

October 20, 2017

**Statement by the Managing Director
on the Independent Evaluation Office Report on IMF Exchange Rate Policy Advice:
Revisiting the 2007 IEO Evaluation**

I would like to thank the Independent Evaluation Office (IEO) for preparing this informative and timely report, which provides an update on the IMF's progress in its approach to exchange rate policy advice since 2007. I am pleased with its main finding that the IMF has substantially overhauled its approach to exchange rate policy advice, and concur that some issues need our continued attention. I would like to note that management and staff remain fully committed to the role of the External Sector Report (ESR) in Fund surveillance.

Exchange rate assessment and policy advice is central to the Fund's mandate. The Fund is charged by its Articles of Agreement to exercise firm surveillance over the exchange rate policies of member countries. This update by the IEO is informative and timely given the central role of the IMF in this area and the extensive past and ongoing work to refine the scope and modalities of external sector surveillance, including to reflect lessons over the last decade.

I am pleased with the report's findings that the IMF has substantially overhauled its approach to external sector assessments and exchange rate policy advice since 2007 and enhanced its work in an area central to its mandate. Indeed, as the IEO points out, the 2012 Integrated Surveillance Decision provides for a broader approach to exchange rate analysis that aims to address the interrelationships between economies, including assessing external positions in a multilaterally-consistent manner, paying greater attention to the connections between domestic and external stability, and assessing external positions taking into account broader considerations. Moreover, the IMF has refined its methodological tools to enhance this analysis and its consistency across countries; and the ESR provides a multilaterally-consistent picture of the external balances of major economies and the policy actions needed to address excess external imbalances and reduce global risks.

Recognizing that the ESR is a well-accepted framework for external sector surveillance, the report points out that some areas continue to be contentious. The Fund has acknowledged since the inception of the ESR the importance of the transparency of the External Balance Assessment (EBA) models and the process for deriving external assessments and has made further progress in increasing transparency, including in explaining staff judgment when adjustments are needed, and will continue its efforts to refine the EBA models. Overall, I would like to note that management and staff remain fully committed to the role of the ESR in Fund surveillance. The findings of this report provide useful insights that can help us further improve moving forward.