



IMF ADVICE ON CAPITAL FLOWS

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

June 19, 2019

I. INTRODUCTION

1. **Advising on capital flows.** This Issues Paper discusses the motivation, scope and themes of an IEO evaluation of IMF advice on international capital flows. With increasing international integration of financial markets, advice on how to garner the benefits of capital flows while containing potential risks—and dealing with crises when such risks materialize—has been an important part of IMF work since the early 1990s. Recent challenges faced by emerging market countries in dealing with volatile capital flows in the wake of the Global Financial Crisis (GFC) has brought further attention to these issues. Against this background, the Fund’s work on dealing with capital flows has evolved substantially over the past ten years, notably with the adoption of an Institutional View in 2012 aimed at providing a coherent framework for IMF advice in this area.
2. **Fund’s limited jurisdiction.** As an over-arching principle, while the IMF is expected to analyze capital account developments and advise on policies, it has limited jurisdiction in this area.¹ Member countries have an obligation to liberalize current account transactions, but the Articles of Agreement give countries the right to “exercise such controls as are necessary to regulate international capital movements” (Article VI, Section 3). Under the broader framework of Article IV, exchange rate controls—which encompass controls on capital—may be deemed to be “exchange rate policies” for purposes of Fund’s analysis and as such subject to members’ obligations with regard to these policies, including the obligation to avoid manipulating exchange rates. The 2012 Integrated Surveillance Decision (ISD) does not include specific provisions on the use of capital controls but does provide for the Fund, under its multilateral surveillance mandate, to look at spillovers that affect the operation of the international monetary system, including policies related to capital flows, but the Fund cannot require changes in such policies. There are, however, other multilateral agreements, notably the OECD Code of Liberalization (OECD, 2018), which bind their signatories to progressive, non-discriminatory liberalization of capital movements.
3. **“Institutional View” (IV).** The Fund’s attention to capital flows intensified after the GFC, as investor risk appetite returned and global liquidity conditions became very easy as major central banks adopted unconventional monetary policies (UMPs). This led a number of emerging markets to deploy capital flow management measures (CFMs) and macroprudential measures (MPMs) out of concern for upward pressure on their exchange rates and risks of excessive credit growth and over-heated asset markets.² The Fund’s effort culminated in Executive Board approval of an Institutional View (IV) aimed

¹ Around 1997, a proposed amendment of the Articles to expand the IMF’s jurisdiction over international capital movements did not receive enough support from the membership, in part because premature capital account liberalization was considered by some to have played a role in the financial crises in emerging markets in the 1990s.

² Under the IV, CFMs are defined as measures designed to limit capital flows, and encompass both measures that discriminate on the basis of residency and those that do not, while MPMs—as defined in the Fund’s macroprudential policy framework (IMF 2013b and 2014) are measures designed to limit systemic financial risks, including risks associated with capital flows. Specifically, CFMs comprise: (i) residency-based measures, which are measures affecting cross-border financial activity that discriminate on the basis of residency (i.e., between residents and nonresidents); and (ii) other CFMs, which are measures that do not discriminate by residency but are nonetheless designed to limit

at providing a coherent framework for IMF advice to countries on the liberalization and management of capital flows that could be applied consistently across countries (IMF, 2012). The IV recognized specific circumstances in which CFMs could be usefully deployed to deal with volatile capital inflows and outflows, but emphasized that CFMs should not substitute for warranted macroeconomic adjustment, and should be applied in a transparent, targeted, non-distortionary, and temporary manner.

4. **Concerns with the IV.** While the IV was regarded as a timely step forward and has become established as the cornerstone for IMF advice, concerns have remained among country authorities and outside experts about the coherence, consistency and clarity of IMF advice on capital flows. Some countries have been concerned that the Fund has been too ready to endorse capital flow measures, not paying enough attention to potential spillovers and the long-term benefits of capital account opening. Other countries feel that the design and implementation of the IV has been too restrictive. Questions have been raised about issues such as whether CFMs could be applied preemptively or only in certain circumstances, as well as the duration for which they could be applied; the differential treatment of CFMs and MPMs under the IV and how advice on these policies should be integrated with other policies, such as interest rate policy and foreign exchange intervention; the application of the IV to the housing sector where social and other goals may be important; and whether sufficient attention is paid to IMF advice to the “source” countries originating the flows. Such concerns have been fed by experience with repeated bouts of market volatility and the continued rise in importance of portfolio capital flows.

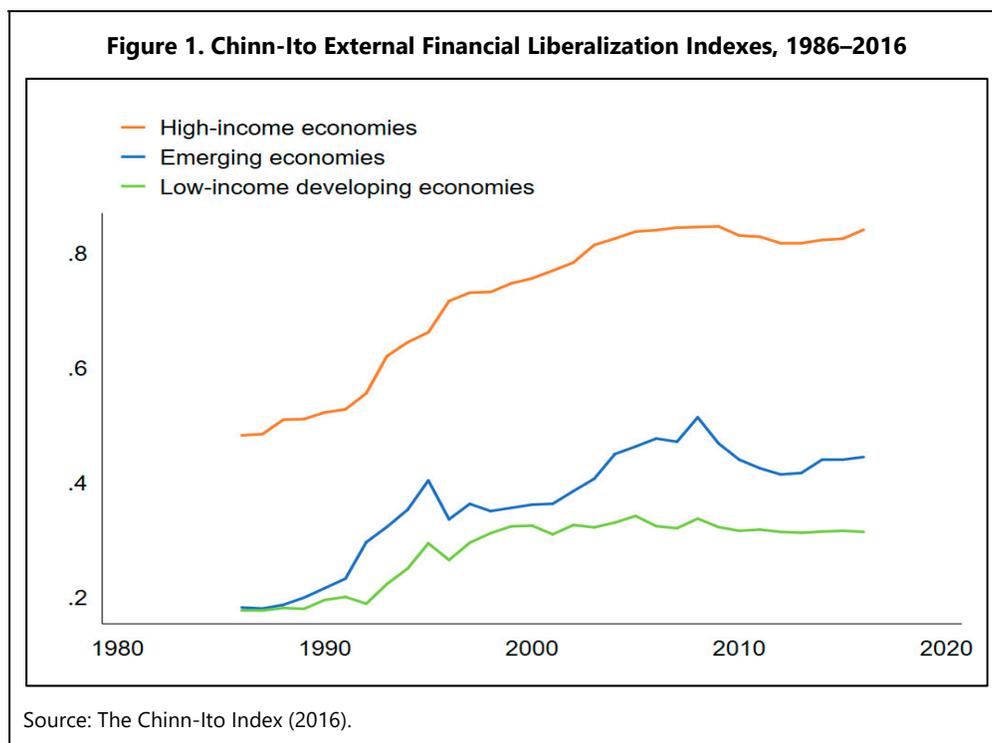
5. **Motivation.** The purpose of this evaluation is to assess whether the Fund is providing value added to its member countries and to the global monetary system with its advice on capital flows and to draw lessons for the Fund’s work in this area. Key issues include: whether advice balances the long-term gains from liberalization against potential short-term costs from exposure to volatile capital flows; whether advice is well rooted in analysis and empirical support; whether advice has adapted to shifts in the environment and experience; whether advice is coherent and evenhanded; and whether it strikes a balance between countries’ individual circumstances and the broad interest of the membership. This evaluation should provide useful input to the IMF’s continuing work on these and related issues, including a possible future review of the IV and the new work stream on an integrated policy framework to offer a more systematic assessment of an effective policy mix, particularly to deal with external shocks.

6. **Structure of this brief.** Section II provides context on recent developments. Section III reviews Fund advice on dealing with capital flows. Section IV covers the proposed approach to be taken in the evaluation.

capital flows. In some circumstances, CFMs and MPMs overlap: to the extent that capital flows are the source of systemic financial sector risks, the tools used to address those risks can be seen as both CFMs and MPMs; these measures are classified as CFMs/MPMs.

II. CONTEXT

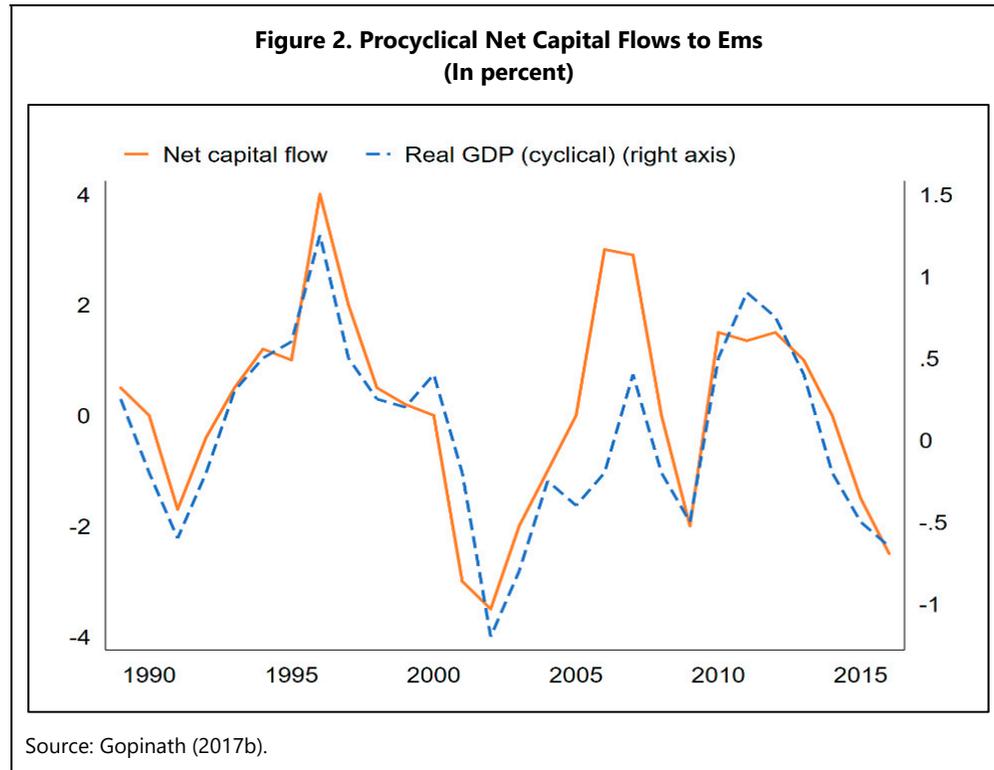
7. **Limited progress towards full liberalization.** Progress towards capital account openness has slowed since the GFC. While advanced economies are close to full liberalization, other country groups remain at some distance (Figure 1). While, on balance, opening has continued, countries have also been prepared to take steps to limit or discourage flows, particularly to restrict inflows from non-residents during periods of surges and to contain resident outflows during periods of stress.³ In part, the experience reflects equivocal judgments about the benefits to economic growth from capital flows relative to the costs they impose (Montiel, 2013). A recent survey concludes that there is now a “new consensus” that liberalizations are a “mixed blessing” and “consequently there can be prudent limits to capital account liberalization” (Gopinath, 2017a).



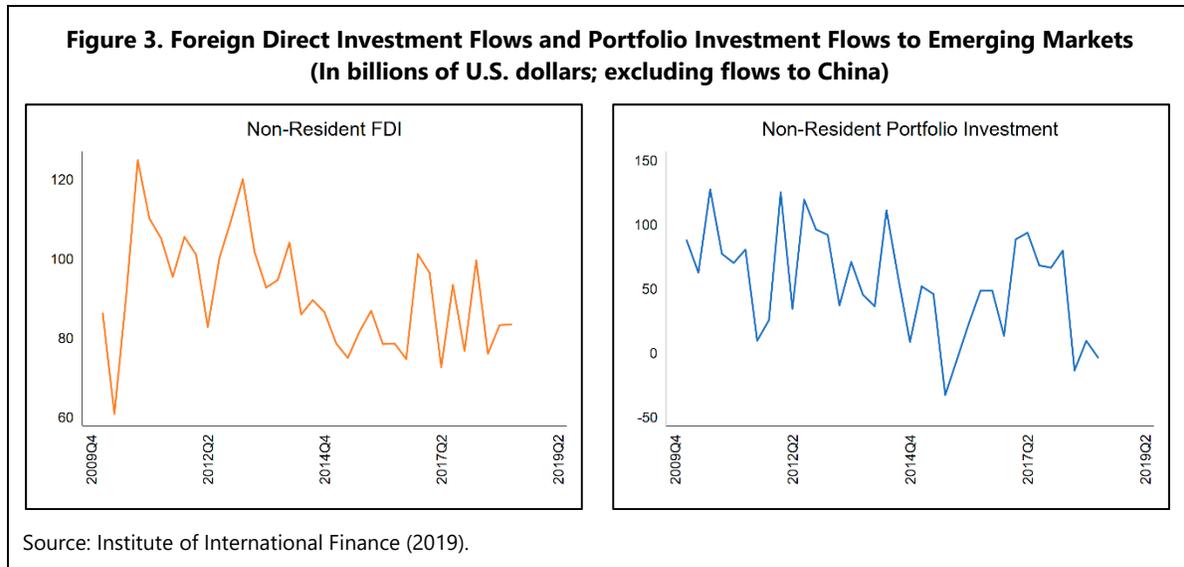
8. **Benefits and costs.** While economic theory suggests that international capital flows can raise long-term incomes through a more efficient and diversified international allocation of saving and investment and via an acceleration of technology transfer, evidence of a boost from capital account liberalization has proven far more difficult to establish than in the case of trade liberalization (BIS, 2009). Kose and others (2009) suggested that the “main benefits to successful financial globalization are probably catalytic and indirect”: financial openness can often promote development of the domestic financial sector, impose discipline on macroeconomic policies, and improve private competition and governance. They also found that the benefits depend on appropriate sequencing,

³ Based on multiple indices (Quinn, 2008, 2011; Schindler, 2009; Fernandez, and others, 2015; Gupta and Massetti, 2018, among others) which use more granular measures of restrictions, and de facto as well as de jure indicators.

in particular first putting in place the necessary institutions, especially financial regulation. At the same time, capital flows tend to be highly procyclical (Figure 2), complicating macroeconomic management through faster transmission of international shocks, and exposure to exchange rate swings and credit-driven asset boom-and-bust cycles. Foreign currency banking-related flows and debt portfolio flows can be particularly challenging to deal with since they can be highly volatile—responsive to both “push” and “pull” factors—and create balance sheet vulnerabilities.



9. **Shifts in the environment.** Developments in the global economy and financial markets since the IV was introduced in 2012 have increased concerns about dealing with capital flow volatility. There have been at least three episodes of serious market stress—in 2013, 2015, and 2018—leading to reduced access to debt and equity portfolio funding even for countries with generally sound policies—as well as further episodes of surges in capital inflows (Figure 3). The volatility of portfolio flows may have been exacerbated by shifts in market structure, especially the rising importance of institutional investors and growing role of mutual funds and exchange traded funds, which may be particularly susceptible to herding behavior and liquidity shocks. And there is increasing recognition that extremely easy monetary conditions and global liquidity are likely to be much more persistent than perceived when UMP was first introduced.



III. IMF ADVICE ON CAPITAL FLOWS

A. Pre-GFC Advice

10. **Capital account liberalization.** As capital flows to middle-income countries started to revive from the early 1990s after the commercial bank debt crises of the 1980s were finally resolved, the IMF was faced by the need to advise countries on how to respond to the increased availability of private external funding. The Fund's policy line was generally that capital account liberalization was an appropriate long-term goal but it should be carefully sequenced; in particular, countries should strengthen financial regulation ahead of opening the capital account. Such cautionary notes were amplified after the East Asian crisis in 1998. At the same time, an IEO evaluation found that the advice varied considerably across countries, partly reflecting a lack of institutional guidance (IEO, 2005).

11. **Dealing with surges.** The Fund's advice on the policy options for dealing with surges in capital inflows typically started with advocating use of standard macroeconomic tools (IMF, 1993). However, in practice, policymakers often felt that textbook prescriptions to deal with surges were not sufficient, leading to frequent use of other tools including CFMs and MPMs. The IEO's 2005 evaluation found that IMF staff was usually supportive of the countries' choices "whatever they may have been," including sympathy for the use of capital controls (IEO, 2005). At the same time, there was discomfort among staff at having to operate "in the absence of a clear official position," which sometimes led to inconsistencies in advice given to individual countries. The IEO also found that IMF advice before the GFC focused to a large extent on what recipient (mainly emerging market) countries should do to cope with surges and much less on exploring options for reducing market volatility through changes in policies of source (mainly advanced) economies.

B. The Institutional View

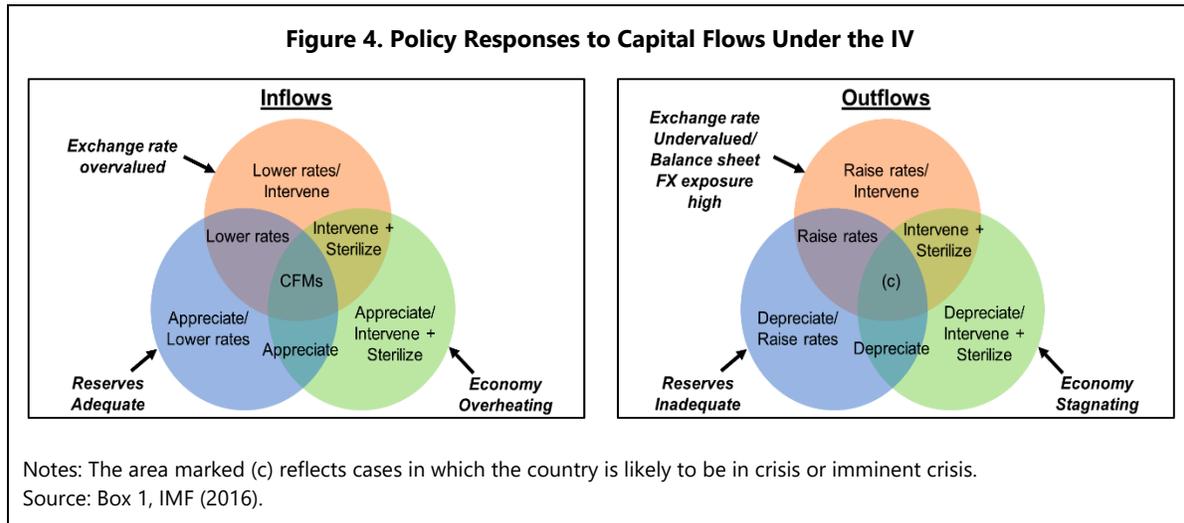
12. **Post-GFC advice.** As the GFC unfolded, many EMs started to use CFMs and MPMs even more extensively, initially to limit capital outflows during the crisis and then to dampen inflows as they surged as risk appetite returned and adoption of UMP in major advanced economies fed into very easy global liquidity conditions. These inflows contributed to substantial upward pressure on exchange rates and rising concerns about excessive credit growth and over-heated asset markets. The aggressive use of CFMs and MPMs in response to these pressures led the Fund to attempt to clarify its advice and ensure greater coherence, especially as some members were concerned whether such measures were distortionary and were being used instead of needed macroeconomic adjustments. The Fund's work included a string of policy papers exploring options for dealing with surges, aiming to identify circumstances in which CFMs could be justified as part of the broader policy toolkit to manage inflows (see for example Ostry and others, 2010).

13. **Adoption of the Institutional View.** This effort culminated in Board approval of the IV in December 2012, which was intended to provide a coherent analytical framework for IMF advice on the liberalization and management of capital flows (IMF, 2012). The IV sought to find common ground among the diverse views found in the IMF's membership with respect to capital flows and related policies. It specifies that there is no presumption that full liberalization is an appropriate goal for all countries at all times, and the degree of liberalization appropriate for a country at a given time depends on its specific circumstances, notably its financial and institutional development.

14. **Guidance on use of CFMs.** When faced with a surge in capital inflows or disruptive outflows, the IV recognized that CFMs can be useful in certain circumstances, but warned that "they should not substitute for warranted macroeconomic adjustment" (Figure 4). The IV specifies circumstances where introducing CFMs can help support macroeconomic policy adjustment and safeguard financial system stability, which include: (i) when the room for adjusting macroeconomic policies is limited; (ii) when the needed policy steps require time, or when the macroeconomic adjustments require time to take effect; and (iii) when an inflow surge raises risks of financial system instability. When CFMs are used, the IV prescribes that their use should be "transparent, targeted and temporary, and preferably non-discriminatory," while being tailored to country circumstances. The IV cautions that only rarely would CFMs be the sole warranted policy response to an inflow surge and even when desirable, their likely effectiveness should be carefully examined.

15. **Post-IV work.** Since the adoption of the IV, the Fund has published guidance notes for its use by staff (IMF, 2013a) and discussed further operational considerations in managing outflows (IMF, 2015a). In 2016, the Fund reviewed countries' experiences with handling capital flows in the period since the introduction of the IV, concluding that practice had generally been in line with IV-implied precepts (IMF, 2016). Directors agreed that there was no need for substantive adjustment in the IV, while pointing to the need for clarification of a few emerging issues, including the treatment of CFMs that are used for macroprudential purposes (see next paragraph). The Fund has also sought to ensure transparency in application of the IV, publishing a taxonomy of CFMs introduced or modified

by countries since the IV was adopted and discussed in the Article IV staff reports (G-20, 2018a), and making efforts to clarify how the IV is applied in particular circumstances (G-20, 2018b).



16. **CFM/MPMs.** Cases when CFMs are used for macroprudential purposes are governed by both the IV framework and the Fund’s macroprudential policy framework (IMF, 2013b and 2014). Measures designed to limit capital flows and reduce systemic financial risks stemming from such flows are classified as both CFMs and MPMs (CFM/MPMs). For a CFM to be classified as a CFM/MPM, there must be a potential source of systemic financial risk stemming from capital flows that has to be addressed, and a path of transmission through which the measure can reasonably be expected to reduce such risks. Under the guidelines, the use of CFM/MPMs should take into consideration whether other MPMs that are not CFMs and could achieve the same objective are available. There should be a reasonable expectation that the CFM/MPM measure is more effective, efficient, and less distortive than pure MPMs, in addressing financial risks (IMF, 2015b, 2017, and 2018).

C. Recent Concerns About IMF Advice

17. **Recent experience with the IV.** Notwithstanding the finding in the 2016 review that IMF advice to countries seemed to have been broadly consistent with the IV, there have been a number of cases in recent years in which the Fund’s IV-based advice on capital flows in Article IV consultations has led to considerable strains with member countries who have had concerns with the Fund’s assessment and policy recommendations. These strains were picked up in the IEO’s 2019 evaluation on Fund advice on UMPs. Some countries feel that since the adoption of the IV the Fund has been too inclined to endorse capital account restrictions even though such restrictions may have adverse spillovers on others by raising volatility and diverting flows elsewhere, and paid too little attention to promoting the long-term benefits of open capital markets. Other countries view the IV

as having been too limiting in practice, reflecting a variety of concerns about the implementation and design of the IV.⁴

18. Specific concerns about IV implementation.

- *Consistency.* In implementing the IV, there have been tensions between the need to provide clear and consistent positions across countries on whether CFMs are warranted and the need to be responsive to country circumstances. Considerable efforts have been made by Fund staff to apply the IV in a consistent way across countries. Nevertheless, officials sometimes feel that the results do not adequately reflect differences in circumstances.
- *Rigid application.* In some countries, there have been considerable frictions about the categorization of particular measures, reflecting that the boundary between CFMs and non CFMs, at least for non-residency-based measures, remains somewhat blurred in practice.
- *Macro relevance.* Consistent with the Integrated Surveillance Decision (ISD), the IV requires the Fund to assess capital flow management policies where they are macro-relevant or if spillovers from those policies may significantly influence the effective operation of the international monetary system, but provides no clear guidance on how this should be determined. Concerns have been raised that in some instances considerable attention has been paid to measures that may have little macroeconomic impact, and therefore did not merit the considerable attention they received in Article IV surveillance discussions.
- *Measurement of other key concepts.* Besides macro-relevance, there are concerns that the IV rests on being able to adequately define and measure difficult concepts such as when countries are facing an “inflow surge” or when they are in “crisis/near crisis.”
- *Grandfathering.* As stated, the IV applies to CFMs introduced after it was approved in 2012, not requiring assessment of limits on capital flow mobility in place prior to IV approval. While any change (representing either a tightening or easing in CFMs) in pre-existing measures is assessed under the IV, this raises issues of consistency and evenhandedness among countries with very different levels of capital openness in 2012.

19. Specific concerns about design of the IV.

- *Policy choice set.* Some countries have expressed dissatisfaction that the IV does not adequately expand their policy choice set for dealing with volatile capital flows. They would prefer CFMs to be part of a broader toolkit which could be used pre-emptively and kept in place, rather than to be used only in the face of a surge in inflows after appropriate

⁴ A recent review of experience by ASEAN central banks laid out a number of these concerns for their countries (ASEAN, 2018).

macroeconomic adjustment and then only on a temporary basis, to be removed once the surge dissipates (ASEAN, 2018).

- *Effectiveness of textbook macroeconomic prescriptions.* The IV rests on the presumption that the traditional macroeconomic toolkit, particularly exchange rate adjustment, are generally effective responses to capital flow surges and reversals. However, this may not be the case after taking account of confidence and expectations effects. Thus in some circumstances letting the exchange rate appreciate can serve to amplify rather than dampen the surge in capital flows (Rajan, 2018). Moreover, floating exchange rates may not be sufficient to allow a country with an open capital account to achieve monetary policy independence in a world driven by a powerful global financial cycle (Réy, 2013).
- *Costs and benefits of CFMs.* The costs and benefits of CFMs are still subject to considerable debate and remain an open area of research (Patnaik and Shah, 2012). There are concerns that persistent recourse to CFMs can be destabilizing and discourage financial market development. Some experts find that episodic capital controls on a limited range of assets could be leaky and ineffectual, as people find ways to circumvent them the longer they are kept in place (Klein, 2012). Others argue that all policies can be circumvented to some extent, so the relevant question is whether CFMs can be circumvented more easily than other measures that would be adopted instead such as MPMs (Ostry, Ghosh, and Korinek, 2012). A relevant issue here is the purpose of the measures: to affect the gross volume of flows to contribute to macroeconomic policy management, or to influence the composition and structure of flows to enhance financial or external stability.
- *Integration of different policy instruments.* Continued debate about the effectiveness of both conventional macroeconomic policy instruments and other measures such as CFMs, MPMs and foreign exchange intervention has led to questions about how such policies should be applied in a more integrated fashion (Flug and Shptizer, 2013). One issue relates to the rationale for the differential treatment of CFMs and MPMs. More broadly, the IV can be viewed as quite limiting by linking advice to a binary judgment about the category in which a measure fits, leaving less room for weighing of tradeoffs among different policies when no policy may offer a first best, ideal solution.
- *Attention to advice to source countries.* Fund advice on capital flows has continued to focus on the adjustments required by recipient countries to manage capital flow volatility, and has been less effective in influencing source countries to consider alternative policy mixes or designs that could achieve domestic objectives with less detrimental cross-border spillovers (IEO, 2019b). Issue also arise about progress in the international regulatory agenda affecting the volatility of capital flows to emerging economies, particularly portfolio flows.

D. Integrated Policy Framework

20. **Staff's work program.** Partly in response to such concerns, staff is now embarking on a multi-year work program to develop an integrated policy framework aimed at providing a more systematic assessment of an effective policy mix that can help countries pursue growth and stability objectives particularly in the face of rising spillovers and deepening cross border linkages (IMF, 2019). The IPF will consider tradeoffs among different areas of policy advice, particularly among monetary policy, foreign exchange intervention, CFMs, and MPMs, and will involve modeling, empirical work, and a review of country experience.

IV. SCOPE AND THEMES OF THE EVALUATION

21. **Scope.** The evaluation will cover IMF advice on capital flows over the period from 2012 to the first half of 2019, but also consider experience in the decade prior to the launch of the IV where relevant. The evaluation will look at advice on both capital flow liberalization and on managing capital flows. The focus of the evaluation will be on advice in the context of bilateral surveillance, while also covering some multilateral issues. Advice on capital flows in the context of Fund-supported program and technical assistance would not be covered in detail, although it may be featured in some of the case studies. While we intend to study IMF advice in a large group of countries, a tentative set of countries that could receive greater attention is given in Box 1.

Box 1. Desk Review and Case Study Countries (Tentative)¹

Advanced and Emerging Market Economies: Belarus, *Brazil, China, Colombia, Cyprus, Iceland, India, Indonesia, Ireland, Israel, Korea, Malaysia, Mexico, Morocco, New Zealand, Panama, Peru, Poland, Russia, Turkey, Ukraine and Uruguay.*

Frontier Markets: *Bangladesh, Bolivia, Cote d'Ivoire, Ghana, Kenya, Nigeria, Sri Lanka, Tanzania, Tunisia, Vietnam, and Zambia.*

Housing Issues: *Australia, Canada, Hong Kong SAR, and Singapore.*

¹Italicized country names indicate possibilities for detailed country case studies.

22. **Sources of evidence:** The main sources will be: (i) desk reviews of staff policy papers, Article IV consultations, program and TA documents, and past IEO evaluations⁵; (ii) analysis of research papers and reports (including an assessment of quality and influence through citation analysis and other tools); (iii) interviews of current and former IMF staff and management, Executive Directors and their offices, staff at central banks and monetary institutions, as well as other

⁵ The recent evaluation of IMF advice on UMP is particularly relevant as it examines advice to both source and recipient countries on handling financial spillovers from UMP and features a number of relevant case studies of experiences in emerging markets handling volatile capital flows. The 2005 evaluation of the IMF approach to capital account liberalization, and the 2015 update to that evaluation, and the 2019 evaluation of IMF financial surveillance, will also be useful.

policymakers, thought leaders and stakeholders; and (iv) surveys of staff and authorities. The evaluation will also organize workshops to elicit the views of colleagues from other international organizations, think tanks, academia, and private sector.

23. **Themes.** The evaluation will look at the value added and influence of Fund policy advice on capital flows to individual countries, looking both at advice on capital account liberalization and managing capital flows. The evaluation will look at the consistency of advice across countries, and the role of the Fund in encouraging a consistent multilateral approach to promoting good policy practices on capital flows. It will examine Fund advice on CFMs and other relevant policies to countries that have attracted substantial capital flows and have had to deal with surges and the threat, or realization, of flow reversals. It will investigate how Fund advice balances short-term and long-term considerations, and between macroeconomic and structural factors. It will also look into IMF advice to source countries on spillovers from macroeconomic policies and on the financial regulatory agenda affecting capital flows, largely by drawing on other recent IEO evaluations (IEO, 2019a, 2019b).

24. **Specific questions for the evaluation:**

Bilateral surveillance

- Did authorities regard the Fund’s policy advice on capital account liberalization and on how to manage capital flows as providing value added? To what extent did Fund advice gain traction and influence policy actions by country authorities? Was Fund staff consulted on the actions taken by the countries before they were announced or put in place?
- Did Fund advice on capital flows adequately consider country circumstances and, in particular, a country’s economic size, exchange rate regime, level of financial development, and program or non-program status? Was the advice provided in line with the IV, and was it appropriate for the economic circumstances?
- How has Fund advice considered cross-country experience on costs and benefits when advising on capital flows? Was the Fund effective in using cross-country experience to offer advice on good practices and on the likely effectiveness of different approaches to handling capital flows?
- How well did advice on capital flows reflect the different dynamic characteristics of different types of capital flows and the associated financial and external stability risks?
- Has Fund advice on capital flows been helpful to countries in dealing with asset price appreciation pressures, particularly in the housing sector, when these raised macro-financial stability concerns?

- How well was the advice given on capital flows integrated with advice on the broad range of macroeconomic and financial policies (monetary and exchange rate policies, fiscal policy and MPMs)?

Multilateral surveillance and institutional considerations

- How influential is the Fund in promoting a consistent multilateral approach to encouraging good policy practices affecting capital flows?
- Has the Fund been effective in raising attention to cross-border spillovers stemming from capital flows and capital flow measures?
- Has the Fund's global monitoring and analysis of capital flows and its efforts to improve data availability been adequate to support the Fund's ability to provide effective policy advice and a platform for policy cooperation as well as helpful to member countries?
- Have there been concerns about countries seeking to use CFMs to manipulate their exchange rate contrary to obligations under Article IV? Has application of CFMs been adequately reflected in multilateral assessment of external imbalances (EBA)?
- Has the Fund's capital flows advice been perceived as being provided in the interest of its entire membership? How has the Fund influenced the policies of source countries, including both macroeconomic policies and approaches to financial regulation affecting the scale and characteristics of international capital flows?
- How consistent has Fund advice on capital flows been with the OECD Code on Liberalization of Capital Movements? Are there conceptual or practical tensions between the two that merit attention?

25. **Possible background papers**

Thematic:

- Framework for policy advice to countries: Has the Fund's approach to providing advice to countries on capital account liberalization and managing capital flows been consistent with and contributed to "cutting edge" analysis and policy thinking in the economics profession?
- Policy effectiveness: To what extent has the IMF's advice on capital account liberalization and managing capital flows rested on cross-country evidence on the costs and benefits of different policy approaches? Has such assessment adapted to experience of countries in managing flows and to shifting conditions in international financial markets affecting such flows?

- Multilateral issues: Has the Fund brought an appropriate multilateral perspective in its advice on capital flows? This paper would cover topics including: (i) IMF monitoring and analysis of capital flows and contribution to data gaps; (ii) treatment of possible spillovers from policies affecting capital flows in both source and recipient countries; (iii) treatment of capital account openness in the EBA and reserve adequacy frameworks; and (iv) cohesion of advice with the OECD code of liberalization of capital movements and other institutional frameworks affecting capital flows.

Specific country studies (chosen from Box 1):

- Dealing with capital flows in emerging market economies.
- Dealing with capital flows in frontier economies.
- Dealing with housing-related issues in advanced and emerging market economies.

26. **Contribution to the IMF's overall work program.** The findings of this evaluation, particularly the investigation of country experiences can help provide relevant perspectives for the ongoing work by staff work on an integrated policy framework for Fund advice. The evaluation will also provide broader perspectives on a number of multilateral and institutional concerns. These inputs can be also useful to a possible future review of the IV.

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