IEO

Independent Evaluation Office
of the International Monetary Fund

DRAFT ISSUES PAPER

IMF ADVICE ON MONETARY POLICY

JUNE 12, 2026

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Draft Issues Paper for an Evaluation by the Independent Evaluation Office (IEO)

June 12, 2026

EXECUTIVE SUMMARY

This Issues Paper sets out the motivation, scope, and preliminary evaluation framework for an Independent Evaluation Office (IEO) evaluation of the IMF's advice on monetary policy during 2015–25. The period spans three markedly different inflation environments—the "low-for-long" years, the COVID-19 shock, and the subsequent global inflation surge—providing a natural stress test of monetary policy advice under changing conditions and heightened uncertainty.

The evaluation will assess the appropriateness, coherence, and effectiveness of the IMF's monetary policy advice system, focusing on how advice was formulated, transmitted, and integrated across analytical tools, institutional processes, and country contexts, rather than assessing country outcomes per se; observed macroeconomic outcomes and market reactions are used only as contextual inputs to understand the formulation and transmission of Fund advice.

It will draw on a mixed-methods evidence base, including document reviews, cross-country analysis, including document analysis using large-language models, country case studies, interviews, and focus groups. The evaluation is conducted with awareness of, and complements ongoing institutional reviews, including the Comprehensive Surveillance Review and the Review of Program Design and Conditionality, while remaining independent in scope and assessment.

Reflecting both developments in IMF analytical work and feedback from Executive Directors' offices, external experts, and IMF staff, the evaluation will examine monetary policy advice, and the evidentiary basis underpinning it, across four interrelated areas:

(i) Conjunctural analysis and near-term policy guidance, including assessments relevant for interest rate and balance-sheet decisions, liquidity provision, and exchange rate considerations;

(ii) Risks, uncertainty, and scenario analysis, including the use of alternative scenarios, risk assessments, and associated contingent policy advice;

(iii) Monetary policy frameworks, including objectives, tools, operating procedures, communications, and interactions with exchange rate regimes and macroprudential tools; and

(iv) Governance and institutions, including statutory mandates, insulation from political interference and fiscal pressures, and strengthening of central bank transparency and accountability.

Insights from preliminary interviews, focus groups, and entry workshops highlight concerns about the balance between conjunctural versus strategic guidance, the limited and opaque basis for prescriptive policy recommendations, shortcomings in tools for forecasting and policy analysis, uneven treatment of uncertainty and spillovers, and variable depth of engagement on institutional and governance issues. Several participants highlighted that the Fund's advice had

been particularly valuable in specific contexts, notably for low-income countries and small states seeking to strengthen their monetary policy frameworks. These perspectives help motivate the evaluation questions and inform hypotheses regarding potential drivers of observed weaknesses.

Based on the evidence collected, the evaluation will offer forward-looking recommendations aimed at strengthening the IMF's monetary policy advice.

I. INTRODUCTION AND MOTIVATION

1. This Issues Paper outlines the motivation, scope, and themes of an Independent Evaluation Office (IEO) ex post evaluation of IMF advice on monetary policy. Monetary policy is a cornerstone of macroeconomic and financial stability and lies at the heart of the IMF's mandate. The 2007 Decision on Bilateral Surveillance established monetary policy as one of the four key policy areas for Fund surveillance, alongside exchange rate, fiscal, and financial policies (IMF 2007). Through bilateral and multilateral surveillance, IMF-supported programs, and capacity development (CD), the Fund provides continuous advice to its entire membership on the objectives, design, calibration, and communication of monetary policy frameworks across a wide range of institutional settings and exchange rate regimes.

2. The IEO has conducted only one evaluation dedicated specifically to monetary policy advice, focused on unconventional monetary policies (UMPs) in advanced economies (AEs) following the Global Financial Crisis (IEO 2019a). Since then, a decade of profound economic change has stress-tested monetary policy frameworks worldwide and prompted fundamental reviews by major central banks. This period has encompassed prolonged low inflation and effective lower bound (ELB) constraints, the COVID-19 shock and unprecedented policy accommodation, and a sharp resurgence of inflation amid supply disruptions, geopolitical tensions, and tighter global financial conditions. These developments, combined with persistently high public debt and constrained fiscal space in many countries, have renewed the centrality of monetary policy in macroeconomic stabilization.

3. Against this backdrop, the purpose of the evaluation is to assess the effectiveness and value added of the IMF's monetary policy advice framework over the period 2015–25,[1] and to draw lessons for strengthening its work in this area going forward. Rather than assessing country outcomes per se, the evaluation will examine whether IMF monetary policy advice has been fit for purpose—strategically framed, appropriately calibrated, and effectively integrated with advice in other policy areas—across different country circumstances, monetary and exchange rate regimes, and institutional capacities. The evaluation will also take stock, within a clearly circumscribed scope, of how IMF advice on UMP has evolved since the 2019 IEO evaluation.

4. This evaluation complements the recently completed IEO evaluation of *IMF Advice on Fiscal Policy* (IEO 2025) and other ongoing institutional reviews, including the Comprehensive Surveillance Review (CSR) and the Review of Program Design and Conditionality (ROC). It adds value by examining the Fund's monetary policy advice system as a whole—across surveillance, programs, capacity development (CD), analytical frameworks, and institutional processes—and by drawing lessons from in-depth case studies.

5. The remainder of this Issues Paper is organized as follows. Section II reviews major developments in global inflation dynamics, monetary policy frameworks, and central banking practices over the past decade, highlighting key challenges faced across AEs, emerging market

[1] The evaluation will also look at some program cases ending in 2026, with a cutoff date of July 15, 2026.

and middle-income economies (EMMIEs), and low-income countries (LICs). Section III describes the evolution of the IMF's analytical frameworks, policy guidance, and institutional arrangements relevant to monetary policy advice over the same period. Section IV sets out the evaluation's analytical framework, scope, key evaluation questions, and methodological approach.

II. KEY DEVELOPMENTS IN INFLATION AND MONETARY FRAMEWORKS (2015–25)

The "Low-for-Long" Environment (2015–19)

6. The second half of the 2010s was characterized by persistently low inflation and subdued growth in many AEs, alongside generally declining inflation in several EMMIEs relative to earlier decades. Policy debates during this period focused on the ELB, declining estimates of the natural rate of interest, and concerns about limited conventional monetary policy space. In several AEs, monetary policy remained highly accommodative for a prolonged period, with some central banks maintaining very low or negative policy rates and large-scale asset purchase programs as inflation persistently undershot targets.

7. Many emerging market and middle-income economies, despite generally improved inflation performance, faced a different set of challenges. The period followed the "taper tantrum" of 2013 and a sharp decline in commodity prices in 2014–15, which weighed heavily on commodity exporters and heightened external vulnerabilities. Capital flow volatility remained a key concern, with pressures emerging in some large EMMIEs in 2015 and renewed stress episodes in 2018 in countries with weaker fundamentals. These conditions underscored the importance of credible monetary policy frameworks, exchange rate flexibility, and adequate policy buffers, while highlighting differences in exposure to global financial cycles across country groups.

The COVID-19 Shock (2020)

8. The COVID-19 outbreak in 2020 constituted an unprecedented global economic shock, prompting extraordinary monetary policy responses worldwide. In the immediate aftermath, central banks across advanced, emerging market, and low- and middle-income countries implemented rapid and sizable easing measures to stabilize financial conditions and support economic activity, though the scope and composition of policy responses varied with institutional capacity, market access, and policy credibility, including through the use of exceptional international liquidity backstops. In several EMMIEs, easing was constrained by concerns about capital outflows, exchange rate pressures, and inflation expectations.

The Inflation Resurgence and Higher Uncertainty (2021–25)

9. As economies reopened in 2021, inflation rose across countries, driven initially by supply bottlenecks, shifting demand, and higher commodity prices. In the United States, pressures emerged earlier and were amplified by a large, front-loaded fiscal expansion that boosted demand while supply remained constrained. Inflation, initially seen as transitory, proved broader and more persistent through 2021–22 amid strong demand, tight labor markets, and

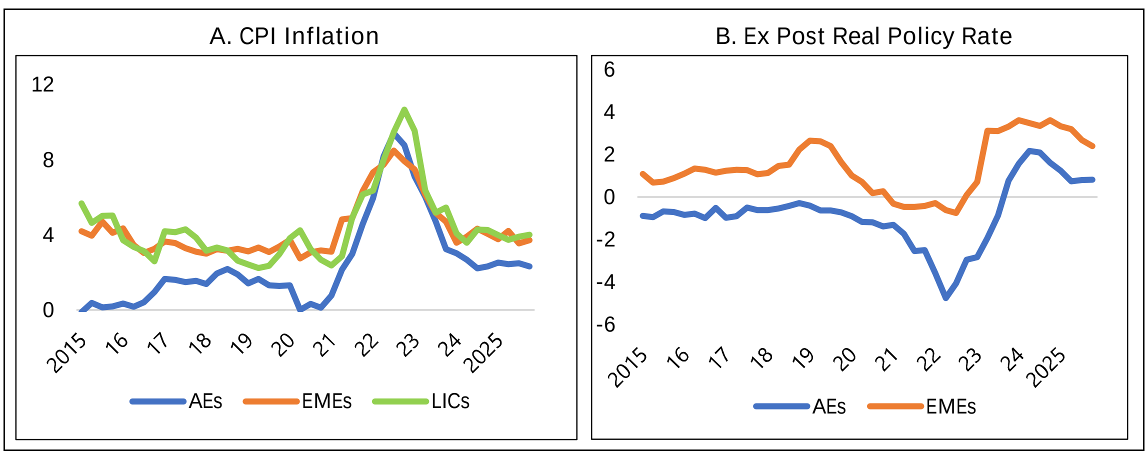
accommodative financial conditions. Russia's war in Ukraine and related sanctions in 2022 intensified these pressures by disrupting energy supply—especially in Europe—driving up energy prices and feeding through to food, transport, and core inflation. Together, strong demand (notably in the United States) and adverse supply shocks pushed inflation to multi-decade highs, ending the low-inflation era.

Divergent Policy Responses and Outcomes

10. The inflation surge exposed significant heterogeneity in monetary policy responses and outcomes across country groups. In many AEs, policy tightening began with some delay but was subsequently rapid and sizable. By contrast, many EMMIEs tightened earlier and more forcefully, reflecting concerns about inflation expectations, exchange rate pressures, and capital outflows. LICs and more vulnerable EMMIEs were often hit hardest by imported inflation and rising global interest rates, while facing limited monetary credibility and fiscal policy space to respond.

11. These differences were reflected in divergent inflation trajectories and real policy rate dynamics across countries (Figure 1). Variations in inflation persistence, credibility of policy frameworks, institutional capacity, and the effectiveness of transmission mechanisms contributed to differing outcomes, underscoring the importance of context, regime characteristics, and expectations management in shaping the effectiveness of monetary policy.

Figure 1. CPI Inflation and Ex Post Real Policy Rate, 2015–25
(Country group median, percent)



Source: WEO database (October 2025); Bank for International Settlements; IEO calculations.
Note: In this figure, AEs is a group of 41 economies based on the WEO classification; EMEs is a group of 20 systemically important emerging markets in line with Duttagupta and Pazarbasioglu (2021); and LICs is a group of 70 countries listed in the 2024 Poverty Reduction and Growth Trust (PRGT) Review (IMF 2024). Panel A reports the median CPI inflation rate. Panel B reports the median ex post policy rate, defined as the nominal central bank policy rate minus core CPI inflation. All series are at quarterly frequency.

Evolution and Stress-Testing of Monetary Policy Frameworks

12. By the mid-2010s, a large share of IMF member countries had adopted inflation targeting.[2] Over the past decade, these frameworks were subject to significant reassessment and adaptation. In many AEs, prolonged low inflation and ELB constraints prompted reviews of monetary policy strategies, including the adoption of more flexible or average inflation targeting approaches. The subsequent inflation surge, however, tested the credibility, communication, and operational implications of these revised frameworks.

13. In EMMIEs, monetary policy frameworks can face more challenging trade-offs between price and financial stability considerations. Economies with weaker central bank credibility, high exposure to exchange rate movements, and limited fiscal space might have to use foreign exchange interventions, macroprudential tools, and, in some cases, capital flow management measures to manage these trade-offs (IMF 2025a). LICs continued to rely predominantly on exchange-rate-based frameworks, although their prevalence declined over time as some countries transitioned toward alternative monetary arrangements. Across country groups, the period highlighted the interaction between monetary policy frameworks, exchange rate regimes, institutional capacity, and governance, as well as the challenges of operating under heightened uncertainty and rapidly changing inflation dynamics.

III. IMF Monetary Policy Advice

14. This section describes the institutional, analytical, and operational context in which IMF monetary policy advice has been formulated and delivered over the period 2015–25. It outlines the main analytical frameworks, channels, and modes of engagement shaping advice across surveillance and IMF-supported programs. The section is descriptive and does not assess the effectiveness and value-added of advice, which is the focus of the evaluation.

A. Monetary Policy Advice in IMF Surveillance Outputs and Programs

Analytical Frameworks and Flagship Products

15. IMF monetary policy advice is grounded in the Fund's analytical work and multilateral surveillance and has consistently concentrated on maintaining or restoring price stability, typically around an explicit inflation target or other nominal anchor, while supporting economic activity to the extent possible. This core objective remained unchanged over the period 2015–25. The analytical context in which advice was formulated, however, evolved significantly as policymakers faced new constraints, trade-offs, and sources of uncertainty.

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[2] Inflation targeting experienced strong growth since the 1990s (Cobham 2025). The full menu of monetary policy frameworks in the classification distinguishes between 'full' and 'loose' inflation targeting, on the basis of the width and attainment of the target.

16. Over the period, the Fund developed and refined a range of analytical frameworks and tools to address increasingly complex policy environments. These helped put greater emphasis on interactions between monetary policy, fiscal policy, external balances, and financial stability. A central innovation was the Integrated Policy Framework (IPF), which provided a formal analytical structure for jointly analyzing monetary policy, exchange rate dynamics, capital flows, and macro-financial stability. Guidance and analytical work were also updated to reflect lessons from the use of UMP, the growing importance of spillovers, and the need to incorporate risk management and uncertainty more explicitly into policy analysis.

17. IMF flagship publications—most notably the World Economic Outlook (WEO) and the Global Financial Stability Report (GFSR)—played a key role in disseminating this analytical work (Table 1). Over the period, these products engaged with debates on inflation persistence, estimates of the natural rate of interest, the costs of disinflation, and the potential side effects of prolonged accommodation or rapid tightening. They provided a common analytical reference point for IMF staff and country authorities, while also informing broader international policy discussions.

Table 1. Evolution of IMF Policy Guidance

Chronology	Evolution of Institutional Framework	Evolution of Fund Work
2015		IMF published the policy paper on "Monetary Policy and Financial Stability" (IMF 2015a)
2015		IMF published the policy paper on "Evolving Monetary Policy Frameworks in Low-Income and Developing Countries" (IMF 2015b)
2018	Review of Program Design and Conditionality (IMF 2019)	GFSR April 2018: A Bumpy Road Ahead (IMF 2018a)
2019		IEO evaluation of the *IMF Advice on Unconventional Monetary Policies* (IEO 2019a)
2020	Monetary and Financial Policy Responses for Emerging Market and Developing Economies: Special Series on Covid-19 by MCM; Introduction of the IMF Central Bank Transparency Code (CBT)	IMF published the policy paper "Toward an Integrated Policy Framework" (IMF 2020); IEO evaluation of the *IMF Advice on Capital Flows* (IEO 2020)
2021	Comprehensive Surveillance Review (IMF 2021b)	WEO April 2021 Chapter 4: Shifting Gears: Monetary Policy Spillovers during the Recovery from COVID-19 (IMF 2021a)
2021		WEO July 2021 Update: Fault Lines Widen the Global Recovery (IMF 2021b)
2021		WEO October 2021 Chapter 2: Inflation Scares (IMF 2021d)
2022	A Guidance Note for Surveillance Under Article IV Consultations (IMF 2022a); Safeguards Assessments—Review of Experience (update to 2015 review) (IMF 2022c)	
2022	Review of the Institutional View on the Liberalization and Management of Capital Flows (IMF 2022b)	WEO October 2022 Chapter 1: Global Prospects and Policies (IMF 2022d)

Table 1. Evolution of IMF Policy Guidance (continued)

Chronology	Evolution of Institutional Framework	Evolution of Fund Work
2022	Review of the Institutional View on the Liberalization and Management of Capital Flows (IMF 2022b)	WEO October 2022 Chapter 1: Global Prospects and Policies (IMF 2022d)
2023	Guidance Note on the Liberalization and Management of Capital Flows (IMF 2023d)	GFSR April 2023: Safeguarding Financial Stability amid High Inflation and Geopolitical Risks (IMF 2023a); IEO evaluation of *The IMF's Emergency Response to the COVID-19 Pandemic* (IEO 2023)
2023		WEO April 2023 Chapter 2: Natural Rate of Interest: Drivers and Implications for Policy (IMF 2023b)
2023		WEO October 2023 Chapter 2: Managing Expectations: Inflation and Monetary Policy (IMF 2023c)
2024		WEO April 2024 Chapter 2: Feeling the Pinch? Tracing the Effects of Monetary Policy through Housing Markets (IMF 2024a)
2024		WEO October 2024 Chapter 2: The Great Tightening: Insights from the Recent Inflation Episode (IMF 2024b)
2025		WEO October 2025 Chapter 2: Emerging Market Resilience: Good Luck or Good Policies? (IMF 2025b)

Delivery and Tailoring of Advice in Bilateral Surveillance

18. Bilateral monetary policy advice has been delivered primarily through Article IV consultations and, where relevant, through IMF-supported programs. IMF guidance emphasizes that monetary policy advice should be tailored to country-specific circumstances, including differences in exchange rate regimes, external conditions, institutional capacity, and available policy instruments.

19. Under this framework, countries with floating exchange rate regimes are generally advised to use interest rates to pursue domestic objectives, allowing the exchange rate to act as a shock absorber. At the same time, guidance recognizes that temporary foreign exchange intervention may be warranted in specific circumstances, such as when sharp depreciation risks undermining price stability. In fixed or pegged regimes, where monetary autonomy is more limited, advice places greater emphasis on fiscal and structural policies, with monetary instruments playing a more constrained role.

20. IMF advice has also increasingly stressed the complementary roles of monetary and macroprudential policies. Staff have recommended macroprudential measures as a primary tool for containing financial stability risks, allowing monetary policy to remain focused on inflation and growth objectives. External balance assessments have further informed monetary policy advice by identifying exchange rate misalignments and policy gaps, thereby shaping recommendations on the appropriate overall policy stance.

Monetary Policy Advice in IMF-Supported Programs

21. Monetary policy advice in IMF-supported programs evolved over the review period alongside broader changes in the Fund's analytical frameworks and approach to conditionality. The 2018 Review of Program Design and Conditionality called for modernizing monetary policy conditionality, encouraging greater reliance on review-based approaches—such as inflation consultation clauses (ICCs) or monetary policy consultation clauses (MPCCs), rather than mechanical quantitative targets, including ceilings on central bank balance-sheet quantities or domestic asset holdings (IMF 2014). The 2018 Review of Program Design and Conditionality, however, found continued reliance on quantity-based targets, with ICCs only used in inflation targeting countries and overall limited use of MPCCs (IMF 2019).

22. Throughout the period, program design continued to reflect country-specific circumstances. In most high-inflation cases, programs relied on limits on monetary financing and constraints on base or reserve money or net domestic assets to support disinflation. In low-inflation cases, the review-based approach was more often used though still less prevalent overall than quantity-based targets. Where feasible, monetary conditionality sought to align with countries' existing nominal anchors and monetary policy frameworks though the extent to which it succeeded is still under review. Across cases, programs emphasized the importance of coherence between monetary and fiscal policies to support macroeconomic stability, including safeguards to protect central bank autonomy. These efforts were complemented by safeguards assessments and in some cases, capacity development in areas such as central banking operations, liquidity management, and foreign exchange markets.

B. Evolution in Monetary Policy Advice

Pre–COVID Period (2015–19)

23. During the pre-COVID period, IMF advice reflected the prevailing low-inflation environment in many AEs. Advice generally supported continued monetary accommodation to address economic slack and below-target inflation, including the use of unconventional measures where appropriate. At the same time, staff analysis highlighted potential financial stability risks and emphasized the importance of clear communication as normalization approached.

24. In EMMIEs, IMF advice focused on strengthening monetary policy frameworks and credibility, including inflation targeting, central bank independence, and communication, while adapting recommendations to domestic inflation dynamics and external vulnerabilities. In LICs and fragile states, advice emphasized building basic monetary institutions, improving operational capacity, and strengthening coordination between monetary and fiscal policies, particularly in economies with exchange-rate pegs or weak transmission mechanisms.

Crisis and Post-Crisis Conditions (2020–25)

25. The onset of the COVID-19 pandemic in early 2020 prompted a rapid shift in IMF advice toward supporting extraordinary policy measures. The Fund encouraged central banks, particularly in low-inflation environments, to ease policy aggressively to stabilize financial conditions and support economic activity. Analytical work acknowledged that, in countries with credible frameworks and low inflation, policy advice broadly mirrored that provided to AEs, including consideration of unconventional tools where conventional space was exhausted, alongside an emphasis on monetary-fiscal coordination (Harjes and others 2020).

26. As inflation pressures emerged during 2021, IMF communications increasingly highlighted upside risks and emphasized the importance of preparedness should inflation expectations show signs of de-anchoring. At the same time, baseline assessments continued to view much of the inflation surge as transitory, with expectations judged to remain broadly anchored. As inflation proved more persistent and broadened across sectors in 2022, Fund advice shifted toward placing greater emphasis on restoring price stability through tighter monetary conditions, supported by appropriately aligned fiscal stances.

27. At the same time, rising interest rates and tighter global financial conditions heightened concerns about financial stability and debt sustainability. IMF analysis, including in the GFSR, emphasized the importance of separating policy instruments—allowing central banks to address financial stability pressures through liquidity provision or targeted interventions while maintaining an appropriate monetary policy stance. Clear communication of objectives and reaction functions was highlighted as a means of reducing market volatility.

28. In LICs and more vulnerable EMMIEs, IMF advice sought to balance the need to address inflation with limited policy space and heightened exposure to external shocks. Advice typically emphasized anchoring inflation expectations, addressing fiscal imbalances, and adjusting monetary instruments in line with country-specific circumstances. In program contexts, monetary and fiscal measures were framed as part of a coordinated stabilization strategy.

C. Preliminary Internal and External Perspectives

29. As part of the Issues Paper preparation, the IEO conducted a series of interviews and workshops. These have included initial interviews, focus groups, or workshops with staff, the Executive Board and external experts. Such engagements have provided some preliminary perspectives that do not prejudge the findings of the evaluation but help motivate key evaluation questions and inform inquiry into the factors shaping the formulation and delivery of IMF monetary policy advice.

30. Several themes have emerged from the interactions with staff: (i) persistent operational challenges in delivering monetary policy advice that is sufficiently tailored across diverse institutional settings, monetary and exchange rate regimes, and levels of capacity; (ii) increasing complexity of monetary policy advice over the past decade, including the expansion of

analytical tools and frameworks and growing demands on surveillance and program work; (iii) uneven translation of analytical advances into bilateral surveillance, for instance, while core models and scenario analysis are used intensively for multilateral surveillance, the penetration of macro models into country work remains uneven and often ad hoc, particularly outside standard inflation-targeting regimes; (iv) certain fragmentation of monetary policy advice across departments with the mix of inputs and messages sometimes reflecting the strength of teams' skills, internal networks, and review dynamics rather than a systematic assessment of country needs and risks. Taken together, these perspectives underline the relevance of examining how analytical inputs, institutional roles, and operational constraints shape the formulation, prioritization, and transmission of IMF monetary policy advice in practice.

31. Several common themes have also emerged from interactions with the Executive Board and external experts: (i) IMF monetary policy advice is most valued when it is analytical and strategic, rather than prescriptive on near-term policy actions such as marginal interest rate adjustments—tactical advice, particularly in AEs with strong in-house analytical capacity, was often viewed as offering limited value and, in some cases, as risking encroachment on central bank independence; (ii) insufficient attention to uncertainty and inflation risks, emphasizing large forecast errors during recent shocks and the advice often relying on single baseline projections, with less systematic use of alternative scenarios, distributions, or contingent policy paths; (iii) limited transparency around the interaction of models and judgment was seen as weakening traction, especially when IMF assessments diverged from those of country authorities; (iv) uneven engagement with exchange rate considerations and spillovers with advice sometimes perceived as calibrated to AE conditions, particularly for EMMIEs and LICs exposed to imported inflation, capital flow volatility, and balance-sheet effects; (v) the importance of IMF engaging in governance and institutional issues—including central bank independence, transparency, mandates, and communication—with sufficient analytical depth to support constructive dialogue.

IV. Analytical Framework, Scope, Criteria and Questions of the Evaluation

32. Analytical framework. The evaluation is anchored in the IMF's mandate to promote domestic and external stability, with monetary policy advice playing a central role in achieving price stability while considering implications for external imbalances and financial stability. It focuses on the IMF's monetary policy advice system, that is, the objectives it pursues, the analytical inputs it relies on, the processes through which advice is formed, and the institutional arrangements that shape its delivery. Consistent with the nature of Fund surveillance guidance—which sets principles rather than operational monetary policy prescriptions (see Annex I)—the evaluation does not assess advice against internal prescriptive metrics, but benchmarks it against established economic theory, international best practice, and the evaluation criteria outlined below.

33. The evaluation draws on insights from several previous IEO evaluations (see Annex II) and will complement ongoing reviews. Previous relevant evaluations include those on: *IMF Forecasts: Process, Quality, and Country Perspectives* (IEO 2014a), *IMF Response to the Financial and Economic Crisis* (IEO 2014b), *IMF Advice on Unconventional Monetary Policies* (IEO 2019a), *IMF Advice on Capital Flows* (IEO 2020), *IMF Exchange Rate Policy Advice* (IEO 2007),

and the more recent evaluation on *The IMF's Emergency Response to the COVID-19 Pandemic* (IEO 2023), which emphasized the importance of uncertainty, turning points, institutional incentives, and internal governance in shaping policy advice. The evaluation will also be conducted with awareness of related analytical and policy reviews underway in the Fund, including ongoing CSR and ROC, while remaining independent in scope, timing, and conclusions, and complementing them.

34. Scope. The evaluation covers the period 2015–25, encompassing the "low-for-long" period prior to the COVID-19 outbreak, the 2020 shock, and the subsequent global inflation surge. It examines IMF monetary policy advice in surveillance and programs across AEs, EMMIEs, and LICs, and across different monetary and exchange rate regimes. Within this scope, the evaluation will examine IMF monetary policy advice, and the analytical foundations underpinning it, across four interrelated areas:

(i) *Conjunctural analysis and near-term policy guidance*, including assessments relevant for interest rate and balance-sheet decisions, liquidity provision, and exchange rate considerations;

(ii) *Advice on risks, uncertainty, and scenario analysis*, including the use of alternative scenarios, risk assessments, and associated contingent policy advice;

(iii) *Monetary policy and exchange-rate frameworks*, including regime differences, framework transitions, and the integration of exchange-rate considerations; and

(iv) *Governance and institutional dimensions of central banking*, including mandates, independence, transparency, accountability, and communication.

35. Evaluation criteria. The evaluation will be guided by three main evaluation criteria:

- *Appropriateness (specificity and timeliness)* assesses whether the calibration, framing, and degree of specificity of IMF monetary policy advice were appropriately tailored to country circumstances and institutional capacity, the degree of uncertainty and evolving macro-financial conditions, and the context of bilateral surveillance versus IMF-supported programs. This criterion also captures the extent to which advice addressed countries' macroeconomic challenges, institutional settings, and policy regimes during a period of rapidly changing inflation dynamics.

- *Coherence* focuses on the internal consistency of IMF monetary policy advice across modalities of bilateral surveillance, multilateral surveillance, and lending programs; across jurisdictions; over time; as well as the alignment between analytical frameworks, policy guidance, and country-level application.

- *Effectiveness* refers to whether IMF monetary policy advice was effective in practice, including whether it contributed to clearer policy choices, improved understanding of risks and trade-offs, and more informed and constructive policy dialogue with country authorities, taking into account constraints beyond the IMF's control.

36. Key evaluation questions. The evaluation is guided by three overarching questions, supported by more detailed sub-questions:

(a) *Was the IMF's monetary policy advice system fit for purpose during 2015–25, and how well positioned is it to address the challenges of the current global environment?*

- How clear and well-articulated were the objectives of IMF monetary policy advice, and how were trade-offs between price stability, growth, financial stability, and external balance handled in practice?
- To what extent did IMF monetary policy advice take into account cross-border spillover effects—particularly from the monetary policies of systemically important economies—including through explicit analysis or measurement, and through the tailoring of advice to country circumstances?
- How effectively did area and functional departments contribute to the formation of advice, and how were different analytical inputs (including models, judgment, and review processes) prioritized and reconciled?
- How well was monetary policy advice integrated with fiscal, financial, and—where relevant—structural advice, particularly in contexts of constrained fiscal space?
- What operational factors (e.g., expertise, staff mobility, training, data and analytical resources, and links to capacity development) shaped, and continue to shape the depth, specificity, and consistency of advice?

(b) *How well has IMF monetary policy advice addressed inflation dynamics under uncertainty?*

- To what extent did advice incorporate inflation persistence, nonlinearities, and turning points, rather than focusing primarily on initial shocks?
- How were models, forecasts, scenarios, and risk-management approaches used to inform advice, and how transparent and consistent were the analytical underpinnings?
- Were policy recommendations timely and appropriately calibrated, including with respect to the pace and magnitude of adjustment and the management of risks?
- Were baseline and contingent policy advice communicated clearly and consistently over time, including during periods of rapid change?

(c) *How effectively has IMF monetary policy advice engaged with institutional and governance dimensions of central banking?*

- How did advice reflect differences in monetary and exchange-rate regimes, institutional capacity, credibility, and governance arrangements across countries, and how consistently were the Fund's analytical frameworks applied across regimes?
- To what extent did IMF advice address issues of central bank communication, independence, and coordination with fiscal authorities, especially under stress?

- How influential has IMF advice been in shaping country practices, institutional reforms, and broader international debates on monetary policy frameworks?

37. Methodology. The evaluation will employ a mixed-methods approach combining document reviews, cross-country analysis, text analysis using large language models, country case studies, interviews, workshops and focus groups discussions.

38. Background papers. The evaluation will be anchored in three thematic and three country-case background papers.

Thematic:

- BP1: IMF Monetary Policy Advice in a Changing Global Environment (2015–25): Overview of global macroeconomic developments, evolution of IMF guidance, integration of uncertainty, role in shaping best practices, critiques of IMF advice.
- BP2: IMF Advice on Monetary Policy and Exchange Rate Regimes: Typology of regimes, analytical frameworks, tensions between exchange rate stability and inflation control, advice on regime transitions.
- BP3: IMF Tools for Monetary Policy Advice: Overview of modeling approaches, evolution of practices, integration of risk management, calibration and customization, comparison with central bank practices.

Country case studies:

- BP4: Advanced Economies under Inflation Targeting with Flexible Exchange Rate Regimes (Canada, Korea, and Sweden): Frameworks, IMF surveillance, advice during COVID-19, use of models, alignment with domestic reforms.
- BP5: Emerging Market and Middle-Income Economies with Flexible Exchange Rate Regimes (Brazil, Indonesia, Mexico, Mongolia, and South Africa): Monetary frameworks, IMF advice, role of surveillance, balancing inflation control with growth.
- BP6: Low-Income Countries with Fund-Supported Programs (Moldova, Uganda, and WAEMU/Côte d'Ivoire): Monetary regimes, IMF advice, interaction with fiscal dominance, role of CD, and program conditionality.

39. The evaluation is targeted for completion and discussion by the Executive Board in the second half of 2027. While the evaluation will liaise closely with the CSR and ROC teams, it will retain full independence in its framing, evidence base, and assessment.

ANNEX I. SURVEILLANCE REQUIREMENTS FOR MONETARY POLICY

Within the Guidance Note for Surveillance under Article IV Consultations (IMF 2022a), monetary policy is identified as a core area of IMF surveillance, requiring systematic and substantive coverage across the membership. Surveillance is expected to assess not only the stance of monetary policy but also the coherence of monetary advice with fiscal policy, macro financial conditions, external balances, and—where relevant—macrostructural features that affect transmission and effectiveness.

A central requirement is the identification and assessment of risks and spillovers, including how domestic monetary policy choices interact with global financial conditions and affect other countries. In this context, surveillance is expected to draw on relevant insights from the Integrated Policy Framework (IPF), where applicable, to inform the assessment of trade-offs among monetary policy, exchange rate flexibility, capital flows, and financial stability under different shock scenarios.

The Guidance Note also emphasizes the need to evaluate the appropriateness of countries' monetary policy frameworks, including their objectives, operational design, and credibility, taking into account country-specific circumstances such as institutional capacity, exchange rate regimes, and financial market depth. Advice should be tailored accordingly, rather than relying on uniform prescriptions.

In terms of process and tone, the Guidance Note stresses candor, evenhandedness, and clarity, with monetary policy advice expected to be actionable and forward-looking, including where relevant the articulation of baseline and contingent policy paths. Finally, surveillance is framed as a continuous engagement, requiring sustained dialogue with national authorities and other stakeholders, rather than a one-off assessment confined to the Article IV cycle.

While these surveillance requirements set expectations regarding coverage, analysis, and process, they do not constitute a consolidated or operational set of monetary policy prescriptions against which the calibration of Fund advice can be directly benchmarked.

Annex II. Monetary Policy-Related Findings From Previous IEO Evaluations

Evaluation	Findings
IMF Advice on Fiscal Policy (IEO 2025)	Monetary policy featured prominently in the Fund's evolving emphasis on the policy mix, with fiscal advice increasingly framed considering monetary constraints, including periods near the effective lower bound. While interactions between fiscal and monetary policies were acknowledged more systematically, especially in crises—the articulation of trade-offs, spillovers, and coordination mechanisms was not always explicit. Clearer integration of monetary considerations into fiscal advice would strengthen coherence and traction.
The Evolving Application of the IMF's Mandate (IEO 2024)	Monetary policy remained a core pillar of IMF surveillance and a central channel for engagement on macro-critical risks. As advice increasingly intersected with financial stability and capital flows, coverage became less consistent across countries. Expanding surveillance demands and resource constraints complicated prioritization and, at times, weakened clarity and evenhandedness.
The IMF's Emergency Response to the COVID-19 Pandemic (IEO 2023)	IMF monetary policy advice during the pandemic was forceful and timely, strongly supporting rapid easing, liquidity provision, and the use of unconventional tools alongside expansionary fiscal policy. Communication helped anchor expectations during an unprecedented shock. However, treatment of uncertainty and exit strategies from extraordinary accommodation was less developed early on, and forecast accuracy varied as conditions evolved.
IMF Engagement with Small Developing States (IEO 2022a)	Monetary policy advice emphasized price stability and exchange-rate anchors, reflecting limited policy space and high vulnerability to external shocks. While supportive of macroeconomic stability, advice often relied on standard frameworks that insufficiently accounted for shallow financial markets and weak transmission. Greater adaptation and clearer integration with fiscal policy and capacity constraints would have enhanced effectiveness and ownership.
The IMF and Capacity Development (IEO 2022b)	IMF capacity development (CD) strengthened institutional foundations relevant for monetary policy, including central banking operations, statistics, and financial supervision. However, weak integration between CD, surveillance, and program design limited the translation of improved technical capacity into more tailored advice. Stronger strategic prioritization and clearer links to countries' specific challenges would have increased impact.
IMF Advice on Capital Flows (IEO 2020)	IMF advice evolved toward a more pragmatic framework, recognizing a role for capital flow management measures alongside monetary and macroprudential policies under certain conditions. Application across countries remained uneven, and interactions with exchange-rate flexibility were not always clearly articulated. Limited operational guidance and lingering stigma reduced clarity and traction, particularly during periods of global financial stress.
IMF Financial Surveillance (IEO 2019b)	IMF monetary policy advice benefited from a post-crisis strengthening of macro-financial surveillance, including deeper analysis of financial stability risks and monetary transmission. However, uneven integration of financial sector analysis into Article IV consultations limited consistency and policy relevance across countries. Gaps in expertise, resources, and prioritization constrained the translation of financial surveillance into clear, actionable monetary advice.
IMF Advice on Unconventional Monetary Policies (IEO 2019a)	IMF advice strongly supported the use of unconventional monetary policies in advanced economies (AEs) following the Global Financial Crisis, recognizing their role in averting deflation and stabilizing financial systems when conventional space was exhausted. The Fund provided timely validation of tools such as quantitative easing, forward guidance, and negative interest rates, while expanding analysis of financial stability risks, spillovers, and macroprudential responses. At the same time, exploration of alternative policy mixes and the implications for emerging markets was limited, and uneven expertise, staff turnover, and institutional incentives constrained the delivery of consistently tailored, forward-looking advice as UMPs persisted.

Evaluation	Findings
The IMF and Fragile States (IEO 2018)	Monetary policy advice in fragile and conflict-affected states relied largely on standard stabilization frameworks, with limited adaptation to weak institutions, shallow financial systems, and impaired transmission. While advice emphasized price stability and basic central bank functions, insufficient tailoring to capacity and political constraints reduced traction and sustainability. Closer integration with fiscal frameworks and CD would have strengthened effectiveness.
IMF Forecasts: Process, Quality, and Country Perspectives (IEO 2014a)	IMF inflation and growth forecasts underpinning monetary policy advice were generally comparable in accuracy to private forecasts and broadly unbiased outside crisis periods. However, optimistic assumptions in some program cases and weaker medium-term forecasting processes risked overstating the scope for monetary normalization and reduced confidence in associated policy advice.
IMF Response to the Financial and Economic Crisis (IEO 2014b)	IMF advice appropriately supported ultra-expansionary monetary policies in AEs during the crisis and its immediate aftermath to prevent deflation and stabilize financial systems. However, the combination of prolonged monetary accommodation with an early shift toward fiscal consolidation proved less effective in supporting recovery and contributed to adverse spillovers, highlighting limits to monetary policy acting as the primary stabilization tool.
The Role of the IMF as Trusted Advisor (IEO 2013)	The effectiveness of IMF monetary policy advice depended critically on the quality of policy dialogue and trust with country authorities. While the Fund was seen as more flexible after the global crisis, perceptions of generic advice, uneven treatment across countries, and limited space for confidential, exploratory engagement constrained traction, particularly in sensitive or systemically important cases.
International Reserves: IMF Concerns and Country Perspectives (IEO 2012)	IMF advice on international reserves—closely linked to exchange-rate and monetary policy—emphasized risks of excessive reserve accumulation but often focused on symptoms rather than underlying causes. Reserve adequacy assessments relied heavily on traditional indicators and relatively rigid metrics. More flexible, country-specific advice better reflecting trade-offs among monetary policy, exchange-rate objectives, and financial stability would have strengthened relevance.
Research at the IMF: Relevance and Utilization (IEO 2011)	IMF research on monetary policy frameworks and macro-financial linkages was generally of high technical quality but unevenly utilized in surveillance and program work. Perceptions that research was aligned with prevailing institutional views limited its influence on policy advice. Stronger links between research outputs and country-specific monetary policy discussions, and greater openness to alternative perspectives, would have enhanced impact.
IMF Exchange Rate Policy Advice (IEO 2007)	IMF exchange-rate policy advice suffered from persistent weaknesses in clarity, candor, and evenhandedness, limiting its effectiveness and its integration with monetary policy advice. Analytical tools for assessing misalignment were applied unevenly and with considerable uncertainty, while conclusions were often cautious or ambiguous. Limited willingness to challenge policies in systemically important economies and weak multilateral integration reduced traction on global imbalances and spillovers.
Multilateral Surveillance (IEO 2006)	IMF multilateral surveillance provided extensive analysis of global monetary and financial developments, but policy messages on monetary spillovers and cross-country interactions were often insufficiently clear and actionable. Weak integration between multilateral and bilateral surveillance limited the influence of global analysis on country-level advice, while fragmented presentation and limited prioritization reduced traction with senior policymakers.
The IMF's Approach to Capital Account Liberalization (IEO 2005)	IMF advice on capital account liberalization was often paired with support for exchange-rate flexibility and tight monetary conditions, initially emphasizing liberalization benefits while paying less attention to volatility risks. Although advice became more nuanced over time, insufficient clarity on sequencing and on interactions among monetary policy, exchange-rate regimes, and capital controls weakened consistency and effectiveness across countries.

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