

INTERNATIONAL MONETARY FUND

**Ex Post Evaluations of Exceptional Access
Arrangements—Revised Guidance Note**

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1. In the 2002 Board discussion on Access Policy in Capital Account Crises, Directors agreed to require an ex post evaluation (EPE) by the staff of GRA-supported programs supported by exceptional access within a year after the end of the arrangement.¹ This revised note provides operational guidance on the content and procedures for EPEs.² In terms of coverage, the EPE policy encompasses all exceptional access GRA-supported programs, including high-access precautionary arrangements. The policy would exclude programs no longer considered exceptional access under the new access policy because their access limits are within the new normal access limits.³ While it is generally assumed that an EPE would be tailored to fit individual country circumstances, multiple-country EPEs are also permitted if they are considered feasible in terms of comparability of issues of interest.

I. CONTENT OF ASSESSMENTS

¹ The requirement for EPEs was agreed by the Board in September 2002 for members using exceptional access in capital account crises, and extended to any use of exceptional access in February 2003. The EPE requirements and procedures were slightly revised in 2009. Exceptional access in the GRA constitutes access levels beyond (i) an annual limit of 200 percent of quota; and (ii) a cumulative limit of 600 percent of quota, net of scheduled repurchases.

² This revises the earlier guidance note based on the decisions taken during the Board discussion of omnibus paper on easing work pressures. Note that an EPE is distinct from an ex post assessment of longer term program engagement (EPA). The latter is intended to provide the opportunity to step back from continuing program relations and analyze the economic problems facing a member, a critical and frank review of progress during Fund-supported programs, and a forward-looking assessment that takes into account lessons learned and presents a strategy for future Fund engagement. A revised guidance note is also concurrently being issued for EPAs, consistent with the Board discussion cited above.

³ Programs thus excluded are Georgia (approved 9/15/08) and Armenia (approved 3/6/09).

2. The aim of an EPE is to determine whether justifications presented at the outset of the individual program were consistent with Fund policies and to review performance under the program.⁴ To do this, EPEs should seek to provide a critical and frank consideration of two key questions: (i) were the macroeconomic strategy, program design, and financing appropriate to address the challenges the member faced in line with Fund policy, including exceptional access policy; and (ii) did outcomes under the program meet program objectives?⁵

A. Evaluation of the Response

3. EPEs should assess the appropriateness of the policy response based on outturns. This would include consideration of pre-crisis conditions and the emergence of vulnerabilities that contributed to the balance of payments need, the crisis management framework, and program design:

- *Weaknesses and vulnerabilities prior to the program.* EPEs should review underlying macro imbalances, stock disequilibria (public and private), financial and external conditions, with a view to understand policy shortcomings and the root causes of vulnerabilities—whether global or homegrown—that led to the crisis.
- *Objectives and policies under program.* EPEs should evaluate key program objectives against the background of policy dilemmas and trade-offs. These challenges could involve issues related to, inter alia, macro policies, capital controls, bank resolution, or debt restructuring where relevant. EPEs should assess the design of Fund-supported programs, focusing on the coherence of macroeconomic and structural policies, and the focus of conditionality on addressing underlying weaknesses and supporting the achievement of program objectives. Whether unanticipated changes in the external environment or the extent of program implementation by the authorities affected achieving these objectives could also be explored.
- *Mix of financing and adjustment.* EPEs should assess the appropriateness of the size and phasing of access to the Fund, including whether budget support (if any) was justified. EPEs should discuss the balance of financing and adjustment under the program, and assess whether financing from MDBs, official bilateral creditors (including the EU), and the private sector materialized as expected.

4. Based on the diagnosis and policy response, EPEs should assess the justification for exceptional access. In addition to the justifications for the level of access and conditionality noted above, there should be an evaluation of the judgments made in applying exceptional

⁴ See staff paper on Access Policy in Capital Account Crises for a more complete description.

⁵ EPEs would not normally be expected to review the decision-making process that led to the approval of the arrangement as the IEO is better placed to consider the roles of staff, management, and members of the Board.

access policy, including on the member's capacity to repay the Fund and the identified risks to the Fund, and particularly on the following four criteria.⁶

- *Exceptional balance of payments pressures*: EPEs should review the basis on which the BOP need—whether on the capital or the current account—was justified and examine whether exceptional access was necessary and appropriate.
- *Debt sustainability assessment*: EPEs should update the public DSA analysis—comprising both domestic and external public debt—and highlight the contributions of key variables (including growth, interest rates, the exchange rate, and the fiscal balance) in accounting for significant deviations from the outcome expected at approval. An assessment of domestic and external factors that affect the evolution of public debt—such as pressures arising from demographic changes or the presence of large external debt of the banking system as a potential government liability—would be particularly useful. EPEs should also assess how specific risks identified at the time of the program's approval have unfolded, and cover new risk factors that may have since emerged.
- *Reaccessing capital markets*: EPEs should assess capital flows relative to what had been envisaged at the time of the arrangement's approval. They should discuss the role of domestic and external factors responsible for significant deviations, including relevant issues of program design and implementation. Finally, they should evaluate the extent to which Fund financing helped provide a bridge to appropriate market access and hence evidence of a catalytic role of the Fund.
- *Prospects for success*: EPEs should review the member's track record, the institutional and political commitments to deliver the adjustment under the program, and, in view of shortcomings or risks, the reasons that the prospects for success were deemed good.

5. *Transitional issues*: Before March 24, 2009, exceptional access programs were approved based on the criteria outlined in Access Policy in Capital Account Crises.⁷ Specifically, the previous criteria differ from the criteria outlined in ¶4 above in that *only* exceptional balance of payments pressures on the capital account (and not the current account) were to be examined, and *both* external and public DSAs were to be taken into account (as opposed to only public DSA now). For exceptional access arrangements

⁶ These criteria are developed in the policy paper on the GRA lending toolkit and conditionality). EPEs should confirm that the procedural elements of the policy have been followed, and comment if needed on them. These comprise: the early Board consultations; the report on liquidity and risks to the Fund; the separate report evaluating the four criteria; an ex-post evaluation within one year after the end of the arrangement; the discussions of exit strategies; and presentation of alternative metrics for access.

⁷ These programs comprise: Belarus (approved 1/12/09), El Salvador (1/16/09), Hungary (11/6/08), Iceland (11/19/08), Latvia (12/23/08), Pakistan (11/24/08), Serbia (12/19/08; augmented 1/16/09), and Ukraine (11/5/08).

approved prior to March 24, 2009, the EPEs must assess them against the then-existing criteria upon which they were approved.

B. Assessment of program performance

6. EPEs should aim to draw lessons about the effectiveness of Fund's involvement. They should examine the macroeconomic outlook and financing projections under the original program and compare them with the corresponding outturns (including the speed at which the policy mix was adjusted). Capital account and financing outturns merit careful consideration. In particular, where a debt restructuring has been part of the authorities' program, the EPE should assess the extent to which the member has regained external viability and restored orderly relations with creditors. In case of major policy adjustments during the program, EPEs should assess whether these reflected identified risks or unanticipated factors, including whether built-in contingencies proved sufficient or a re-design of the program was needed. EPEs should draw conclusions about the role of the Fund in managing the crisis, helping prevent severe macroeconomic disruptions and reduce the underlying balance sheet disequilibria. The ownership of the authorities and the appropriateness and focus of conditionality should also be examined, as well as political and institutional factors (including interactions with other program partners, such as MDBs, the EU or bilateral donors) that may have affected performance under the program.

II. PROCEDURES

7. The procedures established for Ex Post Assessments regarding team composition, internal review, discussion with the authorities, and cover notes for management also apply to EPEs.⁸ A meeting between the EPE team and concerned departments early in the process is recommended to tailor the issues to be covered in the evaluation to the individual country circumstances.

8. EPEs should be full-fledged, stand-alone reports, as separate documents would allow the Board to better focus on the findings.⁹ An exception may be made in cases where a prolonged user also had exceptional access. In such cases, an EPA and an EPE could be combined in a single document, provided there is adequate coverage of, and focus on, the specific issues that need to be addressed under these two exercises.

⁸ See *Ex Post Assessments of Members with a Longer-Term Program Engagement*. Specifically, an EPE for a member should be undertaken by an interdepartmental team and led by a mission chief from a department other than the home area department. The team should include representatives from the home area department and one each from SPR and at least one other functional Department (in most cases FAD, FIN, MCM, RES, and/or STA), with the team leader nominated by the home area department. The SPR representative will generally be nominated by the SPR Senior Personnel Manager, but should not include the review officer or the economist assigned to the country (unless the assignment has been for less than one year). The other functional department(s) to be included in the team will be selected by the home area department, but the choice of representative will be made by the functional department and will not normally include the department's review officer or economist assigned to the country unless the assignment has been for less than one year.

⁹ In view of the analytical content of EPEs, the report is normally expected to be 10-25 pages in length.

9. The policy requires that EPEs be completed within one year of the end of the arrangement. “Completion” in this case should be understood to mean approval by management for circulation to the Board. While the EPE was conceived as a mechanism to learn lessons after an exceptional access arrangement is completed, for countries where follow-on arrangements are contemplated, it would be desirable to complete the EPE prior to discussions on a new arrangement. Similarly, for irretrievably off-track programs, EPEs could be prepared before the formal expiration of the arrangement.

10. A Board discussion of the EPEs is envisaged. EPEs should preferably be combined with Article IV consultation or post-program monitoring discussions since the lessons of EPEs could provide useful input to these meetings. Where this is not possible, a stand-alone Board discussion could be considered, with a summing up addressing the EPE conclusions. After the EPE report has been issued to the Board, and before its publication, any changes should adhere to the transparency policy on corrections and deletions.¹⁰

11. EPEs are arrangement-specific and, generally, country-specific. In cases where a successor arrangement also involves exceptional access to Fund resources, each arrangement is subject to an evaluation within the envisaged time frame. While generally EPEs are expected to focus on a single member, where feasible (such as after a global shock that has concurrently affected multiple members) and given compelling reasons for conducting a cross-country analysis, multi-country EPEs may be considered.¹¹ Under such circumstances, analyses as described in Section I should be framed in a cross-country sense, noting and explaining different performances of countries covered under these different metrics.

12. The publication status of the EPE report and its PIN is voluntary but presumed, and the procedure for consent is on a non-objection basis.¹² Absent such an objection, a PIN would be issued after the Board meeting and the EPE report would be published promptly thereafter.

- a) In cases where the EPE discussion is combined with an Article IV or PPM consultation, only one PIN will be issued, covering both the Article IV or PPM and the EPE discussion. The background section of the PIN will contain one to two paragraphs, preferably at the end of this section, on the EPE, on justification of exceptional access. The summing up will include short references to the EPE discussion, focusing on the Board’s assessment of the appropriateness of the policy response based on the outturns and the role of the Fund in managing crises.

¹⁰ See the *Guidance Note on the Fund’s Transparency Policy*.

¹¹ It is presumed that SPR would be better placed to lead multi-country EPEs, given its role and expertise in cross-country policy analysis (see “Review of Recent Crisis Programs,” available at <http://www.imf.org/external/np/pp/eng/2009/091409.pdf>).

¹² The non-objection basis comes into effect on March 17, 2010.

- b) After meetings combining UFR and EPE discussions, both a PIN and a press release containing the Chairman's Statement are issued. The Chairman's Statement will refer to the UFR discussion; it will not contain any reference to the EPE discussion. The PIN on the EPE will be concise, with a short background section and the summing up of the discussion focused on the Board's assessment of the country's past policies and the lessons for meeting future challenges.
 - c) In the exceptional cases where there is a stand-alone EPE meeting and when multi-country EPEs are prepared, a PIN will be issued, covering the ground as in (b) above. In a multi-country case, consent to publish would be needed from all the concerned members.
13. If the authorities do not consent to the publication of a PIN, a brief factual statement will be issued to inform the public that the discussion took place and that it included an EPE.