THE CHAIR'S SUMMING UP

INDEPENDENT EVALUATION OFFICE—THE IMF'S EXCEPTIONAL ACCESS POLICY
EXECUTIVE BOARD MEETING 24/112
DECEMBER 5, 2024

Executive Directors welcomed the report of the Independent Evaluation Office (IEO) on the IMF's Exceptional Access Policy (EAP), encompassing the policy's objectives and design, successive reforms, and experience with its implementation. They recognized that the Fund has sought to find a generally good balance between rules and flexibility in applying the EAP, while reinforcing transparency and accountability and adopting adequate safeguards. Directors generally concurred with the thrust of the evaluation that the EAP provided a structured framework for higher scrutiny through the exceptional access criteria (EAC) and enhanced decisionmaking procedures, while maintaining flexibility through room for judgment in assessing the EAC. A few Directors pointed to similar completion and compliance rates as in Normal Access (NA) programs despite more challenging initial conditions in EA programs as evidence of the gains from the EAP. Directors also concurred that the policy provided a vehicle for learning lessons and enhancing accountability through the expost evaluations (EPEs). Ultimately, Directors generally considered that, in the context of the large systemic shocks of the past two decades, the EAP served to provide a valuable framework for handling exceptional access (EA) requests in a structured manner.

At the same time, most Directors shared the evaluation's concern that the safeguards for IMF lending have not been as substantially enhanced as envisaged by the policy. They also highlighted the importance of transparency, consistency, and perceptions of evenhandedness. These Directors pointed to cases of repeated use of Fund resources and continued debt vulnerabilities as evidence of gaps in the design and application of the EAC related to the size of the balance of payments needs, debt sustainability, prospects for market access, and reasonably strong prospects for program success. Many Directors also generally noted that exceptional access programs had been perceived to have an optimism bias, had had relatively weak catalytic impact, and had been relatively rarely accompanied by debt operations. Directors welcomed the Managing Director's broad support for the IEO's recommendations, while noting the qualifications. They generally agreed on the importance of evaluating resource implications of the proposals and seeking synergies with existing workstreams.

Directors agreed with Recommendation 1 to conduct a dedicated review of the EAP. A few directors emphasized that this review should not discard upfront any of the recommendations of the IEO. Directors also agreed that subsequent reviews should be scheduled on a regular basis to ensure the policy remains fit for purpose in an evolving global context. They generally agreed that the reviews should take due account of strategic considerations, including access limits and the balance between rules and flexibility within the policy. Directors also noted the benefits of including PRGT exceptional access and high combined PRGT and GRA credit exposure cases in the review's scope. They emphasized the need for flexibility in the timing and format of reviews, especially given the likely resource intensiveness of the next comprehensive review. They looked forward to additional discussion on how best to fit the next review in the Board's work program. Most Directors were open to careful consideration in the next EAP review of the possibility to reintroduce an Exceptional Circumstances (EC) clause for rare and welljustified cases when strategic or political considerations may call for decisions on EA program that fail to meet the EAC. At the same time, many Directors expressed reservations about this proposal. They stressed the need to take into account risks that the EC could stigmatize programs where applied and raised concerns about evenhandedness and transparency in the Fund's lending policies.

Directors broadly agreed with Recommendation 2 to clarify the fundamental role of sound program design in providing higher safeguards in EA cases relative to NA programs. Directors strongly agreed on the importance of sound program design and strengthening justification for policy choices and tradeoffs. In that regard, they saw merit in the evaluation's recommendation to strengthen the justification of program design and its consistency with reasonably strong prospects of program success (EAC4) and adequate safeguards in EA cases. They emphasized that all EA and NA programs should remain subject to a single, common Upper Credit Tranche quality standard. Directors also generally agreed that additional rigor in assessments should not come at the expense of practical applicability across heterogeneous situations, given differing forms of institutional and political capacity and commitment. Directors agreed to build on ongoing staff efforts to provide clearer guidance for assessing political assurances in the run up to elections for Fundsupported programs in order to enhance the assessment of institutional capacity, including leveraging advice in the Operational Guidance Note on Program Design and Conditionality. Directors agreed on the importance of disclosing risks to the Board and of guidance on public communications in EA cases.

Directors generally agreed with Recommendation 3 to address technical gaps in the EAC to facilitate better alignment with the EAP's objectives and further ensure evenhandedness. They agreed that a review of the EAP should assess options to increase the effectiveness of the EAC. Directors broadly supported the IEO's recommendation to increase the level of scrutiny of access decisions (EAC1) for cases with debt in the gray zone—when debt is sustainable but not with high probability. Most Directors also agreed on the need to clarify expectations when debt is in the gray zone, revisit its terminology to strengthen signaling, and clarify the distinct roles of different types of debt and creditors (EAC2). However, some Directors also called for thorough reflection to assess whether tightening EAC2 could raise the prospects of deeper debt restructurings, in turn diminishing prospects for fulfilling EAC3. Directors generally concurred that more consistent forwardlooking guidance should be developed to support assessments of market access prospects (EAC3). At the same time, some Directors cautioned on the need to consider the usefulness and resource implications of developing additional analytical frameworks to achieve these aims, given the inherent limitations of any framework that seeks to reliably gauge market access prospects and the role of judgment in Fund lending decisions.

Directors supported Recommendation 4 to strengthen the application of the EAP's enhanced procedures and adopt measures to better leverage EPEs for risk mitigation, accountability, and learning. Enhanced procedures include early and regular informal consultation with Directors, while preserving management and staff's flexibility in program discussions and respecting authorities' prerogatives. Directors agreed to strengthen EPEs by implementing procedures that facilitate more systematic follow up while enhancing transparency of the process and ensuring adequate independence of EPE leaders and teams, including by having a roster of EPE leads and the formation of an interdepartmental review group.

Directors concurred with Recommendation 5 that the Fund should establish greater coherence between the EAP and the Fund's Enterprise Risk Management (ERM) framework, ensuring common institutional understanding of how the EAP mitigates enterprise risks consistently with the Fund's risk tolerance in lending. Directors recognized the importance of timely risk disclosures to the Board and continued progress to enhance risk analysis in program documents, including further leveraging recently introduced Enterprise Risk Assessments. Mindful that primary responsibility remains with area departments in close consultation with review departments, a number of Directors considered that the Office of Risk Management could gradually be given greater responsibility over financial risk supplements in EA program documents.

In line with established practice, Management and staff will give careful consideration to today's discussion in formulating the Management Implementation Plan for Boardendorsed recommendations, drawing on the IEO's suggestions while ensuring synergies with the existing workstreams and being mindful of resource constraints. Some Directors called for the MIP to articulate which recommendations can be taken up immediately and which need to be included as part of a comprehensive EAP review.