



Independent Evaluation Office  
*of the* International Monetary Fund

DRAFT ISSUES PAPER

**THE IMF'S  
EXCEPTIONAL  
ACCESS POLICY**

**JULY 11, 2023**



## I. CONTEXT AND PURPOSE

1. The size and volatility of global balance of payments (BOP) flows, especially capital flows, over the past several decades has had fundamental implications for the IMF's lending policies and toolkit. IMF lending to members is calibrated in terms of members' quota in the Fund, with normal access (NA) limits set as a percent of a member's quota.<sup>1</sup> With the size of quotas increasing only slowly over time, large and volatile capital flows frequently led to circumstances in which members' BOP needs substantially exceeded their NA limits. In several such instances in the 1990s and the early 2000s, the Fund supported members by providing resources in excess of normal limits under a clause in its lending policies that allowed access above normal limits in "exceptional circumstances" or under the Supplemental Reserve Facility (SRF) created in 1997 that did not involve limits on access.

2. With large and abrupt capital flow reversals becoming a regular feature of the global economy that affected IMF members with increasing frequency, the Fund had to decide whether to continue dealing with such crises in an ad hoc manner or to adopt a more fully articulated policy. In 2002, the Board approved a formal exceptional access policy (EAP) to guide Fund lending from the General Resources Account (GRA) in amounts exceeding NA limits to members facing capital account crises (IMF, 2002a). A related but distinct framework was introduced in 2009 applying to requests for exceptional access (EA) to the Fund's concessional resources through the Poverty Reduction and Growth Trust (PRGT) (IMF, 2009c; d; e). In addition, a policy covering combined PRGT-GRA use was introduced in 2020. However, EA in the PRGT context has been rare.

3. The 2002 EAP decision established additional requirements relative to NA cases for members seeking EA, and strengthened decision-making procedures for the Fund, with the intention of mitigating the additional risks associated with EA. In particular, the EAP established four criteria to justify EA, several steps for Management and staff to consult with the Executive Board before presenting an arrangement for final approval, and a requirement for individual EA Fund-supported programs to be followed by an ex post evaluation (EPE) by staff within one year after the end of the arrangement (Box 1). In 2003, the Board approved a further elaboration of the approach to be followed in applying EAP (IMF, 2003a). In 2004, the Fund conducted its first and only review of the EAP. The review did not result in any significant alterations of the policy.

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<sup>1</sup> Normal access limits under the GRA were temporarily raised to 200 percent of quota (annual) and 600 percent of quota (cumulative), respectively, on March 6, 2023, in view of members' BOP needs associated with ongoing global shocks. The Board approved the increase for a one-year period, with the possibility of extending it by another year in March 2024. Access limits under the PRGT remained unchanged at 145 percent (annual) and 435 percent (cumulative) of quota, partly in view of the PRGT's outstanding funding needs.

4. The EAP was invoked extensively during 2002–22, allowing the Fund to deploy large-scale financial support to members in difficult circumstances. Use of the EAP was particularly pronounced in the aftermath of the Global Financial Crisis and during the Euro Area crisis. During 2016–22, EAP use declined and featured just six arrangements, although these included the unprecedentedly large arrangements with Argentina (2018 SBA, 2022 EFF).<sup>2</sup>

5. The application of EAP has raised a number of issues, several of them discussed in past IEO evaluations and individual country EPEs.<sup>3</sup> One major concern has been the definition and application of the EA criteria, including the debt sustainability criterion, which was modified in 2010 in the context of approval of the 2010 EA SBA for Greece (IMF, 2010), and modified again in 2016 (IMF, 2016a). Other issues include: the relative performance of Fund-supported programs with EA versus those with NA; program design; the phasing of Fund support; the adequacy and application of the EA criteria and decision-making procedures; uniformity of treatment; the adequacy of defining access limits as a percent of quotas, given the erosion of quotas relative to relevant economic variables; the adequacy of processes to assess and manage enterprise risks associated with EA, including credit risk and risks for the adequacy of Fund resources; the interaction between EA cases and the Fund’s surcharge policy; and the experience with EPEs.<sup>4</sup>

6. The adoption of the EAP in 2002 and its review in 2004 (IMF, 2004a and b) raised fundamental questions about the objectives and purpose of the policy for helping the Fund fulfill its lending mandate in the international monetary system, related tradeoffs for the Fund, and the need to review the policy to ensure it remained useful. While several IEO evaluations and EPEs have drawn valuable lessons from the experience with individual EA cases, the EAP as a whole has not been reviewed since 2004. This evaluation is an opportunity, therefore, to step back and assess the policy and its application from a broader perspective. It will focus on the current version of the EAP, reflecting the changes made in 2016, but draw on the range of experience since 2002 to inform the assessment. The evaluation will focus on the EAP applicable to the GRA, although it will remain mindful of the PRGT framework and draw relevant comparisons including with respect to evenhandedness.

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<sup>2</sup> The other arrangements were with Ecuador (2020, EFF), Egypt (2020, SBA, and 2022, EFF), all of them disbursing arrangements, and a precautionary arrangement with Panama (2021, PLL).

<sup>3</sup> Past IEO evaluations that have examined EAP application in particular country contexts, include the evaluations of Argentina (IEO, 2004), capital account crises (IEO, 2003), and the crises in Greece, Ireland, and Portugal (IEO, 2016).

<sup>4</sup> Surcharges are an element of the Fund’s risk management framework and intend to safeguard the revolving nature of Fund resources and help mitigate credit risk. Surcharges are based on both the level and time period of a member’s outstanding credit to the Fund (IMF, 2016b, 2022). While surcharges serve to limit the size of arrangements, encourage members to make repurchases when they face favorable market conditions, and are a source of Fund income, the additional burden they pose on members already facing stress has been questioned (e.g., Gallagher and Stiglitz, 2022; Honohan, 2022).

### Box 1. GRA Exceptional Access Policy

The key elements of the exceptional access policy (EAP) and associated procedures the Fund adopted in 2002 for access to the GRA in excess of NA limits for members facing capital account-related crises were as follows.

#### Criteria to Justify Exceptional Access

- (i) The member is experiencing exceptional BOP pressures on the capital account resulting in a need for Fund financing that cannot be met within the normal limits;
- (ii) A rigorous and systematic analysis indicates that there is a high probability that debt will remain sustainable;
- (iii) The member has good prospects of regaining access to private capital markets within the time Fund resources would be outstanding, so that the Fund's financing would provide a bridge; and
- (iv) The policy program of the member country provides a reasonably strong prospect of success, including not only the member's adjustment plans but also its institutional and political capacity to deliver that adjustment.

#### Measures on Decision Making

- (i) Raising the burden of proof required in program documents, as set out in the staff paper.
- (ii) Formalizing requirements regarding early Board consultation on the status of negotiations in exceptional access (EA) cases.
- (iii) Requiring an ex post evaluation by the staff of programs supported by EA within one year after the end of the arrangement, with a number of Directors suggesting that the Independent Evaluation Office also consider conducting such evaluations.

The policy and procedures have been modified over time, with the **key modifications** being as follows:

- (2009) *Application beyond capital-account-related crises*: expanding the applicability of the policy to non-capital-account-related crises.
- (2009) *Application beyond actual BOP needs to potential BOP needs*, allowing for precautionary programs with exceptional access.
- (2009) *Debt sustainability criterion*: a forward-looking focus was introduced to the criterion that would allow the effects of policy adjustment and restructuring to be taken into account in assessing sustainability. The applicable definition of debt was clarified to be public debt, both domestic and external.
- (2010) *Introduction of a systemic exemption for debt sustainability*: in the context of approving the SBA for Greece, the Fund modified the criterion relating to debt sustainability. Under a so-called "systemic exemption," it decided to allow exceptional access to go ahead even if there were significant uncertainties around debt sustainability if there was a high risk of systemic international spillovers.
- (2016) *Removal of systemic exemption*: the systemic exemption was removed, being seen as having several shortcomings, including unreliability in mitigating contagion.
- (2016) *Flexibility when debt is in the "gray zone" (when debt is assessed to be sustainable but not with high probability)*: exceptional access was made possible without requiring debt reduction upfront, as long as financing from other creditors improved debt sustainability during the program (without necessarily restoring debt sustainability with high probability) and provided sufficient safeguards for IMF resources. Such financing could include, among other options, a debt "reprofiling"—that is, a short extension of maturities falling due during the program, normally with no reduction in principal or coupons—which was seen as less costly to the debtor, the creditors, and the system than a definitive debt restructuring.
- (2016) *Market access criterion*: the timeframe to gain/regain access to private capital markets was modified from "within the timeframe when Fund resources are outstanding" to "within a timeframe and on a scale that would enable the member to meet its obligations falling due to the Fund."

While the above modifications related to EAP for access to the Fund's GRA resources, in 2009 a separate framework was established for exceptional access to the PRGT by the poorest members. It has proceeded on a separate but parallel track to the GRA framework. The PRGT framework has similar features as the GRA framework, including several of the criteria and procedures, but formulated differently to suit PRGT-eligible countries. It has been used too rarely to provide a sufficient record for evaluation.

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Sources: IMF (2002b, 2003b).

## II. RATIONALE AND EVOLUTION OF EXCEPTIONAL ACCESS POLICY

7. Increasing integration of global financial markets during the 1990s and early 2000s exposed IMF member countries to new crises caused by large and rapid reversals of capital flows that generated large BOP needs. The Fund responded by lending in large amounts, which occasionally exceeded NA limits for the use of Fund resources. The Fund provided such “exceptional access” 11 times during 1995–2002 under the “exceptional circumstances” clause in its access policy and under the SRF, established in 1997 without access limits.<sup>5,6</sup> These EA arrangements were seen as necessary for the Fund to fulfill its role in the international monetary system. At the same time, they raised a number of concerns among Executive Directors, authorities, staff, and others over issues such as uniformity of treatment, moral hazard, uncertainty about the Fund’s appropriate role (including its catalytic financing role), potential political influence on the Fund to provide large financing, the adequacy of safeguards, and high credit concentration.

8. The IMF adopted the EAP for GRA arrangements in 2002 with interrelated objectives: “to help shape expectations of members and markets, provide a benchmark for difficult decisions regarding program design and access, safeguard Fund resources, and ensure uniformity of treatment of members.”<sup>7</sup> The EAP comprised three elements: a set of criteria to justify EA, procedures to strengthen decision making, and EPEs. The EAP criteria, as Box 1 notes, related to a member’s: (i) exceptional BOP needs (EA1); (ii) debt sustainability (EA2); (iii) market access prospects (EA3); and (iv) prospects for program success (EA4).

9. While the EAP was comprehensively reviewed only in 2004, it has been modified over time. In 2009, the EAP was significantly modified to allow it to apply in a wider set of situations than the initial somewhat restrictive criteria allowed (IMF, 2009a and b; and Box 1). Further changes followed in 2010 and 2016. In particular:

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<sup>5</sup> The exceptional circumstances clause was established in 1979 and allowed normal access limits to be exceeded provided that the Executive Board determined the borrowing country faced exceptional circumstances (Boughton, 2001). (This clause was separate from the routine waiver required whenever the Fund’s holdings of a member’s currency exceed 200 percent of quota.) In 1984, the exceptional circumstances clause was further formalized as: “The Fund may approve stand-by or extended arrangements that provide for amounts in excess of these access limits in exceptional circumstances” (Decision No. 7600-(84/3), January 6, 1984). The SRF, which featured no limits on access, was created in 1997 to supplement Fund financial assistance to members with existing programs experiencing “exceptional balance of payments difficulties due to a large short-term financing need resulting from a sudden and disruptive loss of market confidence reflected in pressure on the capital account and the member’s reserves.” The SRF was terminated in 2009.

<sup>6</sup> The relevant Fund-supported programs were with Mexico (1995), Thailand (1997), Indonesia (1997), Korea (1997), Russia (1998), Brazil (1998), Turkey (2001), Argentina (2001), Brazil (2001), Turkey (2002), and Uruguay (2002). Before the 1990s, EA was invoked very rarely.

<sup>7</sup> BUFF/02/159. This decision was taken against the background of the adoption of the Prague Framework for crisis resolution, agreed in September 2000 (IMFC, 2000). The framework was based on the principles that official financing is limited, debtors and creditors should take responsibility for their decisions, and contracts should be honored (Fischer, 2002).

- In 2009, the EAP's applicability was broadened beyond capital account crises to also cover non-capital account crises. By applying across both capital- and non-capital account crises, effectively the EAP circumscribed use of the "exceptional circumstances" clause. Specifically, it stated, "the Fund may approve access in excess of the limits set forth in this decision [normal limits] in exceptional circumstances *provided* the following four substantive criteria are met [...]" (emphasis added).<sup>8</sup>
- In 2009, the applicability of EAP was also broadened to encompass *potential* BOP needs, which allowed for the approval of EA arrangements on a precautionary basis.
- In 2010, a so-called "systemic exemption" to the criterion on debt sustainability was introduced that allowed EA to go ahead even if debt sustainability could not be assessed with high probability, provided that the member's difficulties carried a high risk of international systemic spillovers. This modification was particularly controversial because it was introduced *in the context of* the approval of the Stand-By Arrangement (SBA) for Greece (de Las Casas, 2016).
- In 2016, the EAP was revised to remove the systemic exemption, which was seen as having proved unreliable in mitigating contagion and as having the potential to increase "subordination risk" for private creditors, delay the restoration of debt sustainability, and aggravate moral hazard. Its removal was accompanied by some further modifications to the debt sustainability criterion. Specifically, for circumstances where debt sustainability is hard to assess with high probability (a so-called "gray zone"), the revision allowed the IMF to grant EA conditional on the availability of financing from other creditors during the program on a scale and terms that improved debt sustainability (without necessarily restoring debt sustainability with high probability) and provided sufficient safeguards for IMF resources. This modification gave the Fund flexibility to accept a broader range of debt operations, including "debt reprofiling" (a short extension of maturities, normally with no reduction in principal or coupon repayments) that was viewed as less costly than a restructuring. Where debt is deemed unsustainable, it remained the case that EA would only be made available conditional on a combination of a prompt and definitive debt restructuring and financing from other sources resulting in debt sustainability with high probability.

10. In adopting the EAP in 2002, the Fund preferred the EAP over other approaches for meeting members' envisaged higher financing needs while remaining mindful of the Fund's mandate, limited resources, and associated risks. The Fund rejected the notion of always keeping its lending within NA limits, which would have limited its role in crisis resolution. At the same time, the Fund rejected the desirability of a generalized increase in access limits for all members.

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<sup>8</sup> Some felt the room for discretionary judgement provided by the exceptional circumstances clause would have been important to retain, given the uncertain nature of countries' circumstances, and the fulfillment of rigid criteria would prove hard to assess. Earlier, Mussa (2002) argued "it would be a mistake to try to define [exceptional circumstances] in a general way and then apply [the definition] to individual cases. In individual cases, however, it should be possible to say explicitly what makes them exceptional enough to justify Fund support beyond the normal limits" (p. 72).

Instead, it preferred to allow EA in times of exceptional BOP need, accompanied by a higher burden of proof and safeguards. It retained the flexibility to deal with the unpredictable size of shocks by not adopting a cap or presumptive limits on exceptional GRA access. The Fund decided to continue to define access limits in percent of quota, although it recognized that members' quotas may not always reflect their financing needs as the size and distribution of quotas tended to lag behind changes in the global economy.<sup>9</sup>

11. In adopting the EAP and during the modifications to the policy in subsequent years, the Fund has debated several fundamental issues that remain relevant today. Key issues have included whether the EAP would help to: enhance uniformity of treatment relative to the case-by-case approach the Fund followed before; help the Fund better meet the BOP needs of members whose quota-based access limits were being eroded relative to relevant economic variables; catalyze greater financing from other creditors; and ensure greater transparency in Fund decision-making procedures. On the other hand, a concern has been whether EAP could exacerbate moral hazard among private creditors, with large Fund financing providing them with perceived insurance against unduly large lending risks. Another concern has been whether it could undercut the Fund's preferred creditor status by increasing the Fund's exposure to credit risk. The Board saw the EA criteria as helping to mitigate the concerns, although the criteria themselves have been the subject of discussion.

12. The Executive Board has emphasized several aspects of the EA criteria over the years. It has highlighted the importance of debt sustainability assessments for protecting the revolving nature of Fund resources, the roles of debt restructuring and private sector involvement, and the Fund's policy on lending into arrears to private creditors. On the other criteria, the assessments with respect to BOP needs, regaining market access, and prospects for program success were left largely to judgment based on the proposed mix of program adjustment and financing. These issues have also featured in public debate, where questions have also continued to arise about whether access limits can be adjusted more flexibly and frequently than quotas (for example, at a regular frequency or linked to changes in relevant economic indicators). More recently, questions have arisen over the Fund's approach to surcharges, which serve to contain the demand for Fund resources and preserve their revolving nature but also place a burden on countries with greater financing needs.

### **III. EXPERIENCE WITH EXCEPTIONAL ACCESS ARRANGEMENTS**

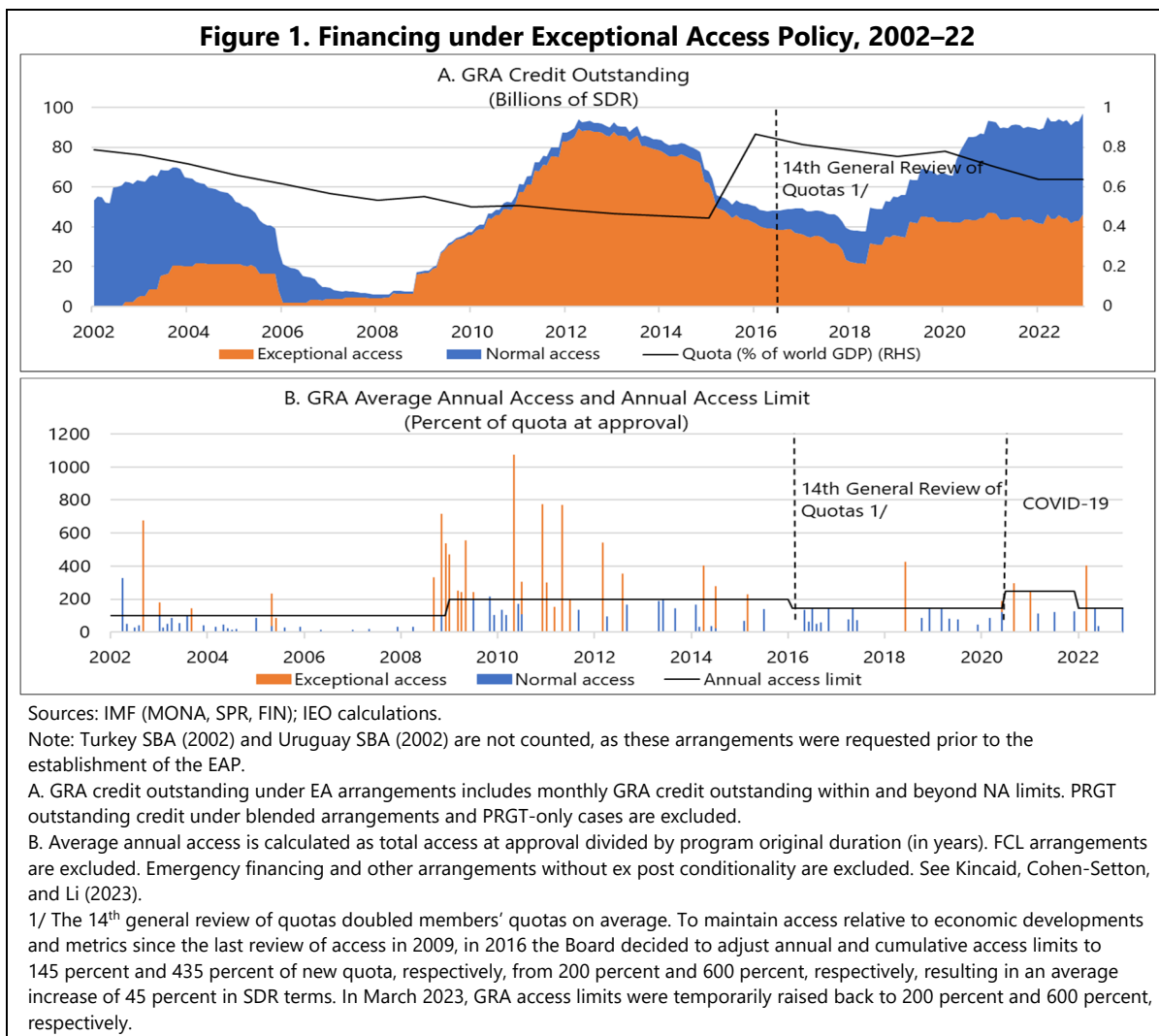
13. While EA cases have accounted for only a fraction of the total number of GRA arrangements, they constitute a sizable share of the Fund's total lending and associated risks. The use of EA was particularly pronounced in the aftermath of the Global Financial Crisis followed

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<sup>9</sup> Aggregate quotas have continued to erode over time as a share of global GDP and trade—and members' BOP needs—and progress has been slow in reforming members' quota shares. The Fund regularly reviews access limits usually in the context of general quota reviews, and occasionally in exigent circumstances (such as the pandemic), although these reviews typically focus on existing limits rather than on the metric itself. The next access limits review is scheduled in 2024, in coordination with the work for the 16<sup>th</sup> General Quota Review. As noted in footnote 1, a temporary increase in GRA access limits was approved in March 2023.



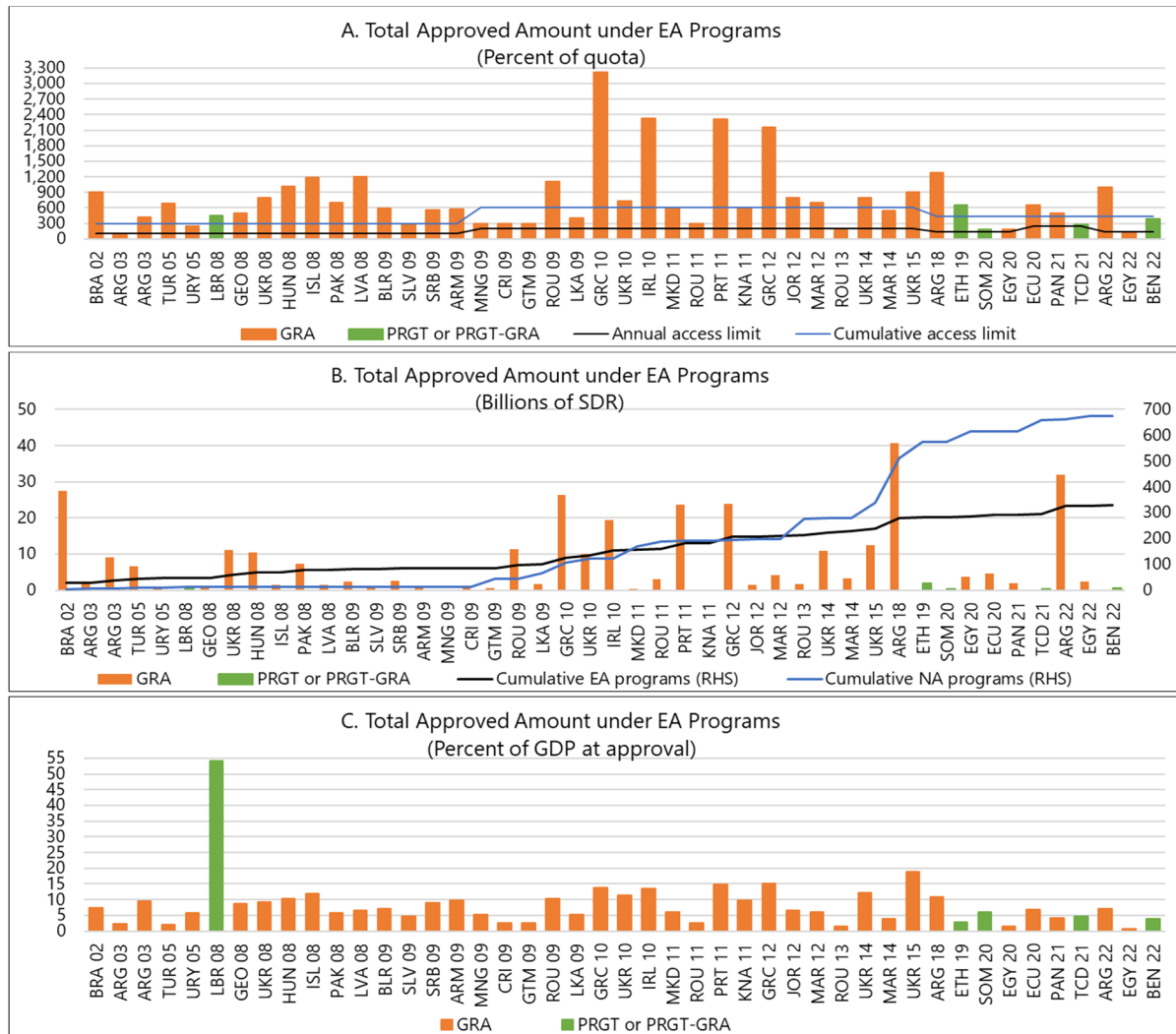
by the crises in Euro Area countries.<sup>10</sup> Over the 21 years since EAP approval, arrangements with EA have accounted for roughly one-fourth of GRA arrangements and for three-fourths of GRA disbursements (Figures 1 and 2, and Table 1).<sup>11,12</sup> The comparable figures for 2016–22 are lower but still large, and they include two very large arrangements with Argentina. During the pandemic, outstanding GRA credit under NA increased by nearly 60 percent between April 2020 and December 2022, reaching SDR 51 billion (blue section of Figure 1, panel A). Upper credit tranche disbursements, emergency financing (RFI), and precautionary arrangements accounted for 55 percent, 34 percent, and 11 percent of the total, respectively.



<sup>10</sup> These experiences are analyzed in the *Crisis Program Review* (IMF, 2015b) and, for the Euro Area arrangements, the evaluation of *The IMF and the Crises in Greece, Ireland, and Portugal* (IEO, 2016).

<sup>11</sup> The characterization of arrangements takes into account the temporary increase in annual and cumulative access limits that the Fund approved during the COVID-19 pandemic. Of the 40 EA GRA arrangements, 28 were disbursing arrangements from the outset, while 12 were, at least initially, precautionary.

<sup>12</sup> The EAP does not apply to arrangements under the FCL and the SLL. Arrangements under the SLL, PLL, and RFI have hard caps on access.

**Figure 2. Use of Exceptional Access, 2002–22**

Sources: IMF (MONA, SPR, FIN); IEO calculations.

Note: Total approved amount includes original amount approved at arrangement approval and subsequent augmentations. Turkey SBA (2002) and Uruguay SBA (2002) are excluded, as they were requested prior to the establishment of the EAP. Benin 2022 EFF-ECF is the first case of HCC.

**Table 1. GRA Arrangements: Exceptional Access and Normal Access**

	2002–22			2016–22		
	Total	Exceptional Access	Percent of Total	Total	Exceptional Access	Percent of Total
Number	151	40	26	51	6	12
Committed Fund Financing (SDR billions)	990	325	33	418	85	20
Disbursed Fund Financing (SDR billions)	282	211	75	94	60	64

Sources: MONA, FIN; IEO calculations.

Note: The table excludes blended arrangements. Total is the sum of NA and EA arrangements. Committed Fund financing includes precautionary arrangements. GRA disbursement under EA arrangements includes GRA disbursement within and beyond NA limits.

14. The evaluation will analyze the performance of programs supported by EA to Fund resources relative to those supported by NA (Table 2).<sup>13</sup> During 2002–22, over half of the EA arrangements went off track (that is, at least two reviews were not completed), compared with one-third of NA cases. Only 30 percent of EA arrangements were completed, compared with half of NA arrangements. For 2016–22, the completion of the Ecuador and Egypt (2020 SBA) arrangements resulted in a sharp improvement in the completion rate of EA cases given the small sample size (Figure 3). A question is whether the performance of EA arrangements reflected their comparatively more difficult circumstances, program design, difficulties with policy implementation, or other factors. At the same time, the greater safeguards associated with EAP are intended to help mitigate the higher risks associated with EA. Several programs have involved the repeated use of EA arrangements, either successively or interspersed with NA arrangements.<sup>14</sup>

	Total	Normal Access	Exceptional Access
Number of Ended Programs	134	96	38
Completed	64	53	11
<i>Percent of Total</i>	47	55	29
Largely Implemented	17	11	6
<i>Percent of Total</i>	13	11	16
Off-track	53	32	21
<i>Percent of Total</i>	40	33	55
Of which: Quickly off-track	16	12	4
<i>Percent of Total</i>	12	13	11

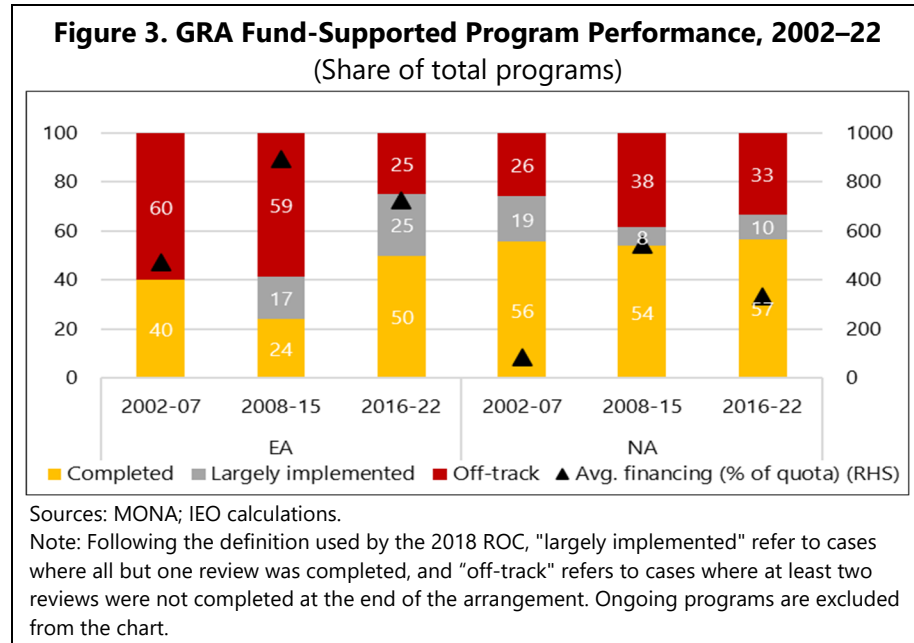
Sources: IMF MONA; IEO calculations.  
 Note: The table excludes blended arrangements and ongoing arrangements. Total is the sum of NA and exceptional access arrangements. Following the definition used by the 2018 Review of Conditionality and MONA terminology, "largely implemented" refers to cases where all but one review was completed; "off-track" refers to cases where at least two reviews were not completed at the end of the arrangement; and "quickly off-track" refers to cases where at most one review was completed and at least two reviews were not completed at the end of the arrangement.

15. Although the EAP was originally applicable only for GRA arrangements, the disparity with the PRGT soon became apparent. Low-income countries also faced situations in which normal PRGT access limits constrained the Fund's support in response to shocks. At the same time, the separate funding structure of the PRGT—as well as the different vulnerabilities faced by many LICs—were important considerations for the Fund's ability to approve EA under the PRGT. In 2009, the Fund decided to adopt an EAP for PRGT arrangements. Unlike the GRA, where there is no prescribed ceiling on EA, the PRGT EA policy included a hard cap on access (150 percent of quota, annual; 450 percent, cumulative), mainly reflecting the relative scarcity of PRGT

<sup>13</sup> The evaluation will use a broad concept of program performance, including completion of program reviews as well as economic outcomes under the program.

<sup>14</sup> For example, Argentina and Ukraine each had four EA arrangements during 2002–22, Romania three, and Greece, Egypt, and Morocco two (as well as the 2017 Greece SBA "approved in principle"). Some countries, like Georgia, Jordan, and Morocco, have had programs that interspersed exceptional- with normal access arrangements.

resources.<sup>15</sup> The EA criteria were similar to the GRA EAP, although they were adapted for the different circumstances of PRGT members notably with respect to market access and debt sustainability. The procedures were the same as those for the GRA EAP. More recently, in 2020, the Fund introduced the Policy Safeguards for High Combined Credit (PS-HCC) for EA arrangements that blend GRA and PRGT resources.<sup>16</sup>



#### IV. SCOPE OF THE EVALUATION

16. The evaluation will assess the rationale for and evolution of the EAP, its current design and adequacy, and the application and outcomes of the policy. The evaluation will use as a key standard the EAP objectives as set out in the relevant Board discussions and will assess how the various elements of the EAP are intended to contribute to those objectives. Section V below lays out key evaluation questions that will provide a basis for assessing the key issues, including the continuing rationale of the EAP taking account of experience and views from inside and outside the Fund, its usefulness for helping the Fund to fulfill its lending role vis-à-vis members and the international monetary system while mitigating risks, and the role of political considerations in making EA-related decisions.

<sup>15</sup> In 2021, the hard cap on PRGT EA was eliminated and the normal access limits were unified for the PRGT and GRA. The March 2023 temporary increase in GRA access limits has lifted these limits above the PRGT limits.

<sup>16</sup> The PS-HCC strengthens policy safeguards in arrangements for PRGT-eligible countries that involve access to a mix of resources from the GRA and PRGT at levels that do not exceed the respective normal access limits under the GRA or the PRGT individually but do exceed these limits on a combined basis. Like the EAP, the PS-HCC includes criteria and procedural requirements.

17. The evaluation will cover the motivation and objectives of the EAP as established in 2002, the modifications made over the years, and the drivers and consequences of the relevant changes. To assess the current design and adequacy of the policy, the report will study the consistency and articulation of its various components and the tools available to the Fund for their implementation. To evaluate the implementation and outcomes of the EAP, the evaluation will draw on experience with EA arrangements during 2002–22, with special emphasis on the period since 2016. The motivation for this focus on more recent cases is threefold: (i) analyzing in depth those arrangements implemented under the current EAP design, which maximizes the potential for forward looking recommendations; (ii) avoiding repeating the analysis of cases already evaluated by the IEO; and (iii) assessing the extent to which recent cases reflect institutional learning from previous experiences. Case studies will include the arrangements with Argentina (2018), Ecuador (2020), and Egypt (2020).<sup>17</sup>

18. The evaluation will focus on the GRA EAP, as the very small number of completed PRGT EA cases constrains their potential for drawing general lessons.<sup>18</sup> However, the evaluation will maximize its relevance for LIC members by looking, in the aggregate, at their experience with EA (PRGT or blended) and comparing the design of the GRA EAP with the PRGT EAP and the PS-HCC. It will also examine, for GRA and PRGT countries alike, whether and why members with exceptional BOP needs generally sought or received EA to Fund resources.

19. The evaluation will cover the main aspects of EAP implementation and differences across the EA cases, including with respect to: (i) outcomes and general effectiveness in achieving program goals; (ii) program design, including differences between EA cases after 2016 versus earlier cases, as well as between EA cases and selected NA cases; (iii) fulfillment of the EA criteria; (iv) observance of the information requirements and decision-making procedures and attention to enterprise risk management; and (v) EPEs and learning from experience.

## **V. MAIN EVALUATION QUESTIONS**

### **A. Rationale and Evolution of EAP**

- (1) Does the rationale for the EAP articulated when the policy was adopted and refreshed remain valid in terms of helping the Fund to fulfill its lending mandate? Does it strike a good balance between rules and discretion? Are the EA criteria different (and should they be different) from the requirements for NA arrangements in substance or in terms of a higher evidentiary standard?

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<sup>17</sup> The evaluation will not cover the arrangements with Argentina and Egypt approved in 2022 since, consistent with its terms of reference, the IEO does not evaluate ongoing programs.

<sup>18</sup> Only three arrangements have been approved under the PRGT EAP adopted in 2009: Ethiopia 2019 EFF-ECF, Somalia 2020 EFF-ECF, and Chad 2021 ECF. Somalia's EFF was cancelled in 2020 but its ECF was extended to 2023 and, being ongoing, cannot be covered by the evaluation. Chad's ECF remains ongoing and cannot be covered by the evaluation. No review was completed under Ethiopia's blended arrangement, which expired in 2022.

- (2) Is the current design of the EAP fit for purpose? In particular:
- are the four EA criteria well-formulated, clear, methodologically sound, implementable, and monitorable?
  - are the decision-making procedures adequate, clear, appropriate, and practical for managing and mitigating the risks associated with large-sized Fund lending?
  - are EPEs well-designed, well-motivated, and informative for EA program design and risk mitigation?
- (3) Are access limits set in a manner that broadly reflects members' BOP needs, and are quotas the right metric for defining access limits (and therefore EA)?
- (4) How does the EAP fit within the broader IMF lending framework, including interaction with elements such as the LIA policy, surcharges, precautionary lending, and EA for PRGT countries, both under the PRGT EAP and PS-HCC?
- (5) How does the EAP compare to frameworks in other international financial institutions (IFIs) seeking to manage risks related to large credit exposures?

## **B. Experience with EAP**

### **B.1. Implementation**

#### **Program Design**

- (6) Has program design in EA cases been systematically different from program design in NA cases (including near-EA cases)? If so, were the differences justified by the objectives of the EAP?
- (7) How were the coherence and the effectiveness of the EAP influenced by similarities/differences in program design across cases? The analysis would include (i) the *financing-adjustment mix*, (ii) the *burden-sharing* of the financing needs among the Fund, other official creditors—including regional financing arrangements—and the private sector, (iii) the extent to which EA financing was used for budget support, (iv) the *phasing* of financing and adjustment, (v) the IMF's diagnosis (including assumptions and forecasts), key recommendations, and conditionality on *macro adjustment*, exchange rate flexibility, and structural reforms, and (vi) the management of deviations from program objectives and the ex ante development of contingency plans.
- (8) How well did surveillance identify the vulnerabilities in the respective countries during the run-up to the crises? How effectively did program design respond to those vulnerabilities under the EAP?

### **Exceptional Access Criteria**

- (9) Were the EA criteria fit for purpose in practice, did they work as intended, and were they assessed with sufficient rigor and evenhandedness? Were the tools and methodologies used for assessing the respective criteria (including debt sustainability) fit for purpose?

### **Decision-Making Procedures**

- (10) Were decision-making procedures and the internal review process fit for purpose in practice? Were the procedures followed with sufficient rigor and evenhandedness? Did they work as intended to allow the Board, Management, and staff (area and review departments) to effectively perform their respective roles?
- (11) How were technical analyses and political considerations integrated in making lending decisions? Were the formal and informal consensus-building processes, both within the IMF and with country authorities, to decide the strategy to be implemented in each case adequate?

### **Ex Post Evaluations and Institutional Learning**

- (12) Did EPEs fulfill the objectives and expectations set out in the EAP?
- (13) Beyond EPEs, did the EA arrangements adequately reflect the lessons from broader reviews of experience, such as the Review of Conditionality and the Review of Crisis Programs and IEO evaluations?

## **B.2. Effectiveness and Outcomes**

- (14) Did experience with EA arrangements fulfill the key objectives of the EAP (as set out in paragraph 8: shaping expectations, providing a benchmark for program design and access, protecting the Fund's resources, and ensuring uniformity of treatment), both for the countries and for the Fund? How effective was the EAP regarding other initial concerns, including the effects of exceptional financing on moral hazard, on the Fund's catalytic role and preferred creditor status? How does the 2016–22 experience compare with previous EA experience, bearing in mind modifications to the policy?
- (15) What were the main obstacles to implementation?
- (16) Do countries with exceptionally large BOP needs generally seek EA? What factors influenced members' demand for EA?
- (17) How well did the IMF perform in EA cases, particularly in terms of speed of reaction from the onset of the crises, appropriateness of access levels granted, and the catalytic effect of Fund financing?

- (18) From an enterprise risk management perspective, what residual risks do EAP and its application reveal for the Fund and how can the institution best mitigate (or accept) respective risks? How did decisions on EA reflect the Fund’s risk tolerance, explicitly or implicitly?
- (19) Overall, what aspects of EAP implementation worked well/badly, from the perspective of the various stakeholders, including country authorities, Fund staff, Board members and Management, and third parties, including other members (for example near-EAP cases authorities), the private sector, other IFIs, civil society organizations, experts, and academia?

## VI. METHODOLOGY AND EXPECTED OUTPUT

20. The evaluation will combine cross-cutting thematic studies with in-depth country case studies for three post-2016 EA arrangements and some coverage of selected pre-2016 country cases (Annex I). Thematic studies will analyze in depth specific issues of high relevance for the design and implementation of the EAP, from both a theoretical/technical and an operational point of view, allowing for the extraction of cross-country lessons and comparison with NA cases. In-depth country cases will analyze individual arrangements, providing an integrated narrative of the various elements of the Fund’s role—e.g., crisis detection and preparedness, program design and effectiveness—with a strong emphasis on EAP application and internal coherence. Selected pre-2016 country cases will focus on the extraction of cross-country lessons from the implementation and outcomes of the EAP in relevant cases.

21. The main information sources will be: (i) desk review and analysis of documents—including IMF policy, program, surveillance, and research papers, EPEs and IEO evaluations; (ii) interviews with current and former IMF staff, country authorities and local stakeholders, other IFIs and multilateral partners, and experts and academics; (iii) data and econometric work; and (iv) surveys. A “theory of change” (see Annex II) will help guide the evaluation work and conversations with staff and others, facilitating the comparison between how the EAP is supposed to work and how it was implemented in practice and helping identify: (i) causal links between actions and outcomes; (ii) conditions for success; and (iii) possible gaps in the implementation or design of the policy. The evaluation will draw on previous IEO work, especially on the evaluation of the IMF and the crises in Greece, Ireland, and Portugal (IEO, 2016), but also others like the ones on growth and adjustment (IEO, 2021), IMF Forecasts (IEO, 2014), and Argentina (2004). The evaluation will also use the methodology of the Fund’s enterprise risk policy to discuss the residual risks associated with EAP and how the recommendations might contribute to mitigate them, building on the pilot approach in the evaluation of *The IMF’s Emergency Response to the COVID-19 Pandemic* (IEO, 2023).



## **ANNEX I. PRELIMINARY EVALUATION PAPERS (EVP): THEMATIC STUDIES AND COUNTRY CASES**

### **EvP1. Rationale and Evolution of the EAP**

This EvP will lay the foundations for the analysis in the other components of the evaluation, as it will study the origins of and rationale for adopting an exceptional access policy (EAP), the EAP's evolution over the years, and its current design, including the articulation and coherence of its various elements. The paper will discuss the intended role of the EAP in mitigating enterprise risks for the Fund. The paper will also explore the existence of comparable frameworks in other IFIs and their relevance for the IMF. EvP1 will be guided in general terms by the questions and issues identified above, with special emphasis on, but not limited to, questions 1-5.

### **EvP2. Program Design and Outcomes**

This EvP will analyze: (i) key features of EA program design—including objectives, strategy, policies, and application of EAP criteria—and overall program outcomes. It will pay special attention to the changes after the 2016 modification of EA policies and the lessons reflected in the 2016 IEO evaluation of Euro Area programs which drew on the pre-2016 experience with EAP; (ii) differences in EA program design (a) before and after 2016, and (b) between EA program and normal access (NA) programs; (iii) differences in EA program outcomes—comparing (a) and (b) above—and the factors affecting final outcomes, e.g., initial conditions, program strategy, and program design. EvP2 will be guided, in general terms, by the questions and issues identified above, with special emphasis on, but not limited to, questions 6, 7, 8, 14, 16, and 17.

### **EvP3. Exceptional Access Criteria Part I: EA1 and EA4**

This EvP will evaluate: (i) whether EA1 and EA4 are well-formulated, clear, methodologically sound, implementable, and monitorable by the Fund, given the available tools and expertise; and (ii) how EA1 and EA4 were implemented, whether they were followed with sufficient rigor and evenhandedness, and whether they were fit for purpose in practice and worked as intended. EvP3 will draw on EA experiences since the adoption of the policy (2002–22) and will be guided, in general terms, by the questions and issues identified above, with special emphasis on, but not limited to, question 9 on the implementation of the EAP and 2 on its current design.

### **EvP4. Exceptional Access Criteria Part II: EA2 and EA3**

This EvP will evaluate: (i) whether EA2 and EA3 are well-formulated, clear, methodologically sound, implementable, and monitorable, given the Fund's available tools and expertise; and (ii) how EA2 and EA3 were implemented, whether they were followed with sufficient rigor and evenhandedness, and whether they were fit for purpose in practice and worked as intended. EvP4 will draw on EA experiences since the adoption of the policy (2002–22) and will be guided, in general terms, by the questions and issues identified above, with special emphasis on, but not limited to, question 9 on the implementation of the EAP, and 2 on its current design.

### **EvP5. Decision-Making Procedures**

This EvP will analyze the implementation of the EAP's decision-making procedures, (letter and spirit of the norm) and their effectiveness in reducing risks and enhancing accountability. It will also look at the adequacy of the formal and informal processes for consensus-building, both within the IMF and with country authorities, to decide the strategy to be implemented. EvP5 will cover several arrangements and incorporate EAP-related lessons from cases covered in the past by the IEO (IEO, 2004 and 2016). EvP5 will be guided, in general terms, by the questions and issues identified above, with special emphasis on, but not limited to, questions 10 and 11.

### **EvP6. Ex Post Evaluations and Institutional Learning**

This EvP will evaluate whether EPEs during the life of the policy fulfilled the objectives and expectations set out in the EAP and, in consequence, strengthened the Fund's learning and accountability. Beyond EPEs, EvP5 will assess whether EA programs adequately reflected the lessons from broader reviews and program experiences, such as the Review of Conditionality, the Review of Crisis Programs, and IEO evaluations. EvP6 will be guided, in general terms, by the questions and issues identified above, with special emphasis on questions 12 and 13.

### **EvP7. Selected EA Cases**

This EvP will conduct an overall analysis of the Fund's performance and the implementation of the EAP in a number of selected pre-2016 EA cases. It would look into the arrangements' outcomes for both the member countries and the Fund, including the factors that led to repeated UFR. Cases to be analyzed include Greece 2012 (and the 2017 SBA "approved in principle"), Jordan 2012, Pakistan 2008, and Ukraine 2014/15. EvP7 will also draw lessons from cases evaluated in the past by the IEO (IEO, 2004 and 2016). It will be guided, in general terms, by the questions and issues identified above, with special emphasis on questions 6-11 on EAP implementation and questions 13-18 on the general effectiveness of the policy.

### **EvP8. Case Study: Argentina**

This EvP will analyze in depth the 2018 EA arrangement with Argentina. It will cover the context in which the arrangement was designed, how effectively the Fund managed this case—with a special focus on the implementation of the EAP—and the outcomes of the arrangement for Argentina, the IMF, and the IMS. EvP8 will be guided, in general terms, by the questions and issues identified above, with special emphasis on questions 6-11 on the implementation of the EAP and questions 14-19 on its general effectiveness.

### **EvP9. Case Study: Ecuador**

This EvP will analyze in depth the 2020 EA arrangement with Ecuador. It will cover the context in which the arrangement was designed, how effectively the Fund managed this case—with a special focus on the implementation of the EAP—and the outcomes of the arrangement for

Ecuador, the IMF, and the IMS. EvP9 will be guided, in general terms, by the questions and issues identified above, with special emphasis on questions 6-11 on the implementation of the EAP and questions 14-19 on its general effectiveness.

**EvP10. Case Study: Egypt**

This EvP will analyze in depth the 2020 arrangements with Egypt (SBA and RFI). It will cover the context in which the arrangements were designed, how effectively the Fund managed this case—with a special focus on the implementation of the EAP—and the outcomes of the arrangements for Egypt, the IMF, and the IMS. EvP10 will be guided, in general terms, by the questions and issues identified above, with special emphasis on questions 6-11 on the implementation of the EAP and questions 14-19 on its general effectiveness.

## **ANNEX II. THEORY OF CHANGE<sup>1</sup>: A FUND-SUPPORTED PROGRAM UNDER THE EAP**

This Theory of Change (ToC) is intended to show how a Fund-supported arrangement under the EAP is supposed to work in principle (Figure All.1). In doing so, it displays: (i) a chain of events and actions that lead to the outcomes of the program; (ii) a number of conditions and assumptions that are required to move from one stage to the next; and (iii) a summary of the procedural steps required under the EAP. The ToC implicitly recognizes that both country authorities and the IMF are agents in the program. On the one hand, the Fund—i.e., the Board, Management, and staff—provides financing, policy advice for program design and implementation, and capacity development. On the other, country authorities own and execute the program. An arrangement under the EAP follows the same basic ToC of an NA arrangement but requires additional measures and procedures.

The evaluation will use the ToC as a tool to support critical and systematic thinking about how the EAP is designed to work and how it has worked in practice and to identify and weigh all the relevant elements in an EAP program. Specifically, a key use of the ToC will be as an instrument for discussion with relevant stakeholders—including IMF staff, authorities, Board members, and third parties—to explore the following questions:

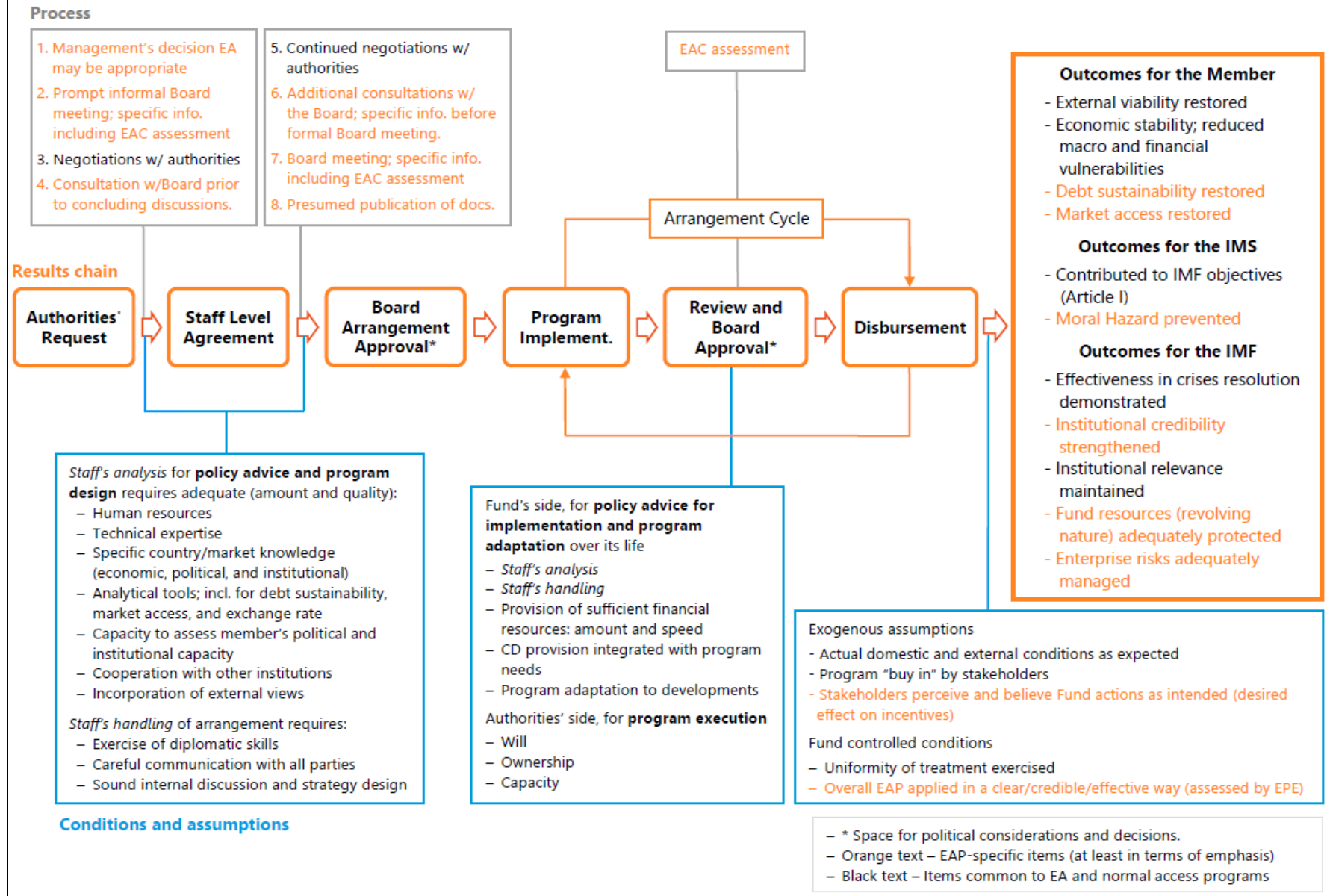
- Do stakeholders have the same understanding regarding the way an EAP arrangement should work? Did practice deviate from the designed framework? If so, how?
- Do they agree with the list of elements/steps, sequence, assumptions, and causal links? How do they weight the various elements?
- What worked, and did not work?
- What can be improved?

The ToC will also contribute internally to, inter alia, guide and systematize the evaluation, identify data and informational needs, and map findings and recommendations. Finally, the ToC will be a useful support for presentation and outreach.

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<sup>1</sup> To avoid confusion during discussions with staff and other stakeholders that are not familiar with the concept of ToC, reference to the term ToC itself will be minimized.

**Figure All.1. Theory of Change—Fund-Supported Program Under the EAP**



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