# EXECUTIVE SUMMARY

**This evaluation assesses the IMF's Exceptional Access Policy (EAP) from its adoption in 2002 through the launch of the evaluation in mid-2023.** Member countries' access to IMF lending is guided by the normal access (NA) limits, which are established as a percent of members' quota and reviewed periodically. With the size and distribution of quotas changing slowly relative to the rapid growth in financial and economic integration, members' financing needs have sometimes exceeded their NA limits. The EAP applies to lending from the IMF's General Resources Account (GRA) above the normal limits. It was initially applicable only in the context of capital account balance of payments (BOP) needs but was later extended, in 2009, to all exceptional access (EA) lending.

**The evaluation encompasses the EAP's objectives and design, its successive reforms, and the experience with its implementation.** The EAP builds on the Fund's long-standing principle that higher access must be accompanied by higher safeguards, which are sought principally through program design. It adds three elements: (i) four exceptional access criteria (EAC)—relating to the size of BOP needs, debt sustainability at a suitably high standard, prospects for market access, and reasonably strong prospects for program success; (ii) enhanced decision-making procedures; and (iii) ex post evaluations (EPEs). The Fund has reviewed the EAP only once, in 2004, although it modified the policy in 2009, 2010, and 2016. The evaluation draws on the experience with the 38 EA arrangements during the evaluation period. It includes a series of thematic background papers and case studies, including of the three largest completed arrangements since the EAP's last reform in 2016—with Argentina (2018), Ecuador (2020), and Egypt (2020).

**The Fund has tried to find a balance between rules and flexibility in order to serve its members, while adopting adequate safeguards.** Prior to the EAP, the Fund provided EA in an ad hoc manner, using the "exceptional circumstances" (EC) clause. This approach raised concerns in terms of expectations about Fund involvement, safeguards to Fund resources by controlling the Fund's assumption of risk, and uniformity of treatment among members. The EAP was designed to allow the Fund to support its members facing exceptional financing needs in resolving their BOP problems, while seeking enhanced lending standards by addressing the above concerns and providing clearer benchmarks for Board decisions on program design and access. It provided a framework of higher scrutiny for EA cases with built-in flexibility mainly through room for judgment in assessing the EAC. During 2002–09, the Fund retained the EC clause to approve EA in a few cases where not all the EAC were met or that involved a non-capital account crisis. The clause is understood to no longer be applicable since 2009.

**While the EAP has improved upon the Fund's previous more discretionary approach, it has not enhanced the standards of IMF lending as envisaged.** The EAP has provided guardrails by obliging the institution—including the staff, management, and the Board—to consider in a structured manner key aspects of EA programs. It has enhanced decision-making procedures through greater Executive Board engagement and provided a vehicle for learning lessons and enhancing accountability through the EPEs. However, the EAP has not provided a substantively higher standard for EA programs compared with NA programs, and it has not fully settled expectations about the Fund's lending and assumption of risk nor addressed concerns about uniformity of treatment. EA programs have generally been ineffective in catalyzing private capital inflows, and they rarely involved debt restructuring. While they have sometimes resolved members' BOP problems, in a number of cases problems have remained, as reflected in members' repeated use of Fund resources and continued debt vulnerabilities.

**Amendments to the policy usually have been made in the context of specific country cases, rather than at regular reviews, giving rise to an impression of a lack of evenhandedness.** In some cases, the staff's assessments of the EAC have been perceived as having an optimistic bias, or even being "reverse engineered" in response to pressures from both outside and within the Fund to move ahead with a program. While the evaluation does not find direct evidence of reverse engineering, such cases have eroded the credibility of programs and the Fund's reputation. Regular reviews would provide a venue to assess implementation and update the policy in a systematic and transparent manner. The EAP reviews should take account of the adequacy of existing access limits for members given quota erosion (the declining trend of some members' quotas relative to key economic indicators) and the balance between rules and flexibility within the EAP framework. Here, the evaluation proposes considering the reintroduction of an EC clause when not all criteria are met but the Fund considers a program to be important based on broader strategic considerations. Such instances would be expected to be rare and accompanied by adequate safeguards, including program design.

**Experience with the EAP reveals gaps in the design and application of the EAC.** Except with respect to debt sustainability, the EAC do not provide an explicitly higher standard for EA programs relative to NA programs. Further, there are no frameworks or consistent metrics and guidance for assessing the criteria on prospects for market access and program success. While recognizing the need to retain an important measure of judgment in assessing the criteria, there is scope to address these gaps by: (i) setting a framework that places greater focus on the strength of program design rather than only on political assurances; (ii) increasing the level of scrutiny on the gray zone cases, both in terms of the assessment of the effects of EA on future stability and catalytic financing, and in terms of the expectation of restoration of debt sustainability with high probability during the program period; and (iii) developing forward-looking guidance to assess market access, and clarifying the distinct roles of domestic and external public debt and of the types of creditors.

**There are also design and implementation gaps in the enhanced decision-making procedures, EPEs, and the interaction of the EAP with the Fund's enterprise risk management (ERM) policy.** While the enhanced decision-making procedures and informal consultations with the Board have generally been observed and have helped to involve the Board more closely in decision-making, there is scope to update and enhance the timing and content of the procedures. EPEs have sometimes been useful but have not fulfilled their potential. The procedures for staffing and clearing the evaluations may have inhibited their independence and scope, the Board's attention to the evaluations has been limited, and the Fund has no systematic method of following up on recommendations. The EAP and the ERM policy adopted in 2022 should be more fully aligned, including to take account of the risks associated with EA programs, their mitigation by the EAP, and the consistency of the residual risks in EA programs with the Fund's risk tolerance, as well as the risks associated with a lack of adequate Fund support.

**The evaluation proposes the following set of recommendations to address these issues.** The recommendations seek to place a greater emphasis on the strength of program design, the standards and clarity of the criteria, and clear consideration of risks while at the same time providing the Fund with adequate flexibility and transparency in the decision-making process.

**Recommendation 1. Exceptional Access Policy Review: The Fund should conduct a dedicated review of the EAP and schedule subsequent reviews on a regular basis. EAP reviews should take due account of strategic considerations, including the adequacy of existing access limits and the balance between rules and flexibility within the policy.**

**Recommendation 2. Program Design: The Fund should clarify the fundamental role of sound program design in providing higher safeguards in EA cases relative to NA. Program staff reports should provide justification for the policy choices and trade-offs embedded in program design and how they support reasonably strong prospects for program success, including the authorities' political and institutional capacity to implement the program. Related risks should be clearly disclosed to the Board.**

**Recommendation 3. Exceptional Access Criteria 1–3: To address technical gaps in the EACs, facilitate better alignment with the policy's objectives, and enhance evenhandedness, the Fund should (i) increase the level of scrutiny for access decisions; (ii) clarify expectations when debt is in the "gray zone," revisit its terminology to strengthen signaling, and clarify the distinct roles of the different types of debt and creditors for debt sustainability; and (iii) develop consistent analytical guidance to assess market access prospects.**

**Recommendation 4. Exceptional Access Policy Procedures and Ex Post Evaluations: The Fund should strengthen the application of the EAP's enhanced procedures and adopt measures to better leverage EPEs for risk mitigation, accountability, and learning.**

**Recommendation 5. Enterprise Risk Management: The Fund should establish greater coherence between the EAP and the IMF's ERM policy. It should seek to ensure a common institutional understanding of how the EAP serves to mitigate enterprise risks consistently with the Fund's risk tolerance in lending.**