THE CHAIRMAN'S SUMMING UP

INDEPENDENT EVALUATION OFFICE—IMF ADVICE ON UNCONVENTIONAL MONETARY POLICIES

EXECUTIVE BOARD MEETING 19/46
JUNE 5, 2019

Executive Directors welcomed the timely evaluation of IMF Advice on Unconventional Monetary Policies (UMP) by the Independent Evaluation Office (IEO). They recognized that the 2008 global financial crisis and the considerable uncertainty that ensued had presented unprecedented challenges for policymakers, prompting active and innovative responses from central banks. Directors welcomed the overall finding that the Fund's response to these developments has been wide-ranging and, in many respects, impressive. They appreciated the IEO's valuable insights on how the Fund can further improve the value added of its contribution, traction with member countries, and timeliness of its advice on monetary policy issues, leveraging its comparative advantage and extensive country experience.

Directors broadly supported the thrust of the IEO's recommendations, albeit with some caveats and qualifications. They noted that any changes in the Fund's monetary policy work should be coordinated with other workstreams, including the integrated policy framework (IPF), the Comprehensive Surveillance Review (CSR), the HR strategy, and budget discussions.

Directors saw merit in building expertise in monetary policy issues to enhance the Fund's role in this field (Recommendation 1). They noted the finding that a number of factors had limited the value added and influence of Fund advice on monetary policy, including lack of deep expertise in applied monetary policy and inadequate resources devoted to this area. They generally agreed that a core group of top, broadly-diverse monetary experts with experience in policymaking would better provide practical guidance, more effectively engage with senior officials on monetary policy and frontier central banking issues, and at the same time support institutional learning at the Fund. Directors saw the recent establishment of a new unit on monetary policy modelling in the Monetary and Capital Market Department as a welcome first step in this direction. They stressed the importance of collaboration with major central banks and the Bank for International Settlements. Directors also welcomed ongoing efforts to better leverage and enhance existing knowledge in the Fund, particularly work on interactions of monetary policy with other policies. They looked forward to learning more about the work program for the IPF and to discussing specific options for prioritizing monetary policy work in budget and HR strategy discussions.

Directors broadly supported the idea of developing a playbook to guide policy responses in the future, by deepening work on the costs and benefits of UMP and related policies (Recommendation 2). They concurred that, as UMP has become part of the central banking toolkit, there is merit in drawing on the Fund's cross-country experience to assess the macroeconomic and distributional impacts of different UMP instruments, and the role of monetary policy relative to fiscal policy and macroprudential policies. In developing a playbook, Directors emphasized the need to avoid over-prescriptive approaches, allowing sufficient flexibility to adapt to country-specific conditions and evolving circumstances.

Directors generally recognized that the IEO's recommendation cuts across a wide range of work. Many Directors supported work to update the 2013 paper on the global impact and challenges of UMP, and the 2015 paper on monetary policy and financial stability. Directors welcomed management's intention to present the specific agenda in future work program discussions.

Directors agreed that the Fund should be at the forefront of financial spillover analysis and provision of advice on dealing with capital flows (Recommendation 3). They noted the many initiatives that the Fund had taken over the past decade to assess spillovers, improve financial risk assessments, develop the macroprudential policy toolkit, and advise countries on how to deal with capital flow volatility. A number of Directors called on the Fund to pay greater attention to the challenges faced by emerging market and developing countries from financial spillovers and capital flow volatility, including additional work on the appropriate mix of policies in "source" countries, be it advanced or emerging market economies. A few Directors stressed that all countries have the responsibility to implement sound macroeconomic policies, mindful of both spillover and spillback effects, and that the Fund has a role to play in providing advice to its membership on how to handle cross-border effects and enhance resilience. While recognizing that stronger international monetary cooperation would be desirable, many Directors felt that developing a code of conduct for central banks may be impractical and unduly constrain policy implementation in pursuit of their domestic objectives. Directors encouraged using the insights from the ongoing work on spillovers and the IPF as input for the CSR, including consideration of approaches to better address spillovers and options to strengthen surveillance modalities.

Directors recognized the relevance of the lessons from the evaluation in considering how to deepen and enrich country engagement in bilateral surveillance (Recommendation 4). Noting with concern the IEO's observation regarding frequent turnover in mission chiefs and country teams, most Directors shared the view that increased staff continuity, including longer tenure of mission chiefs and better transitions, would help deepen understanding of country circumstances and relationships with authorities, thereby improving the Fund's potential as a trusted advisor. They concurred that these issues would be best considered in the context of CSR and HR strategy. Directors also acknowledged that, while lessons from the experience with UMP would help inform the CSR currently underway, formulating general recommendations on bilateral surveillance would need to take a broader perspective and consider Fund engagement with members in its entirety.

In line with established practice, management and staff will carefully consider today's discussion in formulating a follow-up implementation plan, including approaches to monitor progress. Directors also looked forward to further opportunities to consider how best to reflect on the many useful suggestions in the appropriate workstreams.