

2019

FALL ISSUE

## IEO DIALOGUE



*Building the Fund's Culture of Learning through Independent Evaluation*

## RAISING THE IMF'S GAME ON MONETARY POLICY ISSUES



The IEO evaluation of *IMF Advice on Unconventional Monetary Policies*, completed in June, examines the IMF's advice both to the countries that initiated

unconventional monetary policies (UMP) and to countries affected by spillovers from such policies. The evaluation found that the IMF's response to developments in the wake of the Global Financial Crisis and its aftermath has been wide-ranging, and in many respects, impressive. Elements included providing early support and validation for UMP, monitoring of the potential buildup of financial stability risks from UMP, helping develop a new macroprudential policy toolkit, and drawing attention to and analyzing cross-border spillovers.

However, the evaluation also identified shortcomings in the IMF's engagement, reflecting in part long-standing challenges that have limited the value added and influence of the Fund's advice. While country officials often find discussions with IMF staff useful and well-informed, they typically turn elsewhere when looking for expert monetary policy advice.

The IEO made four recommendations in its evaluation report to help the IMF enhance its role on monetary policy issues:

- ▶ Develop a small core group of top monetary policy experts at the IMF to contribute to cutting-edge discussions in the central banking community and support country teams.
- ▶ Deepen work on the costs and benefits of UMP and related policies to develop a playbook on policy responses for use in future downturns.
- ▶ Make sure that the Fund is at the forefront of financial spillover analysis and provision of advice on dealing with capital flows.
- ▶ Consider steps to deepen and enrich country engagement in bilateral surveillance, including longer tenure of mission chiefs and less turnover among country teams.

The Managing Director welcomed the report, noting that it offered valuable insights on how to further improve the timeliness and value added of the IMF's advice. In discussing the evaluation on June 5, 2019, Executive Directors broadly endorsed the report's recommendations. IMF management will work with staff to propose a follow-up implementation plan (MIP) for consideration by the Board by year-end.

## ON THE HORIZON

An update of the 2009 evaluation of IMF Involvement in Trade Policy Issues is nearing completion and will be finalized before end-2019.

In addition, work is underway on three new evaluations.

A short evaluation of IMF collaboration with the World Bank on macro-structural issues will assess how the Fund has worked with the Bank in its recent surveillance work on employment, gender, inequality, climate change, and macrostructural reforms.

An evaluation of IMF advice on capital flows will assess the value added and influence of Fund work on capital flows for its member countries and for the global monetary system.

An evaluation of adjustment and growth in IMF-supported programs will consider how well IMF-supported programs have helped to sustain economic growth while delivering necessary adjustment for external viability.

Issues papers (IPs) for these three evaluations are available on the IEO website for public comments.



Charles Collyns, IEO Director, and Prakash Loungani, IEO Assistant Director, present the evaluation of *IMF Advice on Unconventional Monetary Policies* at the Peterson Institute for International Economics.



IEO workshop for the evaluation update of *IMF Involvement in International Trade Policy Issues*.

For further information on the IEO's work, please visit [ieo.imf.org](http://ieo.imf.org)

## GAINING TRACTION – FOLLOWING UP ON PAST EVALUATIONS

Effective follow-up is critical to ensure that the IMF gets full benefit from IEO evaluations. In the last few months, the IMF has taken steps to implement a number of recommendations from recent evaluations that were endorsed by the Executive Board. Following the 2017 evaluation of *The IMF and Social Protection*, the Fund has adopted a new strategic framework to guide IMF engagement on social spending, based on best practices for more effective and systematic engagement on this important issue. Following the 2018 evaluation of *The IMF and Fragile States*, steps were taken to strengthen the Fund's approach on fragile states, including increases in access limits to facilitate rapid IMF financial support. These actions are consistent with the greater commitment to follow up on IEO evaluations called for by last year's external evaluation of the IEO.

Staff presented an implementation plan to the Board laying out steps to address recommendations from the *IMF Financial Surveillance* evaluation in September. A number of key recommendations from this evaluation will be considered in the context of the upcoming Comprehensive Surveillance and FSAP reviews, and the human resources strategy and compensation and benefits reviews. The plan also lays out actions to increase the traction of multilateral surveillance, enhance analytical tools, and build financial skills and expertise among IMF staff.

Looking ahead, important next steps include Board discussion of the 10th Periodic Monitoring Report assessing overall progress with past plans and applying the new framework for dealing with outstanding actions from past IEO evaluations, expected by the end of this year. This "triage" will be key in helping to set priorities and bringing down the stockpile of incomplete actions, especially from older evaluations.



Participants in the May IEO Workshop on IMF Advice on Capital Flows: Peter Montiel, Professor, Williams College; Liliana Rojas-Suarez, Senior Fellow and Director, Latin American Initiative, Center for Global Development; and Laura Alfaro, Warren Alpert Professor of Business Administration, Harvard Business School.

### ABOUT THE IEO

The Independent Evaluation Office (IEO) was established in 2001 to conduct independent and objective evaluations of IMF policies and activities. Under its Terms of Reference, the IEO is fully independent from the management of the IMF and operates at arm's length from the Executive Board. The IEO's mission is to enhance the learning culture within the Fund, strengthen the IMF's external credibility, and support the Executive Board's institutional governance and oversight responsibilities.

## REACHING OUT



IEO presentation of IEO evaluations of IMF Advice on Unconventional Monetary Policies and IMF Financial Surveillance at Tsing Hua University, Beijing, China.

### JUNE 2019

Presentation of the IEO evaluation of "IMF Advice on Unconventional Monetary Policies" at the Peterson Institute for International Economics, in Washington, D.C.

### JULY 2019

Presentations on the IEO evaluation of "IMF Advice on Unconventional Monetary Policies" at the 41st Meeting of SEACEN Directors of Research and Monetary Policy, Bali, Indonesia.

Presentation on "Assessing IMF Policy Advice: Lessons from Two Recent Evaluations" at Center for International Finance and Economic Research, Tsing Hua University, Beijing, China.

### SEPTEMBER 2019

Presentation on "IMF Advice on Unconventional Monetary Policies" at the 2019 Asian Evaluation Week, Kunming, China.

Presentation on the IEO evaluation of "IMF Advice on Unconventional Monetary Policies" at the BIS, Hong Kong, SAR.

Presentation on "IMF Advice on Unconventional Monetary Policies and Capital Flows" at CEMLA XV Meeting of Monetary Policy Managers, Santo Domingo, Dominican Republic.

### OCTOBER 2019

Presentation on "IMF Advice on Unconventional Monetary Policies and Capital Flows" at CEMLA, Mexico City, Mexico.