

IEO

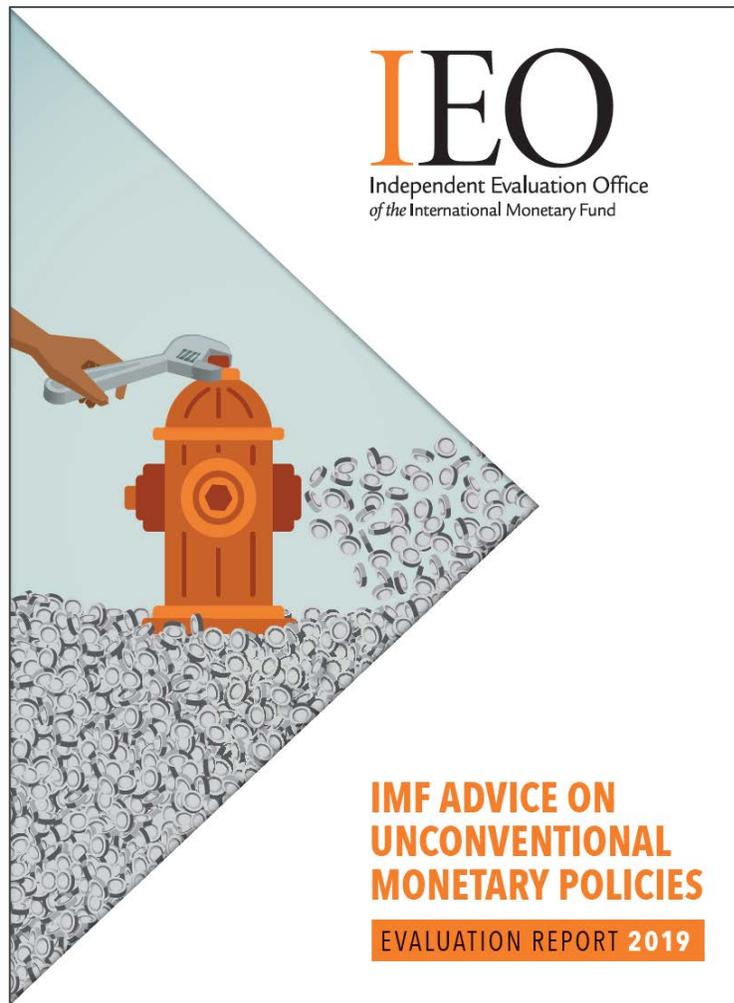
Independent Evaluation Office
of the International Monetary Fund

IMF ADVICE ON UNCONVENTIONAL MONETARY POLICIES

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UMP Advice: Why This Evaluation?



- ▶ Did IMF provide value added advice and influence decisions in a core area at a time of unprecedented challenge?
- ▶ Did IMF help countries affected by spillovers and promote cooperative approaches?
- ▶ How can the Fund be better prepared next time that UMP are needed?

Scope of the Evaluation

Country Cases

- ▶ Major central banks implementing UMP
- ▶ Other advanced economy central banks
- ▶ Major EMs affected by spillovers

Thematic Papers

- ▶ Risks and side-effects of UMP
- ▶ Promoting international monetary cooperation
- ▶ Frontier central banking issues
- ▶ Institutional and HR issues

Evidence for the Evaluation



- ▶ Extensive interviews with country officials and IMF staff
- ▶ Intense review of public and internal documents
- ▶ Analysis of HR, budget and citation data
- ▶ Workshops with monetary experts

IMF 'Corporate View'

- ▶ IMF deserves credit for rapid deployment of support for UMP
- ▶ Fund's view on financial stability risks from UMP was sound for the exceptional circumstances
 - and complemented with active monitoring of risks and work on macroprudential policies
- ▶ But Fund should have:
 - been at forefront of cross-country assessment of how well these policies were working
 - paid greater attention to the mix between monetary and fiscal policies
 - done more to recognize EM challenges in managing volatile capital flows

Advice to Major Advanced Economies

- ▶ Useful validation of actions by Fed and Bank of England
- ▶ Pressed ECB and Bank of Japan toward stronger actions
 - Interactions between ECB and IMF staff were influential in run-up to ECB decision to launch QE in 2012
- ▶ Limited value added of Fund analysis relative to central banks' own work
- ▶ Major central banks valued Fund's multilateral research

Advice to Smaller Advanced Economies

▶ The Fund:

- Generally went along with novel actions
 - Denmark moved to negative policy interest rates (NIR) in 2012. Fund assessment of NIR came in 2016-17
 - Exchange rate floors by Switzerland and Czech Republic
- But did not bring new ideas on toolkit these economies would need
- And was not much used as source of external advice

Advice to Emerging Markets

- ▶ Article IV regarded as a well informed check on macro framework. But countries would appreciate:
 - deeper expertise and market awareness for value-added on monetary policy issues
 - greater focus on global developments and cross-country experience
- ▶ 'Institutional View' (IV) on capital flows welcomed as sign of Fund's flexibility. But concerns have built that it is too restrictive in implementation and design

Fostering International Monetary Cooperation

▶ Extensive collaboration with G-20 (e.g. MAP) but limited impact

▶ Spillover Reports: attracted attention to the issue, but few analytic breakthroughs on financial spillovers and little influence on policy advice

▶ Institutional View' appreciated, but:

- Some think it "open blessing" for capital controls
- Others find it too rigid and not supportive enough of CFMs

▶ Flexible Credit Line launched and appreciated by users (Mexico, Colombia, Poland), but limited take up

Frontier Central Banking Issues

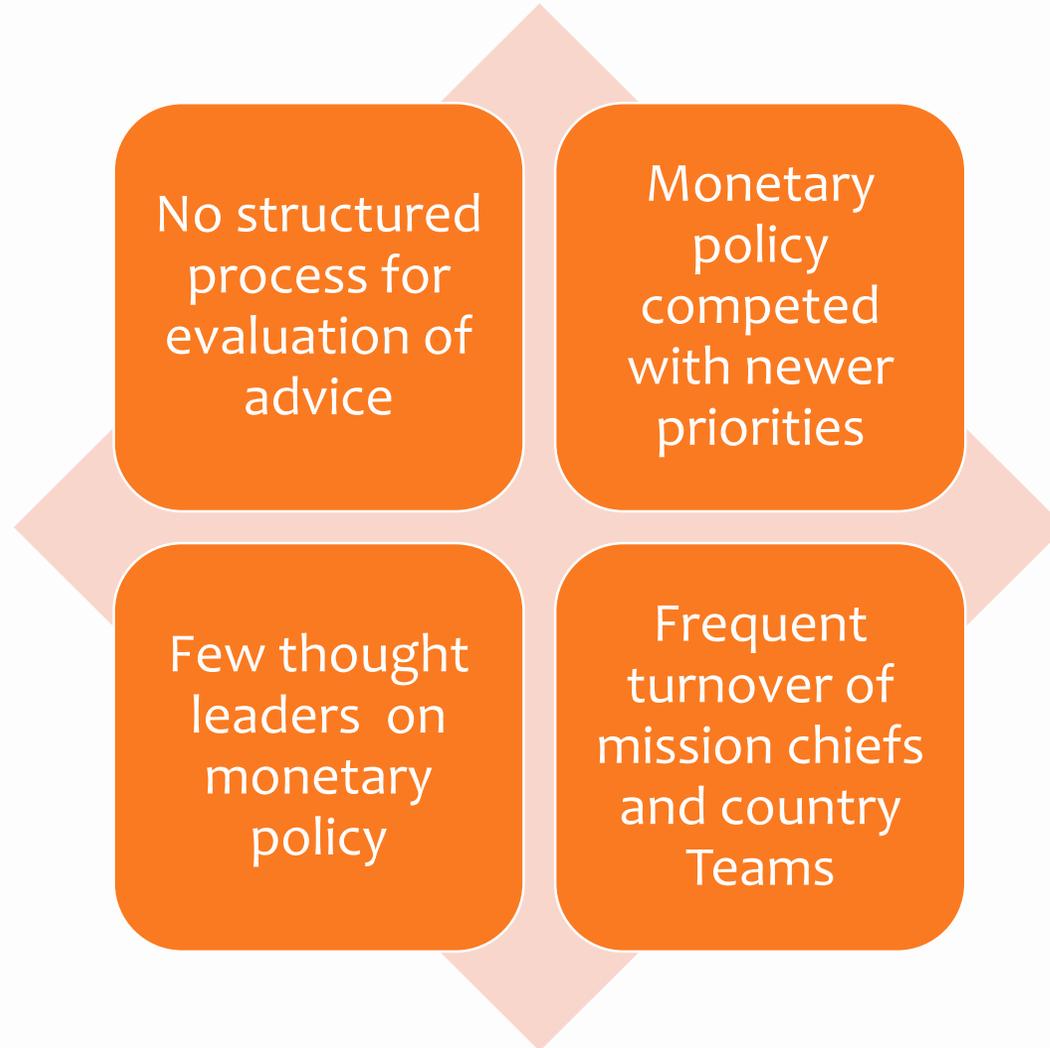
Issues Being Debated

- ▶ Monetary policy toolkit: should UMP be part of conventional toolkit?
- ▶ Monetary policy framework: still IT? should inflation target be raised?
- ▶ Governance of central banks: rein in “unelected power”?
- ▶ Central bank digital currency: will it help get around ZLB issues?

Fund's work

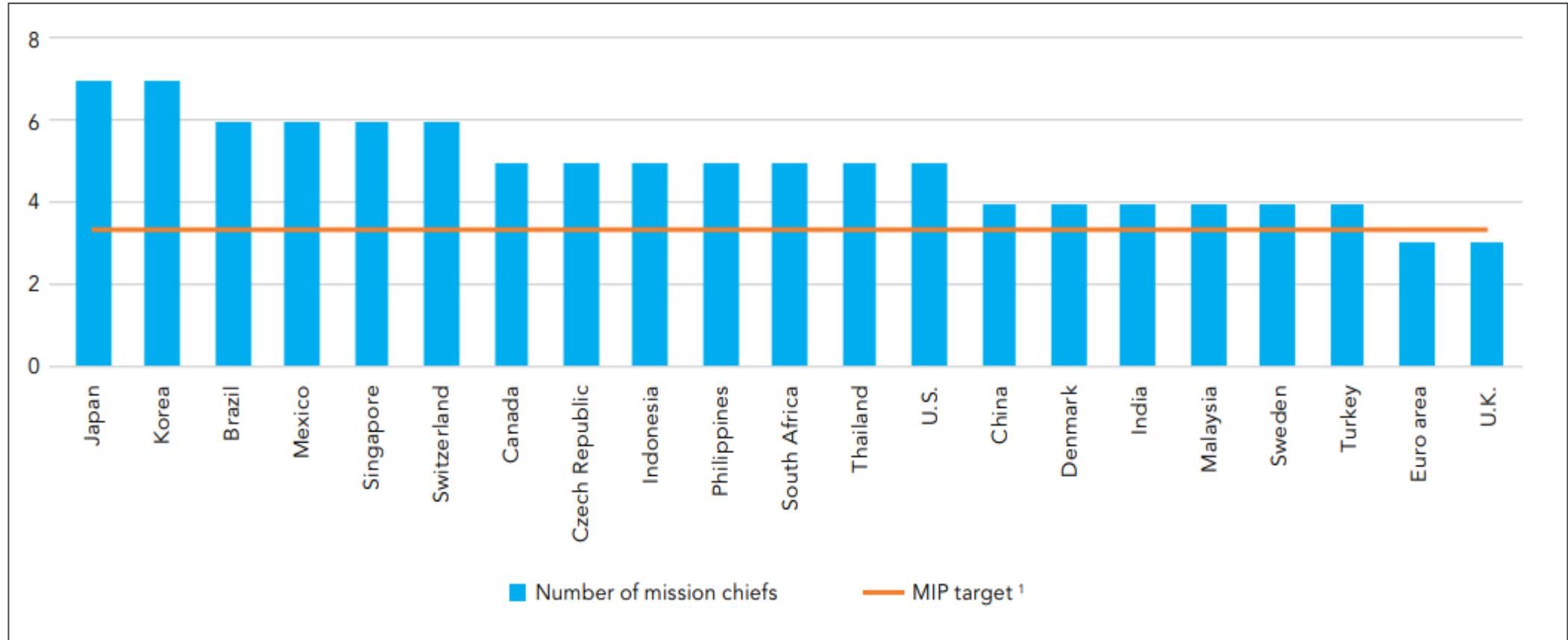
- ▶ Fund not considered at forefront of new thinking on these issues
 - Exception: early discussion of case for higher inflation target

Institutional and HR Issues



Frequent Turnover of Mission Chiefs

Number of IMF Mission Chiefs (2008-17)

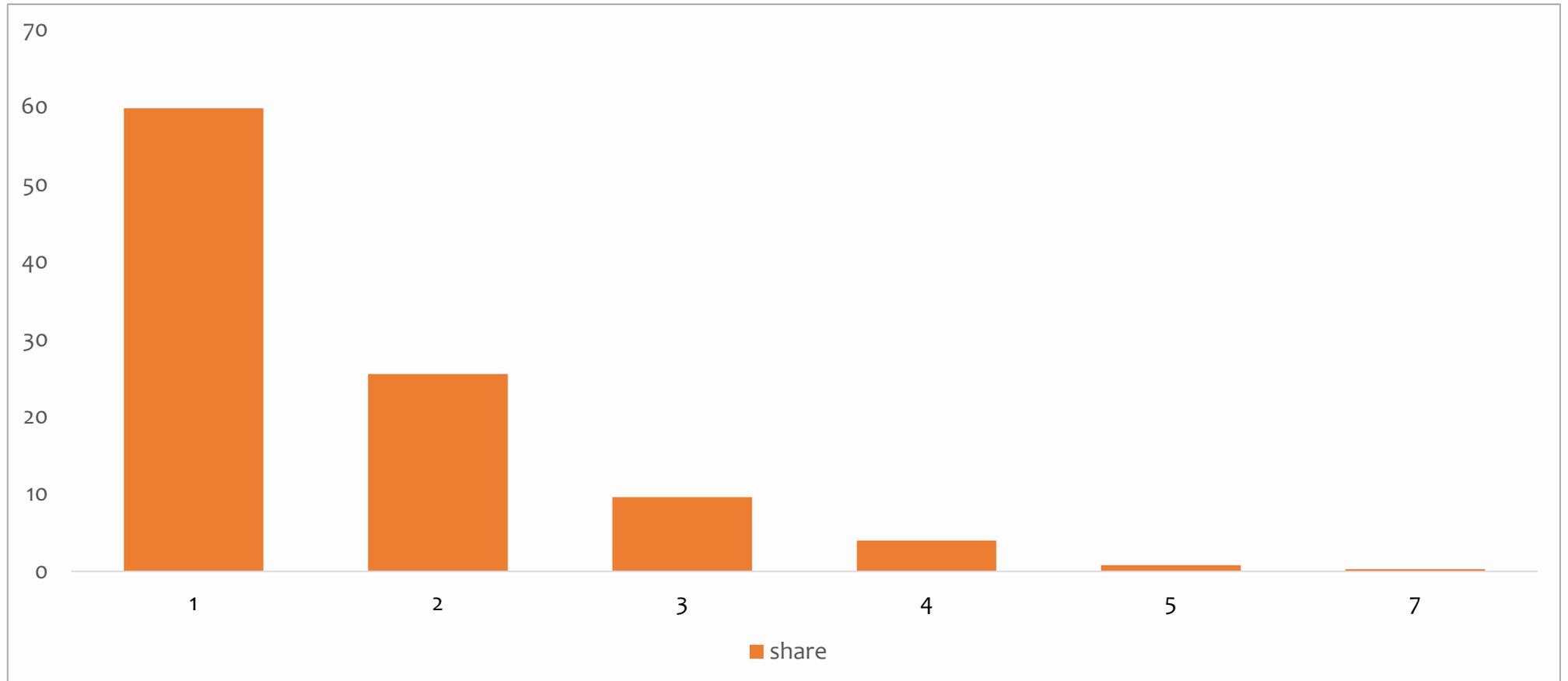


Source: IEO staff calculations based on Article IV Reports 2008-2017

Note: 1/ Based on MIP – Role of the IMF as Trusted Advisor

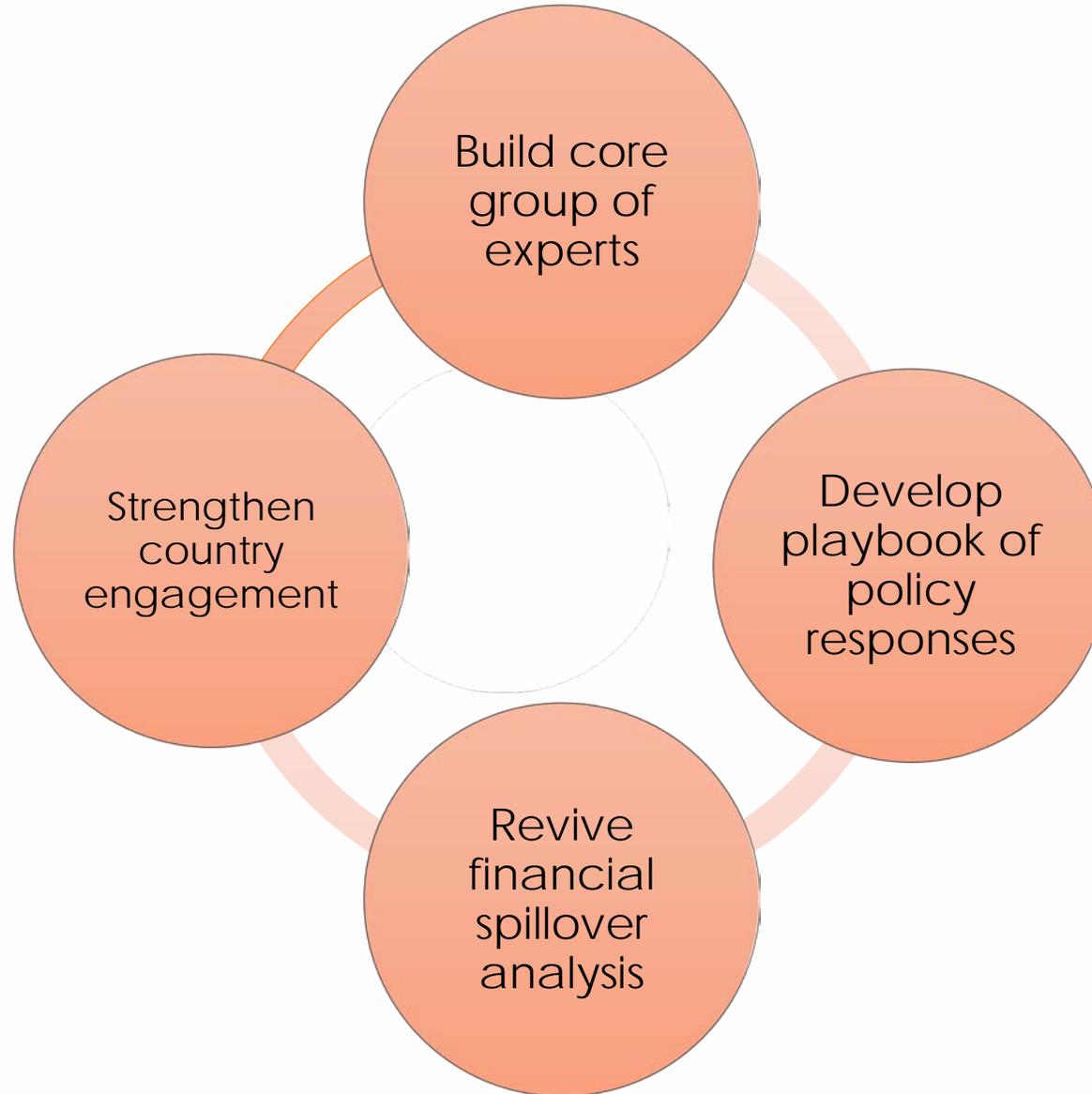
High Turnover on Country Teams

Participation of Staff in Article IV Missions, by Number of Missions



Source: IEO staff calculations based on Article IV Reports 2008-2017

Four Recommendations





Management and Board Response

- ▶ **MD** welcomed overall finding that the Fund's engagement on UMP has been wide-ranging and in many respects impressive
- ▶ Agreed that there is room to improve timeliness and value added of IMF work on monetary policy issues
- ▶ **Executive Directors** broadly supported recommendations.
 - Agreement on need to deepen IMF monetary policy expertise and country engagement, within resource constraints
 - Emphasis that the Fund should focus on comparative advantages not compete with or substitute for central bank strengths
 - Skepticism about options for strengthening international monetary cooperation



Next Steps and Follow-Up

- ▶ Management Implementation Plan due by December 2019 for Board approval
- ▶ Key findings and recommendations to feed into the Comprehensive Surveillance Review as well as budget discussions and the new HR strategy
- ▶ Annual monitoring by IMF Office of Internal Audit

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