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INSTITUTIONAL ISSUES

The Fund's advice on UMP in the MAEs was based on a robust internal debate that helped to ensure consistency while allowing tailoring to country circumstances. While area departments are in the lead for developing IMF policy positions for Article IV consultations, the advice is always subject to careful interdepartmental review and, particularly for the MAE, quite intense interaction with senior staff and management. IMF staff also debated the effectiveness of UMP at weekly surveillance committee meetings, with participants raising cost as well as benefits. In the early stages of UMP, where there was little experience to learn from, the Fund reached consensus not to express internal doubts but to advocate exit from these policies as soon as feasible and to stress that other policy steps, such as support for the housing sector, were also needed to promote recovery. Over time, as the initial stress receded, there were greater internal concerns about the effectiveness of the later rounds of QE than about the early ones.

The Fund did not develop a structured process for the formulation of advice on UMP more generally. Having moved quickly to place the Fund's weight behind these experimental policies, the Fund did not, however, put in place an active and continuous process to assess the impact of these programs on growth and inflation, to judge the merits of new programs as they were announced, to debate whether a different policy mix would be more effective, and to share cross-country experience.

The lack of a structured process for assessing UMP partly reflected the absence of a core team dedicated to monetary policy analysis and interacting regularly with central bankers in the thick of implementation. Interviews with senior staff reveal that the Fund had recognized around 2012 the need to bolster its monetary policy expertise but did not succeed in its hiring efforts. Sporadic attempts, such as the setting up of a cross-departmental group in 2014, were helpful but did not provide the heft or continuous deployment of resources needed.

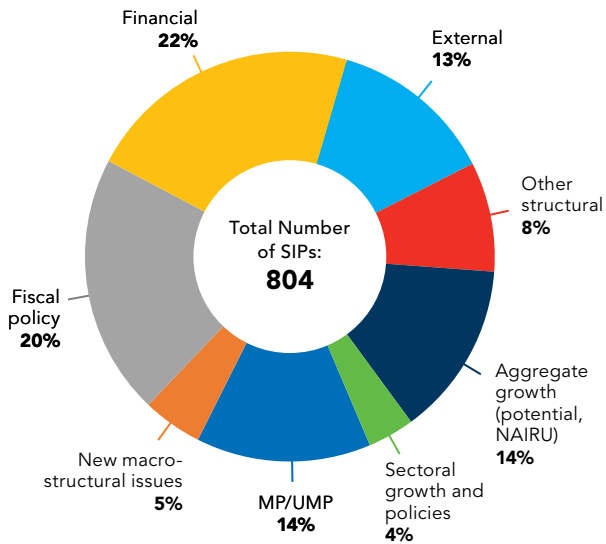
More broadly, IMF staff resources specifically devoted to monetary policy issues over the past decade have been quite limited. Monetary policy has always been recognized as integral to Fund surveillance. Nevertheless, it has competed with other priorities such as strengthening financial surveillance and greater attention to macro-structural areas. Thus, even as monetary policy issues gained prominence on the global policy agenda with central banks needing to innovate under challenging circumstances, the Fund did not devote additional resources to them.

Among functional departments, MCM is in the lead with two divisions devoted to monetary policy and operations. However, one of those divisions—Central Banking Operations—is dedicated to providing technical assistance to central banks in smaller EM and low-income countries. The work described in this report falls under the domain of the other division—Monetary and Macroprudential Policies. Over much of this decade, this division has had, in addition to financial sector experts, about a dozen fungible macroeconomists, constituting about 5 percent of MCM staff of fungible macroeconomists. This team has been mainly taken up with the Fund's leading work on macroprudential issues and the interactions between

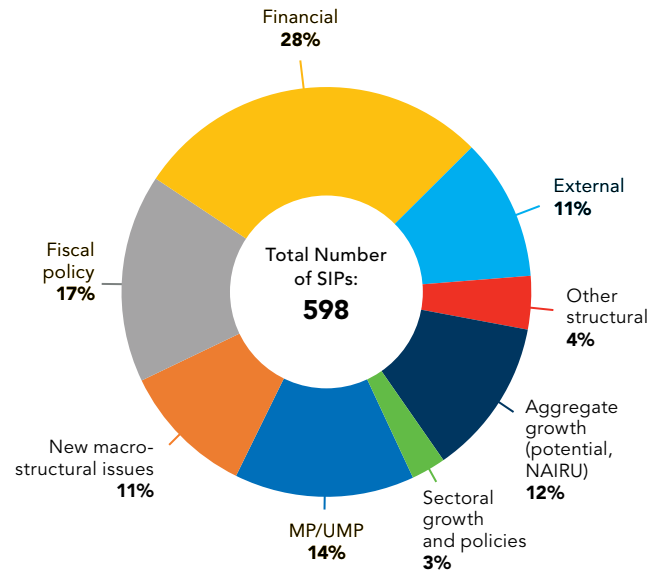
FIGURE 2. SELECTED ISSUES PAPERS: COMPOSITION

(In percent)

A. 1998–2007



B. 2008–2018



Notes: MP=monetary policy; NAIRU=non-accelerating inflation rate of unemployment; SIP=Selected Issues Paper.
Source: IEO staff calculation.

monetary policy and financial stability. In addition to MCM staff, the macrofinancial division in RES also analyzes monetary policy issues but is mainly focused on interaction between macroeconomic factors and financial stability. RES also houses a well-regarded modeling division, whose large-scale models are used throughout the Fund for scenario analysis of the likely effects of policy actions, including monetary policies, and has done useful technical assistance work (e.g., for the Czech Republic and India as mentioned above). Adding in RES’s contributions, the Fund, as a rough estimate, has had 15 economists for whom monetary policy issues have been a substantial and regular part of their operational responsibilities—this is less than 3 percent of the Fund’s stock of fungible macroeconomists in functional departments.¹⁸

For the area departments, monetary policy has competed for attention with other areas of focus over the past decade. The “monetary” sector is one of the sectors of the economy assigned to a member on the country team, usually a

fungible macroeconomist and not a monetary policy expert. Monetary policy issues are routinely assessed in Article IV reports, and benefit from MCM comments during the review process. On occasion, monetary policy issues are analyzed in greater detail in Selected Issues Papers (SIPs). Over the past decade, in the countries covered in this evaluation, about 14 percent of these papers have been on monetary policy, the same as in the previous decade despite the increased prominence of such issues. Almost as much priority was given to new macro-structural work, particularly on jobs and growth (Figure 2), while attention to financial issues rose substantially.

The Fund does not have a prominent presence in the field of monetary economics. The Fund has a number of economists who are among the profession’s top economists as measured by citations to their work and other measures of influence. As many as 45 “Fund economists”—defined to include both current staff plus some who spent a substantial part of the past decade at the Fund—make it to a commonly

¹⁸ This figure does not reflect large teams assigned for a time on several of the other initiatives described in this report, such as the Spillover Reports and the IV on capital flows.

used “Top 5 percent” list. However, of these only a couple could be considered monetary policy experts.¹⁹ Over the past decade, the Fund has conducted some very influential and highly-cited research. However, in the field of monetary economics, only one paper has garnered sufficient citations to place it among the top papers in the field, the article by then chief economist Olivier Blanchard on “Rethinking Macroeconomic Policy” which discussed the idea of raising the inflation target to 4 percent. Prominent surveys of the literature on UMP do not contain many references to IMF work. For example, Kuttner (2018), a prominent survey of the U.S. experience with UMP, has one reference to IMF work out of a total of 54. Dell’Arriccia, Rabanal, and Sandri (2018), a similar survey for other MAEs, has three references to IMF work out of 55. Though the IMF tends to rank high among institutions in rankings of research output, this is a function of the larger number of authors at the Fund than at other institutions. While each of these statistics has its limitations, the picture they paint of the Fund not being a powerhouse on monetary policy issues is confirmed by interviews with monetary policy experts and central bank officials (see Annex 1 of Everaert and others (2019) for further discussion).

In bilateral surveillance, frequent turnover of mission chiefs and country teams has been a long-standing concern. In the countries covered in case studies in this evaluation, the tenure of a mission chief ranges from under a year to five years, with an average of only about two years. Japan and Korea had as many as seven different mission chiefs during 10 Article IV consultations between 2008–17 while the United Kingdom and the euro area had three (Figure 3). Turning to country teams, very few staff go to multiple missions to the same country: for the countries in our sample, nearly 60 percent of staff participated in only one

mission to a country before being rotated to a different assignment, only 25 percent went on two missions, and only 10 percent went on three missions. The problems that arise from frequent rotations together with limited compliance with handover guidelines have been noted in previous IEO evaluations and intended progress in addressing these issues has been very limited.²⁰

Frequent turnover hampers development of deep understanding of country circumstances and building relationships relevant to bringing value added and influence to Fund advice on monetary policy issues. As noted in several of the country studies, officials have reported that the short tenure sometimes comes in the way of an in-depth discussion of issues because time is spent in bringing the new mission chief and staff up to speed on country specifics. It also comes in the way of the IMF developing a trusted advisor role, which is essential for central bank officials to feel comfortable with discussing confidential and potentially market-sensitive monetary policy actions and intentions.

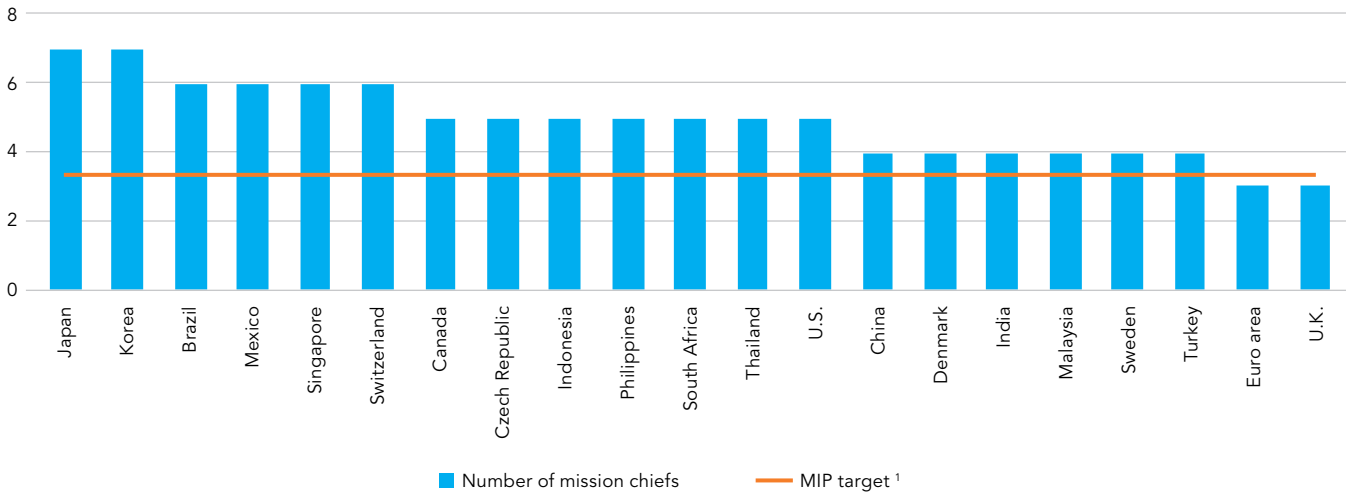
The consequence of frequent turnover and lack of deep expertise is that the Fund is not viewed by member countries as the first port of call for expertise or advice on monetary policy issues. Many officials told the evaluation team that when seeking external advice they typically preferred to use their networks at the BIS or at other central banks. In this respect, the BIS has the advantage of hosting a series of regular high-level meetings at the governor, deputy governor, and senior official levels. The BIS builds on this advantage by placing greater weight on staff who specialize in monetary policy issues and are more able to brainstorm on pragmatic second-best approaches without being tied to an institutional position.

¹⁹ A handful of economists in this list are not monetary policy specialists but took on substantial responsibility for the Fund’s work on these issues over the past decade. In interviews, these staff noted that they stepped in to fill the void, but that the Fund would have been better served by having some more monetary policy specialists in senior positions. Some from this group have since left for positions at the BoE, ECB, and the World Bank, further depleting the Fund’s knowledge base in this topic.

²⁰ The Ninth Periodic Monitoring Report noted that “no visible improvements have been made in the tenure of country assignments over the last few years” (IMF, 2018d).

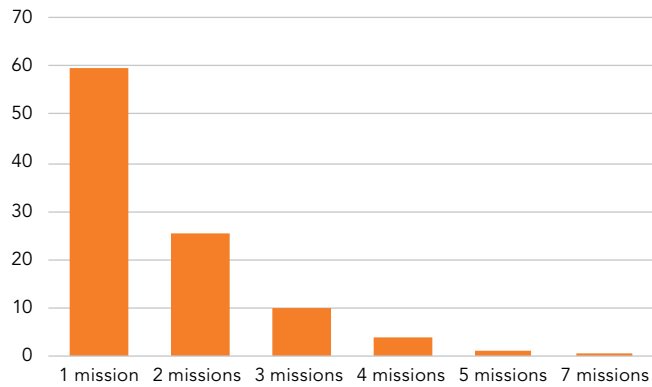
FIGURE 3. STAFF TURNOVER, 2008–17

A. Number of Mission Chiefs



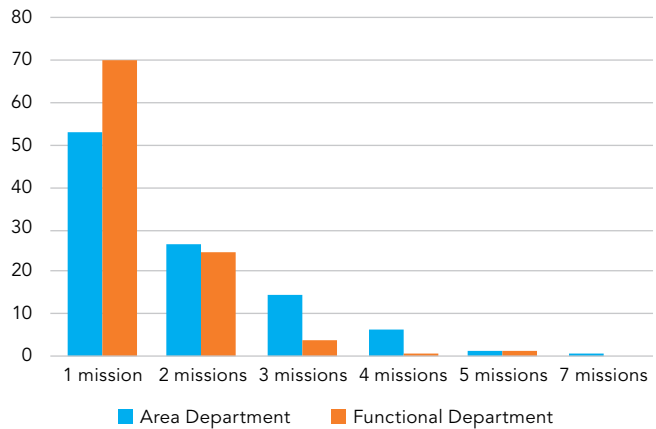
B. Participation of Staff in Article IV Missions

(By number of missions, in percent)



C. Participation of Staff in Article IV Missions

(By number of missions and type of department, in percent)



Notes: Data apply to the 20 countries and the euro area covered in case studies in this evaluation.

Sources: IEO staff calculation based on Human Resources Department data and Article IV consultations.

¹ Management Implementation Plan (MIP)—Role of the IMF as Trusted Advisor (IMF, 2013d).