

IEO

Independent Evaluation Office
of the International Monetary Fund

IMF ADVICE ON UNCONVENTIONAL MONETARY POLICIES AND CAPITAL FLOWS

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UMP Advice: Why This Evaluation?



- ▶ Did IMF **provide value added advice** and **influence decisions** in a core area at a time of unprecedented challenge?
- ▶ Did IMF **help countries affected by spillovers** and **promote cooperative approaches**?
- ▶ How can the Fund be **better prepared next time** that UMP are needed?

Noteworthy Achievements

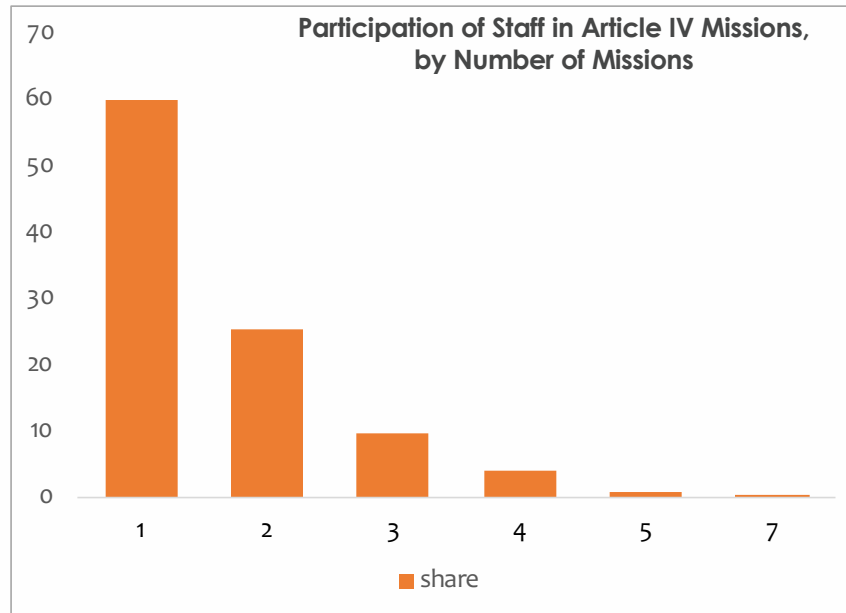
- ▶ Rapid deployment of support for UMP provided **useful public validation**
- ▶ Valued **sounding board** from trusted advisor
- ▶ **Attention to financial stability risks** from UMP through active monitoring and development of macroprudential toolkit
- ▶ Actively sought to **promote international monetary cooperation** through G20
- ▶ Responded to **help EMs facing volatile capital inflows** with new facility and more pragmatic advice

Challenges for the Fund

- ▶ Fund did **not provide much value added advice** or cutting edge ideas for UMP to central banks
- ▶ **Limited payoff from efforts at international cooperation.** Fund should have paid greater attention to the mix between monetary and fiscal policies
- ▶ Fund **could have done more to recognize EM challenges** in managing volatile capital flows. Institutional view seen by many as too restrictive.
- ▶ Fund **not at forefront in rethinking frontier issues** in central banking or cross-country assessment of how well UMP were working

Institutional Constraints

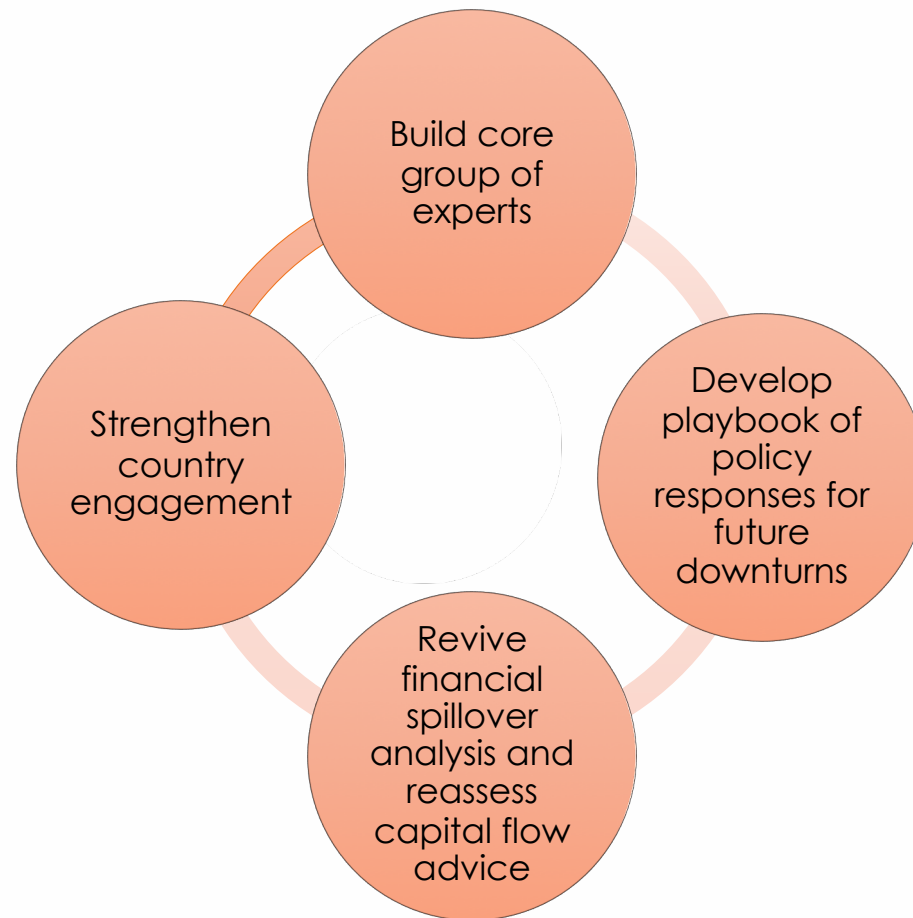
High turnover on country teams



Source: IEO staff calculations based on Article IV Reports 2008-2017

- ▶ Lack of top monetary policy experts
- ▶ Monetary policy competed with newer priorities
- ▶ Frequent turnover of mission chiefs and teams

Raising the IMF's Game on Monetary Policy



Management and Board Response

- ▶ **Managing Director** agreed that there is room to improve timeliness and value added of IMF work on monetary policy issues
- ▶ **Executive Directors** broadly supported recommendations.
 - Agreement on need to deepen IMF monetary policy expertise and country engagement, within resource constraints
 - Emphasis that the Fund should focus on comparative advantages not compete with or substitute for central bank strengths
 - Skepticism about options for strengthening international monetary cooperation

Next Steps and Follow-Up

- ▶ **Management Implementation Plan** due by December 2019 for Board approval
- ▶ Key findings and recommendations to feed into the **Comprehensive Surveillance Review** as well as budget discussions and the new HR strategy
- ▶ Staff work on new **integrated policy framework**
- ▶ **IEO evaluation** on IMF advice on capital flows

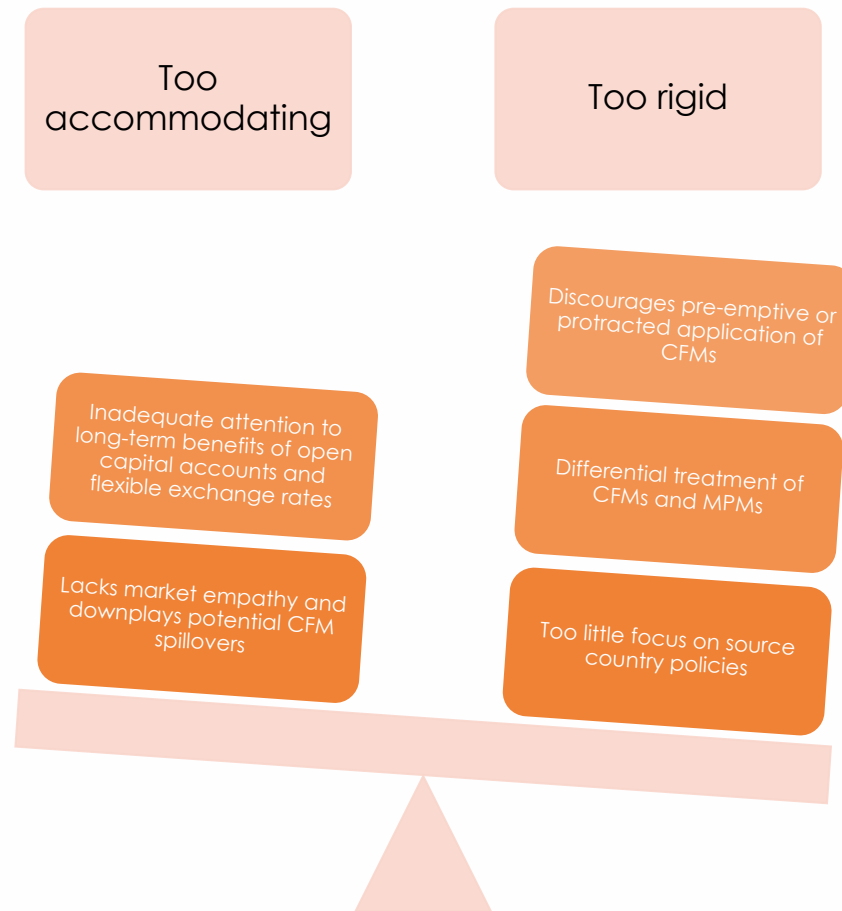
Why An Evaluation of IMF Capital Flow Advice?

- ▶ Capital flows to emerging and frontier markets likely to remain volatile.
- ▶ After seven years with the Institutional View:
 - no one seems very satisfied with how it is applied
 - worth learning from recent experience and research for best practices
- ▶ IEO evaluation can complement staff work on an integrated policy framework

Evaluation Questions

- ▶ Has the Fund provided value added and persuasive advice on capital flows to members since the IV?
- ▶ Is IMF advice “state of the art” and consistent with empirical evidence
- ▶ Does the IMF appropriately balance bilateral and multilateral considerations ?

IV: One-size-fits-nobody?



Timeline of the evaluation



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