	19.82* (10.70)
Exceptional Access			-24.81** (10.82)	
Moderate adjustment				-19.82* (10.23)
Current account crisis				-12.58 (9.55)
Multiple equilibria				-15.11* (8.85)
Multiple crisis				-46.09** (20.11)
<i>First stage results</i>				
IMF liquidity x IMF probability		-0.35*** (0.07)	-0.40*** (0.06)	-0.42*** (0.07)
Country FE	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
Observations	2,891	2,891	2,891	2,891

Source: IEO calculations.  
Note: The results obtained are based on an extension of the Krahnke (2023) dataset and cover IMF-supported programs from 1990 to 2022. External conditions and country-specific characteristics are controlled for.

47. **However, the positive catalytic effect of IMF-supported programs appears to be primarily driven by NA programs.** Column (3) shows that NA programs, on average, exhibit a positive catalytic effect on private capital inflows, while EA programs demonstrate an anti-catalytic effect. This finding aligns with Krahnke (2023), who identified an anti-catalytic effect in programs exceeding 8 percent of GDP—the average size of EA programs during our evaluation period. This finding also aligns with those of Kogan et al. (2024), who noted that countries in EA programs did not, on average, experience the same decline in sovereign spreads as those in NA programs.<sup>20</sup>

48. **Among EA programs, those addressing multiple crises exhibited the strongest anti-catalytic effects.** Column (4) of Table 2 shows the results for the four main analytical categories of EA programs (moderate adjustment, CA crisis, multiple equilibria, and multiple crisis). The combined point estimates (sums of the IMF program dummy and each category dummy) indicate that the overall anti-catalytic effect for EA programs is mainly due to multiple crisis programs. For other program categories, the combined coefficients are either small and positive, suggesting a weaker than in NA programs but nonetheless positive catalytic effect (CA crises) or not statistically different from zero, indicating no catalytic effect (moderate adjustment programs,

<sup>20</sup> In contrast, Chahine, Panizza, and Suedekum (2024) found the reduction in borrowing costs increased with the size of the program. However, their sample is restricted to 23 countries that maintained market access both before and after the program, thereby excluding more severe cases that lost market access.

multiple equilibria programs). This finding suggests that EA programs may have struggled to restore confidence in particularly challenging multiple-crisis environments. The next section explores how program design may have contributed to this outcome.

#### IV. EVALUATING POLICY TRADE-OFFS IN EA PROGRAMS

49. **We next assess the appropriateness of ex ante program policy design by considering whether better policy alternatives may have been available.** To do this, we evaluate the policy choices made in EA programs to address BOP problems from a theoretical perspective. More specifically, we assess the quality of the justifications provided for specific policy choices in program request documents.<sup>21</sup> Doing so is not only important to evaluate the appropriateness of program design, but also to assess whether policy choices were appropriately driven by country circumstances, thereby addressing evenhandedness concerns (Callaghan, 2014).

50. **We sequentially discuss the adjustment versus financing decision, the role of policies in promoting confidence, and the rationale behind the specific choices made in the main policy areas identified previously.** These policy areas are fiscal policy, debt management, monetary and exchange rate policies, capital account policies, financial sector policies, and structural reforms designed to increase efficiency and increase the level of sustainable real GDP growth.

##### A. The Adjustment-Financing Decision

51. **The program request documents for EA programs typically view adjustment and financing as complements rather than substitutes.** The significant BOP gaps identified in EA programs necessitate a combination of adjustment (improved CA performance) and financing. The standard perspective on the adjustment versus financing decision treats the two as substitutes: less adjustment requires more financing, while greater availability of financing reduces the need for adjustment. However, the issue becomes more complex if the amount of financing expected from non-Fund sources increases with the level of adjustment incorporated into program design. In this case, adjustment and financing become complements, rather than substitutes.

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<sup>21</sup> As indicated previously, our analysis is only based on publicly available program documents. It goes without saying that additional considerations not necessarily reflected in program requests may have influenced the specific policy choices made in programs. But, given our sample of 36 EA programs (as indicated earlier, Argentine 2003 January SBA and Ukraine 2010 SBA are omitted), it would be unrealistic for us to check if that was indeed the case for each of these programs. For such exercises, we refer the readers to the case studies included in Alfaro and de Las Casas (2024), Giugale and Bal Gündüz (2024), Lane and Saveikyte (2024), and de Las Casas and Pérez-Verdía (2024),

52. **At the root of the complementarity between financing and adjustment lies the connection between adjustment and investor confidence:** if a demonstrated capacity to adjust makes non-Fund creditors (including domestic agents who may engage in capital flight) more confident in the security of their claims on the domestic economy, they may be more willing to provide additional financing as the country undertakes stronger adjustment efforts as part of the program. This is the relationship typically assumed in program request documents. In fact, without exception, all EA program documents argue that the chosen program policies were designed to promote investor confidence.

53. **Due to the complementarity between adjustment and financing, the program design challenge is to ensure that sufficient adjustment is achieved so that, alongside the provision of Fund resources, the BOP gap can be expected to close over the program's duration.** Given the projected BOP gap and the assumed dependence of financing on adjustment, the design process is constrained by the feasible amount of adjustment, the strength of the response of financing to adjustment, and the availability of Fund resources. If the gap cannot be closed within these constraints, the program is not feasible.

54. **In this context, the role of the EAP is to alleviate one of these constraints—specifically the limitation on the Fund's contribution—thereby potentially making some programs feasible that would not otherwise be possible.** The EAP criteria aim to achieve this by allowing the Fund to enlarge its contribution, while incorporating additional safeguards. However, as previously indicated, this approach is strongly underpinned by the perceived connections between adjustment and confidence, as well as between confidence and financing. We will next discuss the likely strength of these links.

## **B. The Determinants of Investors' Confidence**

55. **The staff frequently overlooks the need to provide justifications for their assertions about the elements that influence confidence effects.** A major challenge in designing programs is identifying strategies that genuinely enhance investor confidence. Given the existing ambiguity in the literature regarding the drivers of confidence effects, one would expect program request documents to present clear rationales for selecting specific policy measures. Unfortunately, these documents often lack such detailed explanations, and not all policy components recommended in EA programs appear to contribute equally to bolstering confidence. We will examine the impact of these policy choices on confidence below.

56. **Measures that effectively deter capital outflows or mitigate the impact of major currency depreciations are recognized for their clear confidence-enhancing properties.** Specifically, if a major concern associated with a loss of confidence is a substantial net capital outflow leading to a significant exchange rate depreciation, strategies that would weaken the incentives for such outflows, increase the costs for agents to undertake them, or enhance the authorities' ability to maintain the exchange rate during these events are directly relevant to addressing the issue. Efforts to strengthen the financial system's resilience, increase domestic

interest rates (while safeguarding the robustness of the domestic financial sector), secure backing from key international financing institutions, and expand the pool of liquid assets available to domestic authorities to counter substantial exchange rate fluctuations (including those made readily available by the Fund) are all pertinent and constitute essential components of EA strategies.

57. **Fiscal consolidation is often promoted for its potential to enhance confidence, but its impact on investor sentiment remains a matter of debate.** Unlike the previously mentioned strategies that have widespread agreement regarding their ability to boost investor confidence, other elements of the staff's implicit approach to fostering confidence encounter greater challenges in justification. Specifically, the staff generally views fiscal consolidation as beneficial for confidence, irrespective of whether public debt levels are high or low at the outset. Program documents typically assume that confidence primarily hinges on the direction of change in fiscal deficits rather than on the debt-to-GDP ratio or other indicators of fiscal responsibility, such as the implementation of counter-cyclical fiscal measures. While program documents do link confidence to debt-to-GDP ratios, they prioritize achieving a declining trajectory for this ratio, even starting from a modest baseline. This rationale underlies the medium-term fiscal consolidation that characterizes many EA programs. However, from a theoretical perspective, the critical factor for fiscal solvency—and, by extension, confidence in fiscal sustainability—should be the expectation that the debt-to-GDP ratio will ultimately stabilize. A declining debt-to-GDP ratio may foster a perception of fiscal sustainability, provided it is not expected to reverse, but such a path is not necessary for fiscal sustainability and carries potential costs. Indeed, if the public perceives ambitious fiscal consolidation plans as unfeasible or, even if feasible, unsuitable given the economic context, the intended confidence-boosting effects may backfire, potentially jeopardizing the success of the program.

58. **Declining inflation is also praised for its assumed benefits in bolstering confidence, although the direct link to enhancing investor confidence remains a topic of contention.** In program documents, a decrease in inflation rates—especially when starting from an elevated level compared to peer economies—is posited to correlate with a boost in confidence. Furthermore, in cases where countries do not adhere to officially managed exchange rates, the staff generally supports inflation targeting as a strategy to reduce inflation. However, while attaining low inflation rates is inherently valuable, the explicit relationship between reduced inflation and the confidence effects sought in these programs—specifically, effects aimed at increasing net capital inflows—appears weak. At best, a reduction in inflation rates may signal of overall macroeconomic competence, thereby indirectly contributing to the desired confidence effects. Nonetheless, achieving this objective entails costs, and program documents often overlook conducting a thorough analysis of whether the benefits of these indirect confidence effects outweigh the costs involved.

59. **Despite its potential to reinforce confidence through anchoring effects, exchange rate stability rarely takes center stage in efforts to enhance investor confidence.**

Conceptually, stable exchange rates could significantly boost investor confidence in EA programs, given the historical view of the exchange rate as a strong nominal anchor. This perspective is based in the belief that exchange rate stability can discipline fiscal and monetary policies while mitigating exchange rate risk—a known deterrent to capital inflows. However, staff have not generally considered exchange rate stability as a key factor in building confidence, although some authorities have adopted a different perspective.<sup>22</sup>

60. **The inclination among staff has been to favor flexible exchange rates as a means to facilitate external adjustments,** although there are exceptions for countries in EA programs, such as Belarus, Latvia, Morocco, or Egypt, which have demonstrated a steadfast commitment to preserving exchange rate stability.<sup>23</sup> This approach is justifiable on two fronts. First, in contrast to price stability, there is no unanimous agreement within the economics profession regarding the intrinsic value of exchange rate stability as a macroeconomic objective. Consequently, exchange rate stability does not convey as strong a message of macroeconomic competence as price stability does when it comes to fostering confidence. Second, while exchange rate flexibility can facilitate external adjustments—thereby enhancing investor confidence—adhering to exchange rate stability might, paradoxically, undermine confidence.

61. **More generally, investor confidence is fundamentally forward-looking, depending on expectations about the direction of future policies.** While initiatives such as fiscal consolidation, disinflation, increased exchange rate flexibility, or strengthened financial sectors may each contribute to elevating investor confidence, such confidence will only be cultivated if the policy shifts are perceived as long-lasting. This requires that each policy change not only signals a transition towards a lasting adjustment in policies (what is often referred to as a regime change in the literature) but is also supported by institutional reforms designed to facilitate this transformation.<sup>24</sup> Therefore, building confidence involves more than merely enacting immediate policy changes; it is a complex process that intertwines enduring policy adjustments with substantive institutional reforms. The challenge in enhancing confidence and attracting capital inflows, as evidenced by the anti-catalytic effects observed in EA programs, underscore that designing programs to achieve these goals is neither straightforward nor fully mastered.

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<sup>22</sup> The public's tolerance for exchange rate volatility was a consideration in the negotiations for Argentina's 2018 EA program. In the context of the 2020 EA program in Egypt, the authorities viewed a stable exchange rate as an important factor for bolstering confidence.

<sup>23</sup> In the context of the 2020 EA program in Egypt, the authorities considered a stable exchange rate an important factor precisely to bolster domestic confidence.

<sup>24</sup> This, of course, is the rationale for the reforms of macroeconomic policy institutions that have typically been included as structural benchmarks in EA programs. Additionally, we note that sustainability considerations are also an important justification for EAC4; however, it is not only crucial that the authorities be committed to and capable of implementing a lasting policy regime change but also that they are credibly perceived by the public to be doing so.



62. **While policy decisions within EA programs were often justified by their anticipated confidence effects, program documents did not adequately explain why these policies were expected to bolster confidence.** This oversight leads to two main issues. First, designing program strategies around the uncertain impact of confidence effects introduces considerable risks to achieving program goals. Programs that fail to elicit the anticipated positive confidence effects risk insufficient funding, thereby increasing their chances of failure. The 2018 program in Argentina exemplifies the dangers of relying too heavily on poorly understood confidence effects.<sup>25</sup> Second, if attempts to foster confidence effects are misdirected, they could potentially cause more harm than good by imposing social costs without delivering the expected positive macroeconomic outcomes.

### C. Main Policy Choices

63. **That said, the role of confidence cannot be overlooked in EA program design, as non-Fund BOP financing is inherently dependent on investor confidence.** Therefore, it is crucial to continually revisit the policy content of program design to enhance the impact of program policies on investor confidence. We will now evaluate the specific policy choices made in EA programs and the quality of the justifications provided for these choices in program request documents.

#### (i) Fiscal Policy

64. **Several justifications are commonly offered in program request documents for fiscal consolidation:** (i) Fiscal consolidation is unavoidable when larger fiscal deficits cannot be financed either externally or internally; (ii) even if larger deficits could be financed, achieving larger primary surpluses is desirable to ensure debt sustainability when sustainability is in doubt; (iii) even when debt sustainability does not appear to be a concern,<sup>26</sup> fiscal adjustment may still be necessary to promote confidence; and finally, (iv) tight fiscal policy contributes to improvements in the CA, thereby promoting external debt sustainability.

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<sup>25</sup> Given the roles that fiscal profligacy and high and unstable inflation have played in Argentina's macroeconomic history, the emphasis of the 2018 on demonstrating fiscal stringency and implementing institutional reforms to enhance monetary anti-inflation credibility can be understood as efforts to generate confidence, even at the cost of some short-run policy procyclicality. However, the negative experience with the program raises serious questions about the effectiveness of short-run policy change in signalling sustainable regime change. Even if policy commitments under a program are implemented in the short run, their effectiveness in instilling confidence of a sustainable regime change—especially amid poor macroeconomic track record—may be limited. In light of Argentina's fractured politics and its disappointing past experience with Fund-supported programs, a strong burden of proof existed for the assertion that this time would be different. Unfortunately, in this case, the implementation of the policies agreed upon under the program failed to meet that burden of proof, as large capital outflows continued throughout the program, resulting in significant exchange rate depreciation. This depreciation ultimately undermined the program, sharply increasing the government's debt-to-GDP ratio and, through exchange rate pass-through, worsening inflation performance, thereby compromising the main pillars of the stabilization effort (de Las Casas and Pérez-Verdía, 2024).

<sup>26</sup> For example, this may be the case when the debt-to-GDP ratio is low by the standards of relevant international comparators or relative to the country's own historical levels, when the government retains access to international private capital markets, or when sovereign risk premia are not elevated.

65. **Fiscal retrenchment is unavoidable when budget deficit financing is constrained, yet program documents often assert these constraints without providing adequate justification.** When financing for budget deficits is indeed constrained (as seen in Ukraine in 2008 and 2010), fiscal retrenchment becomes unavoidable in the absence of sufficient external budget support. However, program request documents tend to assert such constraints more frequently than they provide justification for their existence. Where justifications are offered, they typically focus on the availability of external financing, with little discussion of potential domestic financing alternatives.<sup>27</sup> Consequently, the empirical relevance of the financing constraint is difficult to assess based solely on program request documents.

66. **Fiscal consolidation is necessary in the presence of debt sustainability concerns, but program documents often do not provide clear evidence regarding the extent of these concerns.** In situations where financing is potentially available and the sustainability of public debt without adopting program policies is questionable, it would be reasonable to expect program documents to present evidence concerning the severity of debt sustainability issues. However, they typically fail to do so. In particular, the Debt Sustainability Analysis (DSA) included in program request documents is used to assess whether debt is likely to be sustainable *under program assumptions*, as required by EAC. Yet, program request documents do not generally provide evidence on the extent to which debt might have been sustainable *without* the programmed fiscal tightening. Consequently, the debt sustainability justification for fiscal retrenchment is not typically evident in program request documents.<sup>28</sup>

67. **Program documents typically discuss the path of deficits that would be sufficient, rather than necessary, to ensure public debt sustainability.** Even when fiscal adjustment is justified on the grounds of debt sustainability, program documents do not explicitly outline the *average* future path of the primary surplus required to achieve a high probability of debt sustainability. Instead, they assert that the debt-to-GDP ratio will stabilize or decline under program assumptions, which is ultimately required for debt sustainability. However, they do not estimate how much debt could potentially be increased to accommodate larger deficits while still complying with EAC2. In other words, the documents do not attempt to estimate specific sustainable debt levels for individual countries.<sup>29</sup> As a result, the specific average path of the primary deficit over the program period can be interpreted as *sufficient* (with appropriate caveats) for expected debt sustainability, but not necessarily as *necessary*.

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<sup>27</sup> Ukraine's 2010 program serves as a counterexample in which additional domestic financing was explicitly ruled out. The concern was that, given the difficult state of the domestic financial system, additional public recourse to domestic financing would significantly crowd out private sector borrowing.

<sup>28</sup> It is possible that the need to satisfy EAC2 has led to an overemphasis on debt sustainability in EA programs, resulting in more programmed fiscal adjustment than may have been desirable. However, while the lack of justification for concerns regarding public debt levels in program request documents makes this difficult to assess, the observation that both short-term and medium-term programmed fiscal adjustment were larger in NA programs over our sample period (Figure 2) suggests otherwise.

<sup>29</sup> The Türkiye (2005) program request document is somewhat of an exception, as it evaluates Türkiye's sustainable debt-to-GDP ratio based on international reference points.

68. **Program documents often lack a discussion of phasing considerations for fiscal adjustments and do not explain why other means to promote fiscal probity were not preferred or deemed sufficient.** The timing of adjustments to the primary surplus is crucial for securing fiscal solvency. For instance, in many EA program cases, a recession is forecast in the short run before the economy returns to its medium-run growth path. In such cases, it may be desirable to delay fiscal adjustment for countercyclical purposes.<sup>30</sup> Figure 2 indicates that, on average, fiscal adjustment has indeed been backloaded in EA programs, but the question remains whether *additional* backloading might have been beneficial for output stabilization. One argument for upfront fiscal consolidation is that it signals the authorities' fiscal responsibility, thereby instilling confidence in future fiscal management. However, alternatives such as fiscal reforms (including the privatization of loss-making state enterprises or revenue-enhancing tax reforms) and reforms of fiscal institutions (such as changes to the budgetary process in Latvia in 2009 or the enactment of Fiscal Responsibility Laws in Hungary in 2008 and Ireland in 2010) are also potential options. Program documents should ideally clarify why these other means to promote fiscal probity are either not preferred or, if adopted (as they are in many programs), why they are not considered sufficient.

69. **While EA programs aim to reduce debt-to-GDP ratios to promote debt sustainability and build confidence, they do not specify which sustainable debt-to-GDP ratio would be optimal or at least desirable.** Establishing such a benchmark would be useful for evaluating the desirability of specific programmed debt-to-GDP paths. For instance, even if debt is deemed sustainable under program policies, it may be advantageous to target a lower end-program debt-to-GDP ratio if this adjustment could move the ratio closer to its optimal level. Conversely, if the optimal level is perceived to be higher than what is programmed by the conclusion of the program under a specific set of program policies, the justification for those policies would need to rely on considerations beyond mere debt reduction. Determining an optimal debt-to-GDP ratio is undoubtedly challenging, but it is possible to identify relevant considerations and assess the programmed debt-to-GDP path in light of these factors.

70. **In cases without immediate debt sustainability concerns, programs sometimes adopt tighter fiscal policies to achieve other macroeconomic targets; however, the justification for this practice—particularly regarding credibility gains versus the costs of fiscal procyclicality—can be questionable.** When debt sustainability is *not* an immediate

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<sup>30</sup> Some programs indeed did allow for this. For example, in Iceland, automatic stabilizers were permitted to function in the first year of the program (2009), with fiscal consolidation postponed until 2010, when the recession was expected to bottom out. A similar allowance for very short-run stimulation was provided for Costa Rica (2009), Greece (2012), Jordan (2012), Ecuador (2020), and Egypt (2020). However, these cases are exceptions rather than the rule. In Portugal (2011), the staff noted that tighter fiscal policy was explicitly avoided in the short run to prevent exacerbating the recession. Fiscal adjustment was nonetheless front-loaded. Other program documents sometimes assert that even larger primary surpluses were not targeted to avoid excessive procyclicality in economies expected to suffer short-run growth shortfalls. However, they generally do not explain how the trade-off between debt reduction and countercyclical fiscal policy was balanced to determine the specific level of fiscal adjustment.

concern, programs have greater discretion in setting fiscal policy. In some instances, such as Türkiye (2005), tighter policies were adopted to meet other macroeconomic targets—in this case, to address a concerning CA deficit. Other justifications for tighter fiscal policy in the absence of debt sustainability concerns might include efforts to lower the public sector’s borrowing costs (as seen in Uruguay in 2005) or to increase fiscal space for future stabilization needs (“keep the powder dry”). However, in some EA cases, tighter fiscal policy was adopted even when stabilization concerns might have suggested a different approach, solely to “build confidence,” as previously mentioned. This practice raises questions about the significance of any credibility gains in the absence of *ex ante* debt sustainability concerns, and whether these gains are likely to outweigh the costs of fiscal procyclicality.

71. **Fiscal targets in program request documents are not generally justified within the context of an overall policy mix.** EA programs have multiple macroeconomic objectives pursued with various instruments, where any single policy can affect multiple objectives. Consequently, the optimal setting for each policy depends on the configuration of the others, indicating that the optimal setting for fiscal policy is not independent of the conduct of monetary and exchange rate policies. However, program request documents typically do not discuss the role of these interactions in designing the policy mix for EA programs.

72. **In summary, convincing justifications for the proposed path of fiscal consolidation in EA programs are often lacking in program documents.** Our conclusion is that there is frequently insufficient justification for the early implementation of fiscal austerity in EA programs. Given the negative GDP gaps that are often expected to persist during the early phases of these programs, excessively front-loaded fiscal consolidation is likely to have exacerbated those gaps.<sup>31</sup> If the adoption of frontloaded austerity was facilitated by an underestimation of its contractionary effects, it would have contributed to the overoptimistic short-run growth forecasts documented in Figure 8. In short, the weak justification for the intended path of fiscal consolidation is a significant flaw in program documents, and where such justification is absent, it represents a flaw in program design.

## **(ii) Debt Restructuring**

73. **The absence of debt restructuring in the majority of EA programs can be attributed to one of two assessments: either that public debt would likely remain sustainable even without a program, or that the costs of restructuring would outweigh the benefits when compared to alternative program measures aimed at restoring debt sustainability.** In the first scenario, authorities and staff would expect that the debt in the program country was likely to be sustainable with high probability even in the absence of a program. In the second scenario, while the authorities and staff might not have confidence that debt would remain sustainable

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<sup>31</sup> Growth slowdowns were anticipated during the first year in 17 of the 36 programs in our sample, and short-run fiscal consolidations were pursued in 12 of those programs.

without a program, they perceived the costs of debt restructuring as exceeding those of achieving sustainability without restructuring—namely, through sufficiently strong and sustained fiscal adjustment.<sup>32</sup>

74. **Program documents frequently overlooked the nuanced relationship between debt restructuring and fiscal adjustment.** In instances where debt sustainability was not a primary focus of the program, it is understandable that debt restructuring was excluded as a program component. However, in programs that sought to enhance debt sustainability, fiscal adjustment was at times very large and costly. These costs may have exceeded those of possible debt restructuring, but this comparison was rarely made in program design. In fact, if the costs associated with fiscal procyclicality are substantial, the benefits of immediate reductions in fiscal deficits are limited, and the costs of debt restructuring are manageable, it is conceivable that debt sustainability could have been attained more cost-effectively through an early debt operation paired with smaller, backloaded fiscal adjustments rather than through large upfront fiscal measures.<sup>33</sup>

75. **Program documents often do not adequately explain why the burden-sharing between residents and creditors associated with the lack of debt restructuring is deemed adequate.** If debt restructuring is avoided, the burden of achieving fiscal sustainability falls on domestic residents, while creditors remain unaffected.<sup>34</sup> In cases with a high probability of public sector insolvency, such as St. Kitts and Nevis (2011), Greece (2012), and Ukraine (2015), it is essential to provide an explanation for either why the costs of restructuring would exceed its benefits for domestic residents or why, if domestic residents would benefit overall while creditors would incur losses, such an allocation of the burden should be avoided.

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<sup>32</sup> Portugal's 2011 program provides a useful counterexample, where the staff subjected the decision not to seek debt restructuring to a cost-benefit analysis. The benefits included immediate debt service relief and the impact of the creditor haircut on Portugal's debt-stabilizing primary balance and on growth. The costs were considered to be the likely loss of market access, a higher risk premium (for both sovereign and private debt) that would likely prevail after regaining market access, and potential spillovers and spillbacks if the restructuring adversely affected the rest of the euro area.

<sup>33</sup> The 2012 Greek program, for example, recognized (albeit belatedly) that attempting to achieve debt sustainability through upfront fiscal adjustment—even when supported by fiscal reforms—is a risky strategy when the required adjustment is large, the economy is in deep recession, and social tensions are likely to limit civil society's tolerance for further macroeconomic contraction. In such a context, a combination of debt restructuring with backloaded fiscal adjustment was perceived (correctly, in our view) as a superior strategy compared to that adopted in Greece's 2010 program. Similarly, the ex post evaluation document for Argentina's 2018 EA program concluded that an early debt operation could potentially have resulted in a more robust program than the one that emerged.

<sup>34</sup> Note that this contrasts with how domestic banking system insolvency is typically handled, since the burden of restoring the system to solvency usually falls on domestic residents (through the public purse, to preserve financial stability, and the system's non-depositor creditors).

76. **By increasing the burden of proof regarding market access, EAC3 may have contributed to the avoidance of debt restructuring in EA programs.** The potential impairment of market access would likely be viewed as a significant cost, as evidenced by the case of Portugal in 2011. This concern may have complicated compliance with EAC3, suggesting that EAC3 could have influenced program design through this consideration.

77. **In summary, the decision against employing debt restructuring was not adequately explained in EA cases.** While the choice to seek or avoid debt restructuring ultimately rests with the authorities, this decision is presumably made in consultation with the staff during program negotiations. Program documents generally fail to explicitly justify the preference for a strategy focused on front-loaded fiscal adjustment over an approach that combines debt restructuring with back-loaded fiscal adjustments to restore public debt sustainability.

### **(iii) Monetary and Exchange Rate Policies**

78. **Several justifications are commonly offered in program request documents for tightening monetary policy:** (i) by restraining aggregate demand, monetary tightening helps to reduce inflation, which is viewed as a positive outcome in itself and also as a signal of policy competence that helps build confidence; (ii) monetary tightening contributes to CA adjustment by restraining aggregate demand; and (iii) monetary tightening is perceived as discouraging capital outflows, thereby preventing excessive reserve depletion and/or exchange rate depreciation.

79. **Several justifications are also presented in program request documents for sustained or additional exchange rate flexibility:** (i) allowing for depreciation through increased exchange rate flexibility helps alleviate pressures on the central bank's limited foreign exchange reserves, as the central bank is not committed to selling foreign exchange to defend any particular exchange rate value; (ii) by facilitating an adjustment of the relative prices of domestic and foreign goods, exchange rate flexibility promotes CA adjustment. These factors are particularly relevant in EA programs, which are often implemented in contexts characterized by significant exchange rate overvaluation, contributing to capital outflows and large CA deficits; and (iii) by clarifying to the public that the central bank's primary responsibility lies with its inflation target rather than the exchange rate, greater exchange rate flexibility enhances the effectiveness of an IT regime.<sup>35</sup>

80. **The benefits and costs associated with a specific monetary stance depend on the strength of its effects on aggregate demand, the exchange rate, and financial stability; however, program request documents typically do not address these cost/benefit calculations in the formulation of monetary policy advice.** Regarding the contribution of

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<sup>35</sup> Moving toward the adoption of IT is perceived as a means to help secure long-lasting inflation reduction by institutionalizing the authorities' commitment to that objective, thereby anchoring inflation expectations and enabling the authorities to achieve lower inflation through that channel.

monetary tightening to demand restraint, program request documents often fail describe the transmission mechanism for monetary policy in specific program countries. They do not discuss how staff assessed the magnitude of the impact of the proposed monetary policies on aggregate demand or, in countries with flexible rates, on the exchange rate.<sup>36</sup> This omission is significant because the benefits and costs associated with a specific monetary stance depend on both the strength of its effects on aggregate demand and the exchange rate. For effective program design, it would be useful to understand the extent to which some easing of monetary policy might help offset fiscal procyclicality that arises when fiscal tightening is adopted for debt management reasons during an anticipated growth slowdown. In the absence of a growth slowdown but with a large CA deficit, it would be beneficial to assess the extent to which a tight fiscal/loose monetary mix could aid CA adjustment while sustaining economic activity. Additionally, when the health of the domestic financial system is precarious, the cost/benefit calculation associated with a specific monetary policy stance depends on whether the system is more vulnerable to nonperforming loans or exchange rate fluctuations, as well as on the relative effects of the monetary policy stances on these two variables. Unfortunately, program documents do not typically address any of these cost/benefit calculations in the formulation of monetary policy advice.<sup>37</sup>

**81. The complexities of monetary tightening’s impact on CA adjustment are not fully addressed in program documents.** While monetary tightening may help restrain aggregate demand, its effectiveness in promoting CA adjustment is theoretically unclear, especially with a floating exchange rate, as the likely exchange rate appreciation would counteract the adjustment in the CA. Furthermore, the value of this benefit depends on how much CA adjustment should be pursued and when it should be achieved, which in turn depends on the availability and cost of external financing. This issue is more complex than is typically addressed in program documents.

**82. The rationale for avoiding large exchange rate depreciations is not always clearly articulated in program request documents.** While tighter monetary policy is often justified to restrain capital outflows and prevent significant exchange rate depreciation, the specific reasons for avoiding large depreciations are not always specified. Such reasons are appropriately highlighted in cases involving large currency mismatches in the private sector (as seen in many programs within our “multiple equilibria” category), substantial FX-denominated liabilities in a heavily indebted public sector (as in the 2002 and 2005 “moderate adjustment” programs of Brazil and Türkiye), or when exchange rate pass-through is expected to be significant. However, in other instances, the urgency of preventing large depreciations is clearly conveyed. This is important, as a considerable depreciation would likely characterize the “disorderly” adjustment that would have been the probable counterfactual to adopting an EA program.

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<sup>36</sup> This contrasts with the guidance given to staff regarding transmission channels in the 2024 *Guidance Note on Conditionality* (p.57). It remains unclear whether this reflects imperfect knowledge on the part of the authorities and the staff or if the details have simply been omitted from program request documents.

<sup>37</sup> Again, this is in contrast with guidance given to staff regarding trade-offs between output stabilization and financial stability, as well as on the overall policy mix, in the 2024 *Guidance Note on Conditionality* (p. 58).

83. **Program documents often lack a clear discussion on the feasibility of implementing IT in specific contexts.** Frequently missing from these documents that discuss the staff's advocacy of IT is an examination of how feasible IT is likely to be for the country in question, the timeframe over which it could realistically be implemented, and what type of IT might eventually be desirable. This omission makes the case for adopting IT less transparent in specific country applications.

84. **Program documents often discuss reserve adequacy in limited terms, despite its importance in determining financing needs in EA programs.** Reserve accumulation has been one of the determinants of financing needs in EA programs. Somewhat surprisingly, however, reserve adequacy is most frequently defined in terms of months of imports, and, much more rarely, in terms of coverage of short-term debt (the Greenspan-Guidotti metric). Very few programs, such as Argentina's 2018 and Egypt's 2020 programs, make reference to the Fund's Reserve Adequacy metric.

85. **In summary, program request documents leave too much unsaid regarding monetary and exchange rate policies.** They do not explain why large exchange rate changes should be avoided and create the impression that IT with floating rates is the optimal default option unless preexisting binding exchange rate commitments rule them out. This lack of country-specific analysis of desirable monetary and exchange rate policy regimes contrasts sharply with the detailed positions the staff tends to take on other matters, such as growth-promoting microeconomic policies in specific countries. It also makes it difficult to assess whether these policies have been appropriately addressed in program design.

#### **(iv) Capital Account Policies**

86. **EA programs often include commitments for additional financing from official creditors and standstill agreements with large external private creditors, but they rarely rely on CFM measures to restrict outflows.** These programs typically involve one or both of two types of capital account policies: sought-for commitments for additional financing from official creditors and standstill (rollover) agreements with large external private creditors (for instance, five out of six "multiple equilibria" programs did so). However, they do *not* place heavy (or any) reliance on outflow CFM measures, with notable exceptions being Iceland (2009), Morocco (2012), and Ukraine (2015).<sup>38</sup>

87. **The rationale for seeking financing commitments from other creditors in EA programs is to coordinate collective support and fill financing gaps that individual creditors cannot address alone.** The rationale is clear: even if adjustment promotes confidence, individual creditors—whether private or public—often lack the means or incentives to fill these financing gaps on their own. Their confidence, therefore, also depends on their perception of how other

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<sup>38</sup> Outflow restrictions, while not part of the original program design, were implemented during the course of Argentina's 2018 EA program.



creditors will react. Without a coordinating mechanism that collectively “bails them in,” individual creditors may be hesitant to maintain their exposure. By seeking financing commitments from official creditors and large private creditors, the Fund plays this coordinating role.

88. **Concerns about international treaty obligations and the potential for adverse effects on confidence may explain why the application of CFM measures on outflows is typically not considered, even when faced with substantial financing gaps.** While CFM measures targeting outflows could help mitigate financing shortfalls, international treaties to which a country is a signatory may preclude their use. Even if not explicitly prohibited by these treaties, staff may view the implementation of outflow CFM measures as fraught with difficulties, particularly if they could negatively impact investor confidence.

89. **EA program documents frequently omit explanations for the critical assumptions regarding rollover rates on existing short-term debt, which are essential for determining overall financing requirements.** In situations where there are no explicit standstill agreements with major private creditors, it becomes necessary to hypothesize rollover rates on existing short-term debt to accurately forecast total financing needs. Although these assumptions are usually explicitly mentioned in program request documents, the rationale behind them or their impact on the program (i.e., the extent to which program outcomes might be sensitive inaccuracies in these assumptions) is often not detailed in specific program instances. Moreover, this lack of discussion regarding the significance and precision of these assumptions is not limited to program request documents; even ex post evaluations seldom address this critical aspect. This issue merits further investigation.

90. **Program documents typically overlook the potential contribution of CFM measures in addressing financing gaps.** With notable exceptions like Iceland (2009) and Ukraine (2015), program documents have not clearly outlined the possible role of CFM measures in managing financing shortfalls. This absence of discussion might have been less surprising prior to the 2012 adoption of the Fund's Institutional View (IMF, 2012b) on CFM measures. However, the establishment of the Institutional View emphasizes that CFM measures could, in certain scenarios, serve a beneficial purpose. Therefore, the decision to forego their application, particularly in contexts where significant exchange rate fluctuations could have severe implications, warrants a clear and detailed justification.

91. **Program documents lack explicit rationales for not employing CFM measures to mitigate disruptive capital outflows in scenarios prone to multiple equilibria.** Despite the urgency of avoiding disruptive capital outflows in such cases and the uncertainty surrounding mechanisms to secure confidence effects, staff usually refrain from utilizing direct CFM measures. Instead, there is a preference for securing commitments from major foreign creditor banks to sustain their exposure levels in the program countries. This approach raises several questions: Were these measures prohibited for European Union (EU) members? This might be a consideration; however, Serbia and Ukraine, which were not EU members at the time of their program requests, also did not pursue such measures. Were the measures deemed likely to be

ineffective, or were the anticipated costs, including potential reputational damage, considered to outweigh the benefits? Conversely, might temporary restrictions on outflows not have provided the necessary time to enhance the resilience of the domestic financial system? In summary, while there could be legitimate reasons for eschewing such measures, the program request documents fall short in providing transparent justifications.

92. **In summary, it is surprising that EA programs have not made more frequent use of CFM measures, despite the large actual and potential financing gaps faced by program countries and the recognized role of CFM measures within the macroeconomic policy toolkit.** Even though EA programs are executed during periods of considerable potential financing challenges, the substantial uncertainty surrounding the determinants of the confidence effects required to attract and retain capital—combined with the Fund's acknowledgment of a potential role for CFM measures—makes their sparse application in EA programs unexpected. CFM measures could have been valuable policy instruments that might have led to more favorable outcomes in certain instances. The infrequent inclusion of CFM measures in EA programs might be attributed to strong preconceived notions among the authorities and/or staff regarding what influences confidence, as well as perceptions regarding the cost-effectiveness of CFM measures. While these perceptions may be justified, program documents often fail to present them as grounded in empirical evidence.<sup>39</sup>

#### **(v) Financial Sector Policies**

93. **The emphasis on the health of the financial sector in EA programs is entirely appropriate given its critical role in macroeconomic stabilization.** The measures listed in Section II would certainly be part of a standard checkup to verify the health of the financial system. Considering the highly disruptive macroeconomic effects of financial system breakdowns, focusing on the health of the financial system is sensible from a stabilization perspective.

94. **Despite their critical role in ensuring the stability of the domestic financial system, programs frequently overlook the significance of macroprudential measures (MPMs).** There appears to be limited discussion on the role of MPMs in safeguarding the future health of domestic financial systems, even in scenarios where countries have experienced large and destabilizing credit expansions prior to the initiation of the program. Similarly, the potential reinforcing effects of countercyclical MPM measures and monetary policies have not typically been considered.

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<sup>39</sup> To be fair, staff has, at times, acknowledged the potential useful roles of CFM measures in the context of EA programs, especially post-2012. For example, while Morocco had CFM measures in place (in the form of restrictions on outflows) at the inception of its 2012 program, the staff did not recommend their removal. The staff noted that the CFM measures employed by Ukraine in its 2015 program may have reduced pressures on the exchange rate and decreased the need for central bank intervention, helping to moderate inflation and stabilize the financial sector. In addition, the EPE report for the Argentine 2018 program raises the question of whether the earlier implementation of outflow CFM measures, might have prevented—or at least moderated—the damaging exchange rate depreciation that undermined the program.

95. **Programs frequently highlight the strength of the domestic financial system through the promotion of micro-prudential measures but tend to neglect aspects related to financial sector efficiency.** For instance, policies aimed at fostering competition within the domestic financial sector are seldom included in program designs. While the efficiency of the financial sector may not be as immediate a concern for stabilization purposes as it is for growth, it is noteworthy that, despite programs often endorsing pro-growth structural reforms, measures to enhance financial sector efficiency are conspicuously absent from these reform agendas.

#### **(vi) Pro-growth Structural Policies**

96. **In the aftermath of the Asian financial crisis, the Fund has sought to streamline the use of structural reforms aimed at fostering higher levels of sustainable growth by requiring that they be parsimonious and macrocritical.** EA programs typically feature a combination of short-run stabilization policies, medium-term structural reforms that attempt to lock in short-run stabilization gains, and structural reforms to promote medium- and long-run growth. In the post-Asian crisis period, the Fund has tried to streamline the use of such reforms in the programs it supports.

97. **Structural reforms should be realistic and critical for stabilization, not just broadly macrocritical.** Macrocriticality is an overly broad criterion since any reform intended to promote aggregate growth can be loosely interpreted as macrocritical. More relevant is that reforms be seen as both realistic and *stabilization-critical*, meaning that they are likely to be achieved within the program horizon and are vital to achieving the program's short-run and medium-term stabilization objectives.<sup>40</sup> Examples of reforms critical for stabilization would, for example, include fiscal reforms essential for achieving sustainable fiscal consolidation, central bank and broader financial reforms aimed at enhancing central bank capacity and credibility, as well as the effectiveness of the transmission of monetary policies adopted under the program, and the restructuring of distressed financial systems. In contrast, structural reforms targeting medium-term growth pose greater challenges in demonstrating their immediate stabilization criticality.

98. **While it is plausible that pro-growth reforms can be stabilization-critical by boosting confidence in sustained stabilization and improving access to private market financing, relying solely on this argument without evidence is questionable.** Since the links between improved medium-term growth and short-run stabilization are plausible, determining which pro-growth reforms to include in a program is challenging. One approach could be to require that the case for pro-growth structural reforms be evidence based, meaning that there should be external evidence (not just consensus within the Fund staff or the Board) demonstrating that the relevant reform is indeed growth-promoting, that the growth boost is likely to be quantitatively significant and timely, and that it is realistic to assume the reforms will be implemented.

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<sup>40</sup> Stabilization-criticality refers to both short-run stabilization policies and medium-term structural reforms that attempt to lock in short-run stabilization gains.

99. **Optimistic assessments of the speed and size of the impact of structural reforms on growth can lead to an overly optimistic outlook in program projections.** Assuming international evidence points to certain types of growth-enhancing reforms, another issue is how to assess the timing and magnitude of the boost to potential output from these reforms in specific program applications. The growth impact of such reforms is certain to be country- and time-specific, depending on the specific context in which they are implemented. This matters because quantitative policy evaluation and design (e.g., DSA) is strongly influenced by the projected growth path. Additionally, given the uncertainty about the size of the growth effects of structural reforms, there may be a temptation to make overoptimistic growth assumptions in program design, such as in government revenue projections. The EPE reports for Greece’s 2012 and Morocco’s 2014 programs, for example, cite over-optimism about the growth payoff of structural reforms as a potential reason for growth undershooting its projected path during the program.<sup>41</sup>

100. **Including controversial structural reforms in program design may jeopardize program financing and reduce rather than enhance confidence in sustained stabilization.** Including structural reforms that are likely to be controversial and difficult to implement may unnecessarily threaten program financing, ultimately diminishing confidence in the sustainability of stabilization efforts. In fact, programs have sometimes failed due to unachieved ambitious structural reforms of questionable stabilization-criticality. For example, in Argentina’s 2003 program, disagreements between the staff and authorities over post-crisis structural reforms led to unmet SCs, and the program lapsed after two reviews despite a strong economic rebound supported by a favorable international environment. Similarly, Romania’s 2013 program was cancelled after two reviews, despite good stabilization outcomes, due to insufficient progress on structural reforms, particularly regarding SOEs. In contrast, the EPE report for Egypt’s 2020 program praised its streamlined SCs for precisely this reason.

101. **Encouraging medium-term economic growth does not require the inclusion of pro-growth structural reforms in programs.** While the guidelines on conditionality explicitly specify the promotion of medium-term economic growth as an objective of program design, this does not necessarily justify including pro-growth structural reforms as a program component. Evidence suggests that macroeconomic stabilization—and especially the avoidance of crises—makes an important contribution to encouraging medium-term growth (see Varela and others, 2020).

102. **In summary, the Fund's methodology for selecting structural reforms in its programs is fraught with challenges, primarily due to the overly broad application of the macrocriticality criterion, which falls short of effectively pinpointing reforms that are pivotal for macroeconomic stabilization.** A more constructive approach would involve

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<sup>41</sup> Portugal’s 2011 EFF emphasis on growth-promoting structural reforms was understandable, given the country’s circumstances. However, it placed at the center of the program a set of policies that were both difficult to quantify and likely to prove controversial due to their distributional consequences. Like Greece and Morocco, Portugal’s initial growth projections were overoptimistic.

selecting realistic reforms—those within the country's institutional and political capacity to implement, as informed by EAC4—that would directly contribute to short- and medium-term macroeconomic stabilization. Enhancing the decision-making process with evidence-based insights could further refine the selection of alternatives, ensuring a more targeted and impactful contribution of structural reforms.

## V. SUMMARY AND CONCLUSIONS

103. **Since EA programs typically carry higher ex ante risks than EA programs, often due to more difficult initial conditions and greater BOP needs, the Fund has sought enhanced safeguards when extending financing beyond access limits.** EAC4, in particular, calls for reasonably strong prospects of program success, encompassing not only the member's adjustment plans but also its institutional and political capacity to carry out those adjustments. Consequently, EA program design must be both adequate to resolve BOP needs and realistically implementable.

104. **The paper assesses that, broadly speaking, the policy framework underpinning EA program design accurately reflects a professional consensus on the policy environment conducive to medium-term macroeconomic and external stability.** Confidence in public debt sustainability, low and stable inflation, mechanisms to secure prompt and effective external adjustment in response to shocks, and a well-functioning domestic financial system are widely agreed as essential ingredients for promoting of such stability, and they prominently feature as desirable policy objectives in EA programs.

105. **We documented that countries under EA programs faced considerable variations in their initial conditions at the time of program approval.** This led us to classify EA programs into four analytical groups based on distinct pre-program circumstances: "moderate adjustment," "current account crisis," "multiple equilibria," and "multiple crisis" programs. Ideally, program documents should have delineated and assessed various policy mixes suitable for achieving short-term balance objectives, tailored to each country's specific initial conditions. This approach could have resulted in significant heterogeneity in the intended program policies.

106. **Despite differences in initial conditions, program policies however exhibited many similarities.** The similarities included a focus on fiscal consolidation, monetary policy tightening, flexible exchange rates, and the pursuit or aspiration of inflation targeting, while generally avoiding CFM measures. This relative uniformity in policy direction across programs was unexpected given the differing starting points. The magnitude of policy changes—such as the extent of fiscal consolidation, monetary tightening, or exchange rate depreciation—was more pronounced, reflecting tailored responses to the unique initial conditions of each country, though not as extensively or systematically as might have been anticipated.

107. **We have uncovered instances where policies were advocated even when not clearly justified by country circumstances, as well as instances where warranted policies were not recommended.** For example, fiscal tightening was advised not only in cases where public debt or deficits were a concern but also in situations where fiscal vulnerabilities were not a primary focus and economic downturns were anticipated. Similarly, financial sector reforms were universally suggested, even when not all staff reports highlighted financial sector vulnerabilities. Additionally, the inclusion of controversial structural reforms without clear and explicit ties to short- and medium-term stabilization goals raises questions about the rationale behind advocating such measures in specific cases. These apparent inconsistencies, especially when lacking by clear justifications rooted in differing initial conditions, may perpetuate perceptions of unequal treatment.

108. **We have also noted that program request documents did not frequently discuss trade-offs, alternative policy mixes, or explain why a specific combination of fiscal, monetary, and structural reforms was chosen.** This omission represents a missed opportunity to inform the Board and the public about key design elements and the residual risks of EA programs. The rationale for the widespread prescription of fiscal adjustment in EA programs is often questionable, particularly when fiscal austerity is likely to be procyclical.<sup>42</sup> In situations involving debt sustainability concerns, program documents typically do not explore whether a desired outcome could have been achieved at a lower cost through a combination of debt restructuring with more backloaded fiscal adjustment, nor do they discuss the distributional consequences between domestic residents and creditors of such choices. Additionally, CFM and macroprudential policy measures are rarely recommended as components of financial sector strategies.<sup>43</sup> It seems implausible that there have not been more cases among EA programs where such policies could have made useful contributions to sustaining medium-term stability and enhancing program credibility.

109. **Despite the streamlining initiatives launched in the early 2000s, we have found that the role of structural reforms in promoting short-term stabilization remains unclear.** While pro-growth structural reforms—those aimed at long-term growth of productive capacity, distinct from those addressing fiscal sustainability, central bank independence, or financial sector soundness—may be crucial for long-term growth, they are not always critical for short- and

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<sup>42</sup> The frequent overoptimism in growth projections among EA programs suggests that fiscal multipliers (specifically, the output costs associated with fiscal austerity) have often been underestimated and may have combined with overoptimism about the short-run growth payoff of structural reforms to produce overall optimism in growth projections.

<sup>43</sup> Regarding EAC2, one suspects ex ante that the frequent reliance on fiscal consolidation in EA programs, even when not obviously called for by country circumstances, may have been influenced by the need to comply with EAC2, but the fact that fiscal consolidation appears to have played a similar role in NA as in EA programs calls that suspicion into question. On the other hand, EAC3 may have played a more significant role in EA cases' program design, as its market access imperative may have discouraged debt restructuring and the use of CFM measures when they might otherwise have been beneficial. However, this remains a hypothesis, and we can offer no direct evidence.

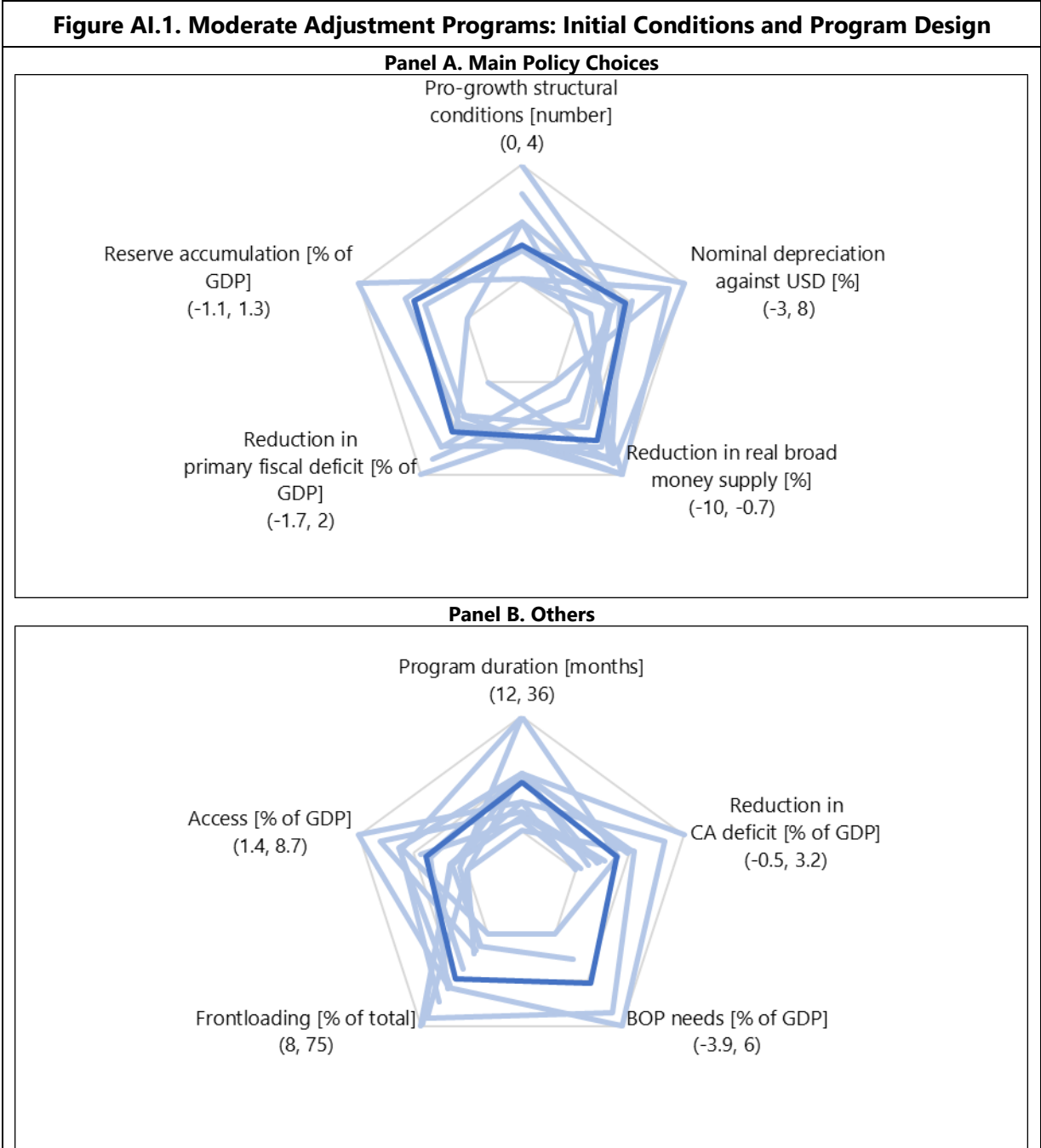
medium-term stabilization. The IMF lacks deep expertise in this area, making it challenging for staff to quantify and time their impact. Additionally, these reforms often spark political controversy, complicating program ownership and implementation. Consequently, their inclusion in programs may lead to overly optimistic growth projections and a high risk of policy reversals, ultimately undermining the credibility of the program's core stabilization measures.

110. **The paper also highlighted the staff's excessive dependence on confidence effects as a basis for justifying policy decisions within EA programs.** This reliance is particularly concerning given the precarious foundation of such an approach. While the intention to bolster investor confidence through a consistent policy suite in EA programs is commendable, the underlying rationale is not as robust as it appears. The variables that influence investor confidence are subject to debate, and the limited evidence supporting their beneficial impact both during and after EA programs raises significant doubts about the assumptions regarding these variables that are integrated into the design of EA programs.

111. **The paper demonstrated that the clarity and depth of explanations in program documents were insufficient to dispel perceptions of the Fund's lack of evenhandedness.** We have documented instances where policies were adopted or not adopted without clear justification based on country circumstances. While these inconsistencies did not definitively indicate unequal treatment, the explanations provided in program documents were insufficient to alleviate such perceptions. Consequently, in line with the 2007 IEO evaluation on *IMF Exchange Rate Policy Advice* (IEO, 2007b), we believe that enhancing the clarity and depth of explanations for specific policy advice is critical. Providing thorough justifications, especially when advice varies for countries under similar conditions or remains unchanged for countries in dissimilar situations, would greatly improve perceptions of the Fund's impartiality. Such transparency would not only strengthen the IMF's credibility but also reassure member countries about the fairness and thoroughness of the Fund's recommendations and actions.

112. **Given the issues outlined above, it is not surprising that the outcomes of EA programs were mixed.** The completion rates for EA programs have not significantly exceeded those of NA programs, indicating that the stricter criteria applied to EA programs have not fully compensated for the more difficult situations these programs aimed to address. Additionally, there is evidence of greater overoptimism in growth and fiscal projections and weaker catalytic effects in EA programs compared to NA programs, further highlighting the challenges in achieving the intended outcomes of EA programs.

**APPENDIX I. INITIAL CONDITIONS AND PROGRAM DESIGN BY PROGRAM CATEGORIES**

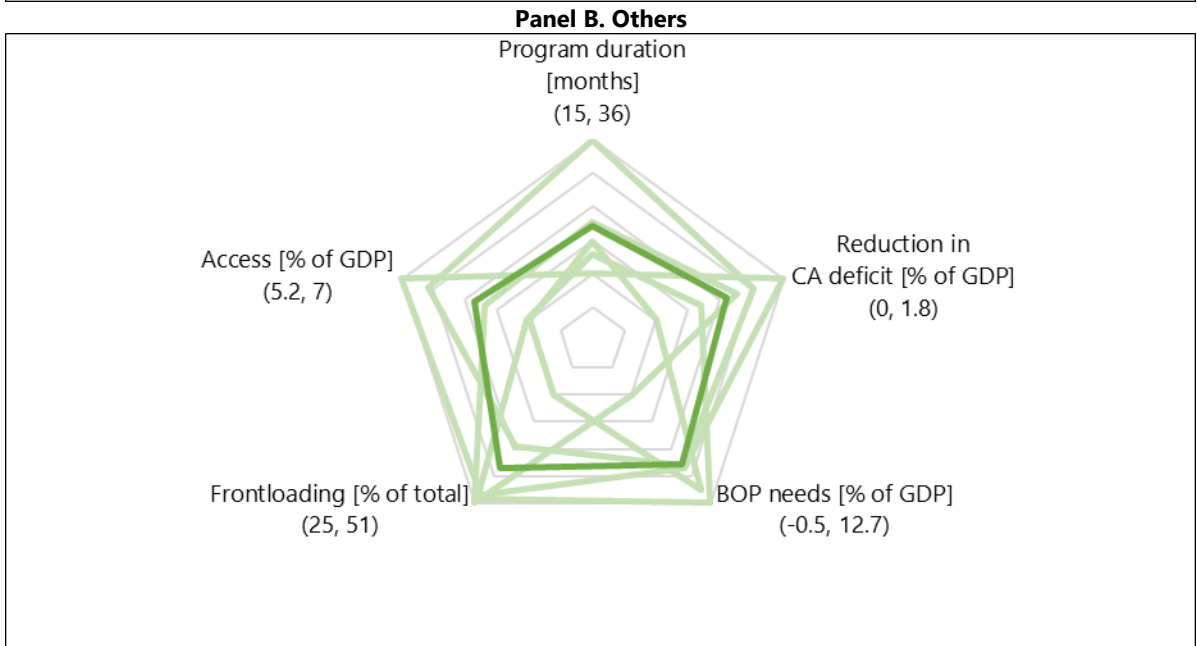
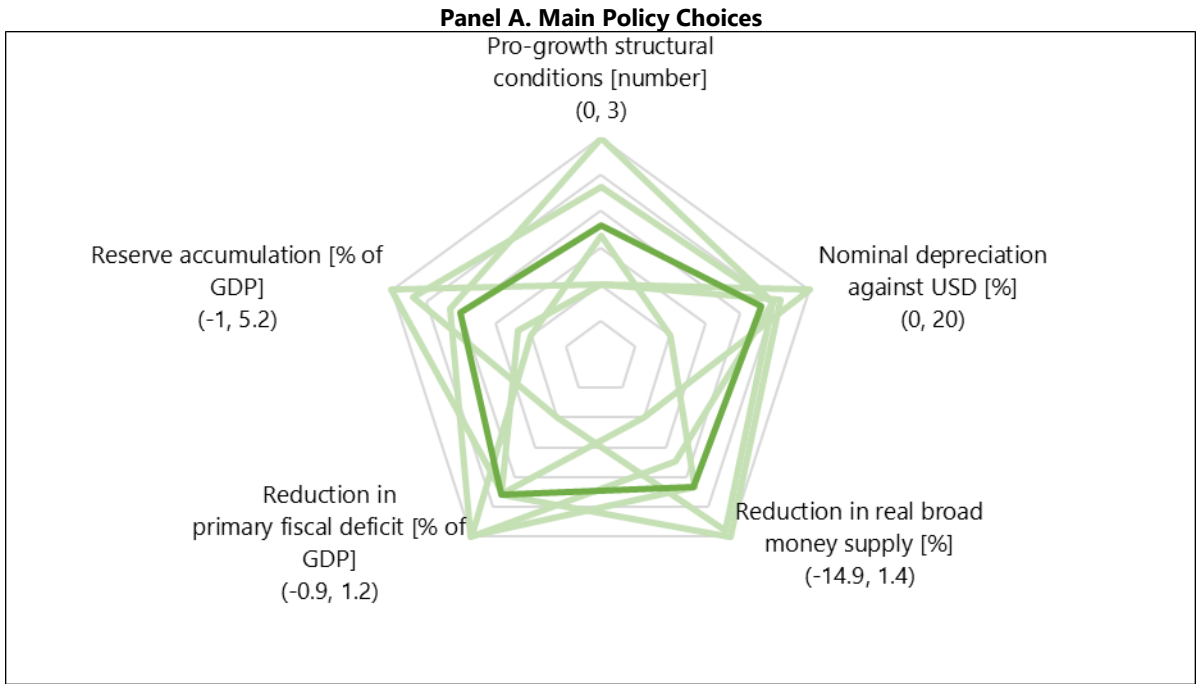


Sources: MONA; Program documents; IEO calculations.

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



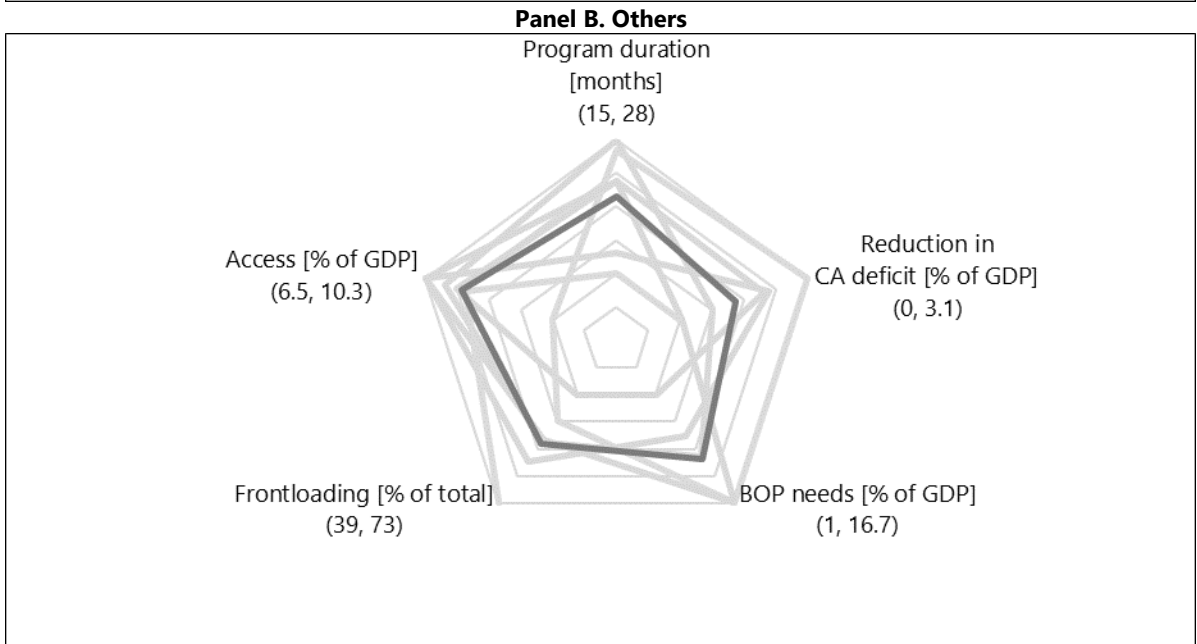
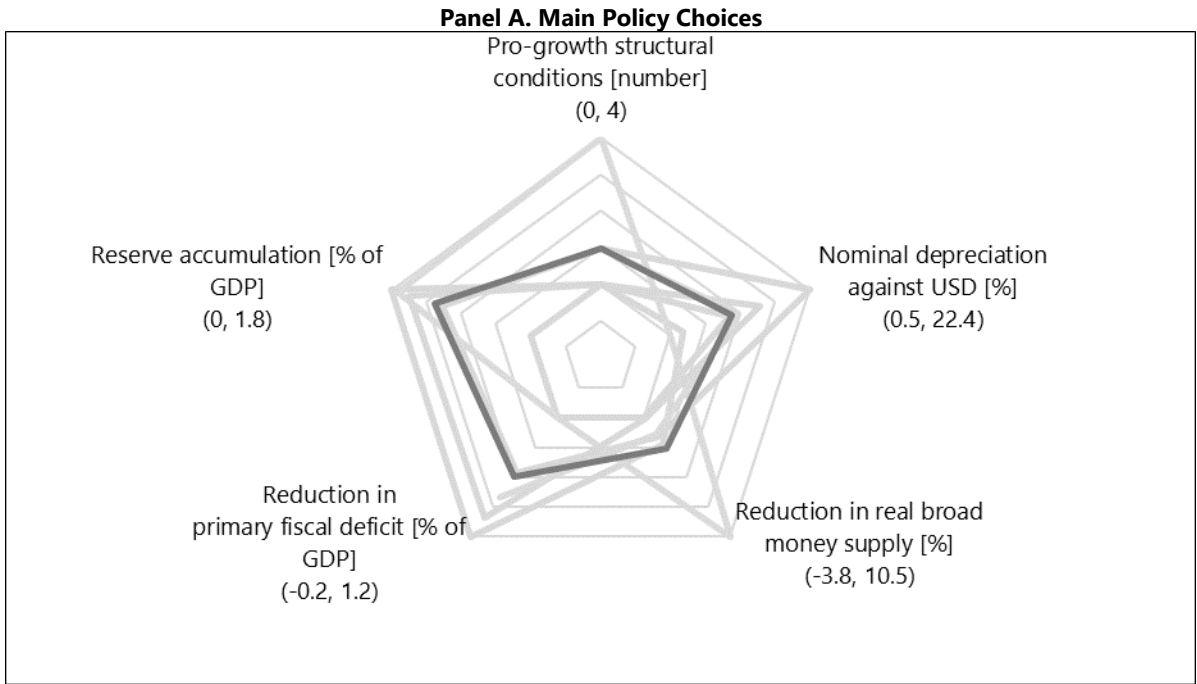
**Figure AI.2. Current Account Crisis Programs: Initial Conditions and Program Design**



Sources: MONA; Program documents; IEO calculations.

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

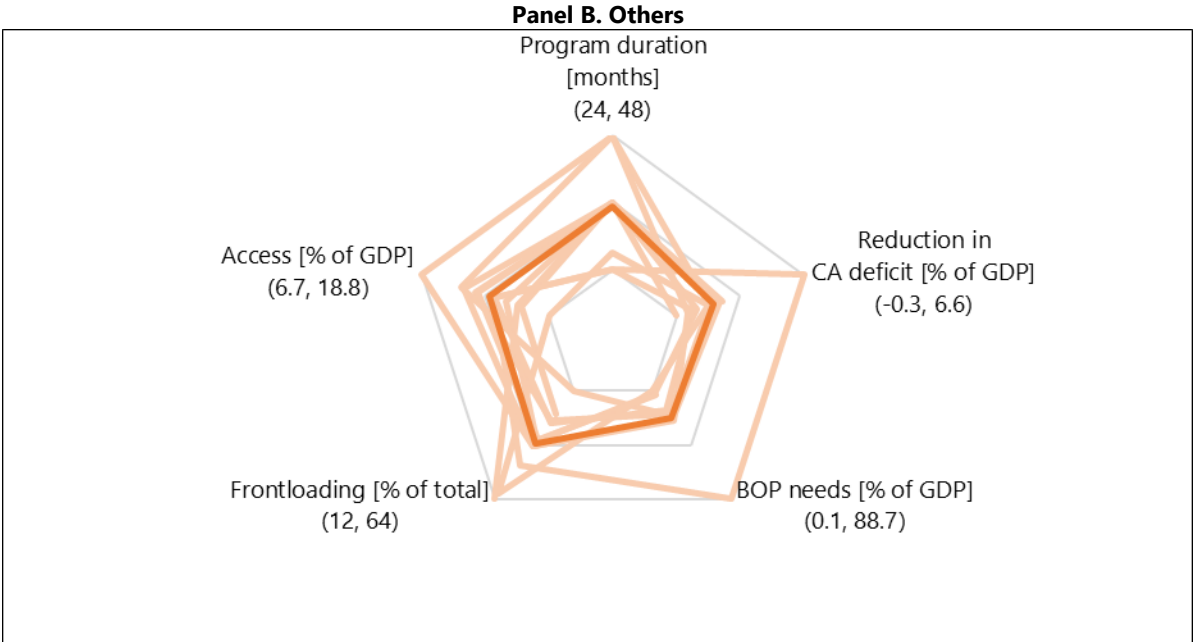
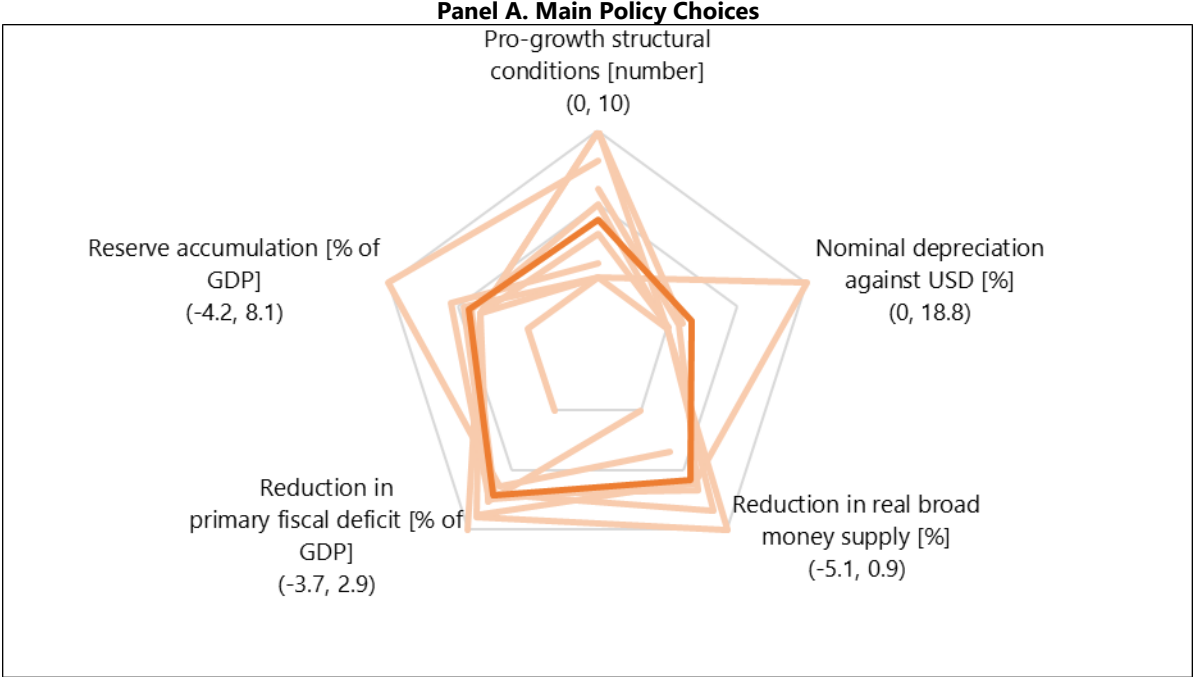
**Figure AI.3. Multiple Equilibria Programs: Initial Conditions and Program Design**



Sources: MONA; Program documents; IEO calculations.

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

**Figure AI.4. Multiple Crisis Programs: Initial Conditions and Program Design**

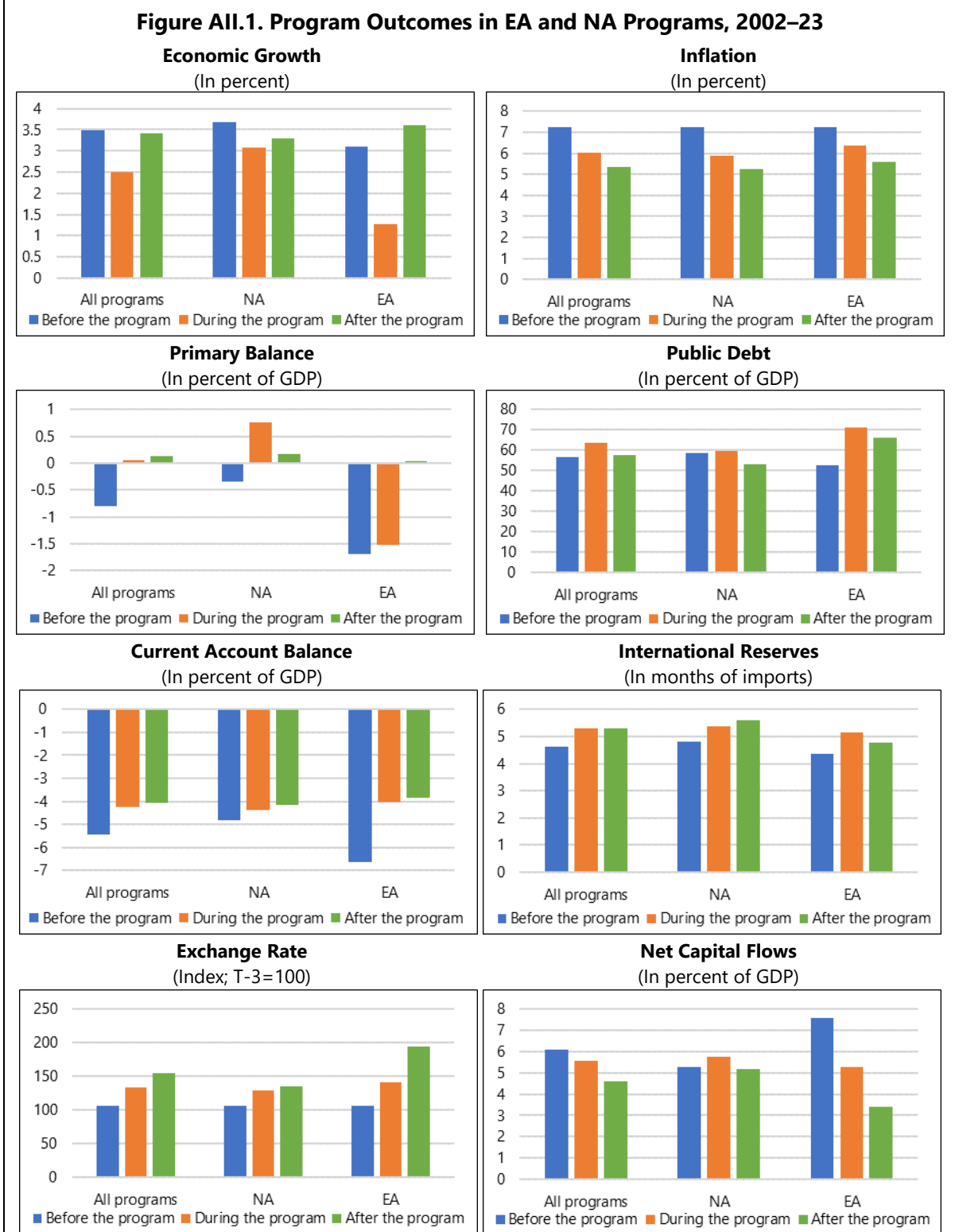


Sources: MONA; Program documents; IEO calculations.

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

**APPENDIX II. ADDITIONAL INFORMATION ON PROGRAM FINANCING, DESIGN, AND OUTCOMES**

**Figure All.1. Program Outcomes in EA and NA Programs, 2002–23**



Sources: World Economic Outlook; IEO calculations.

Note: "Before the program" is defined as 3 years prior to the program approval. "After the program" is defined as 3 years post-program.

**Table AII.1. EA Fund-Supported Programs, 2002–23**

	Country	Year	Instrument	Duration (Months)	Program Status	Total Amount Approved		Disbursement	
						(SDR mn)	(Percent of quota at approval)	(SDR mn)	(Percent of quota at approval)
Moderate adjustment	Brazil	2002	SBA	16	Completed	27375.1	901.7	17199.6	566.5
	Turkey	2005	SBA	36	Completed	6662.0	691.1	6662.1	691.1
	Uruguay	2005	SBA	36	Completed*	766.3	250.0	263.6	86.0
	Georgia	2008	SBA	18	Completed	747.1	497.1	577.1	384.0
	El Salvador	2009	SBA	14	Off-track	513.9	300.0	0.0	0.0
	Costa Rica	2009	SBA	15	Completed*	492.3	300.0	0.0	0.0
	Guatemala	2009	SBA	18	Completed*	630.6	300.0	0.0	0.0
	Macedonia, FYR	2011	PCL	24	Off-track	413.0	599.4	197.0	285.9
	Romania	2011	SBA	24	Completed	3091.0	300.0	0.0	0.0
	Morocco	2012	PLL	24	Completed	4117.4	700.0	0.0	0.0
	Romania	2013	SBA	24	Off-track	1751.0	170.0	0.0	0.0
	Morocco	2014	PLL	24	Completed	3235.1	550.0	0.0	0.0
	Egypt	2020	SBA	12	Completed	3763.6	184.8	3763.6	184.8
Panama	2021	PLL	24	Largely Implemented	1884.0	500.0	0.0	0.0	
Current account crisis	Pakistan	2008	SBA	23	Off-track	7235.9	700.0	4936.0	477.5
	Belarus	2009	SBA	15	Completed	2269.5	587.3	2269.5	587.3
	Mongolia	2009	SBA	18	Completed	153.3	300.0	122.6	240.0
	Sri Lanka	2009	SBA	20	Off-track	1653.6	400.0	1653.6	400.0
	Jordan	2012	SBA	36	Completed	1364.0	800.0	1364.0	800.0
Multiple equilibria	Ukraine	2008	SBA	24	Off-track	11000.0	801.7	7000.0	510.2
	Hungary	2008	SBA	17	Off-track	10537.5	1014.8	7637.0	735.5
	Latvia	2008	SBA	27	Completed	1521.6	1200.0	982.2	774.6
	Serbia, Republic of	2009	SBA	15	Completed	2619.1	560.0	1367.7	292.4
	Armenia	2009	SBA	28	Off-track	533.6	580.0	350.4	380.9
Romania	2009	SBA	24	Completed	11443.0	1110.8	10569.0	1025.9	
Multiple crisis	Argentina	2003	SBA	36	Off-track	8981.0	424.2	4171.0	197.0
	Iceland	2008	SBA	24	Completed	1400.0	1190.5	1400.0	1190.5
	Greece	2010	SBA	36	Off-track	26432.9	3211.8	17541.8	2131.4
	Ireland	2010	EFF	36	Completed	19465.8	2321.8	19465.8	2321.8
	Portugal	2011	EFF	36	Completed*	23742.0	2305.7	22942.0	2228.0
	St. Kitts and Nevis	2011	SBA	36	Completed*	52.5	590.0	47.4	532.2
	Greece	2012	EFF	48	Off-track	23785.3	2158.8	10224.5	928.0
	Ukraine	2014	SBA	24	Off-track	10976.0	800.0	2972.7	216.7
	Ukraine	2015	EFF	48	Off-track	12348.0	900.0	6178.3	450.3
	Argentina	2018	SBA	36	Off-track	40714.0	1277.4	31913.7	1001.3
Ecuador	2020	EFF	27	Completed	4615.0	661.5	4615.0	661.5	
Others	Argentina	2003	SBA	7	Completed	2174.5	102.7	2174.5	102.7
	Ukraine	2010	SBA	29	Off-track	10000.0	728.9	2250.0	164.0

Sources: MONA; IEO calculations.

Note: While Egypt 2020 RFI also triggered EAP and forms part of the evaluation sample, RFI is not a Fund arrangement. Absent such arrangement, there is no Fund-supported program.

\* Indicates mechanical program status manually reviewed and corrected due to inaccuracies in MONA. For example, while Uruguayan authorities cancelled the 2005 SBA with six scheduled reviews remaining in 2006, the authorities repaid all outstanding Fund obligations in the same year and the program was widely seen as a success due to both more favorable external conditions and the authorities' own economic management.

	Precautionary (Share of total)	SBA (Number of arrangement)	EFF	PCL/PLL	Duration Year	SC (Per review)	QPC	Committee Financing (Percent of quota)
NA	39.7	49.0	22.0	2.0	2.3	7.6	7.0	207.6
EA	33.3	27.0	5.0	4.0	2.2	4.9	5.0	837.2
Moderate adjustment	71.4	10.0	0.0	4.0	1.8	2.4	3.6	446.0
Current account crisis	0.0	5.0	0.0	0.0	1.9	3.5	5.3	557.5
European GFC and immediate post-GFC	16.7	6.0	0.0	0.0	1.9	5.6	5.6	877.9
Mid-capital account crisis	9.1	6.0	5.0	0.0	2.9	8.3	6.3	1440.1

Sources: MONA; IEO calculations.

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