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Statement by Mr. Mojarrad on Toward an Integrated Policy Framework (Preliminary)
Executive Board Meeting
September 28, 2020

We thank staff for their work and outreach to our authorities and we welcome the progress being made in developing the Integrated Policy Framework (IPF). The IPF is a promising work stream which, when finalized, could help member countries select the optimal mix of monetary, exchange rate, macroprudential, and capital flow management policies that can best support growth and financial stability, particularly in the face of rising spillovers and deepening external linkages.

It is important to communicate, at the outset, some of the limitations of the IPF, including its relevance to only those countries with flexible exchange rates, the fact that it is a work in progress, and that staff may be confronted with difficulties in its implementation, including with regard to data and measurement. Similarly, staff should also communicate that the IPF findings are not intended to be a new Fund policy, but rather to help inform the upcoming review of the IV.

We look forward to the review of the Fund's Institutional View (IV) on the Liberalization and Management of Capital Flows and we consider that the work on the IPF, together with the recent IEO evaluation on the IMF Advice on Capital Flows, will be key inputs for such review.

We are encouraged by the preliminary key findings, in particular that:

- Macroprudential Measures (MPMs), Foreign Exchange Interventions (FXIs) and Capital Flow Management measures (CFMs) CFMs can help meet the goals of financial stability, price stability, and stabilizing output, and increase the autonomy of monetary policy.

- For countries susceptible to sudden stops in capital inflows, precautionary CFMs on capital inflows, applied before shocks hit, can lower risks to financial stability.

Staff is right in indicating that IPF tools are not a substitute for appropriate fiscal policies or needed structural reforms, as well as deep markets, healthy balance sheets, and strong institutions. In this regard, it is appropriate to develop safeguards to minimize the risk of misuse of policies. Here we would like to emphasize that such safeguards should be transparent to avoid any perception of lack of evenhandedness in the implementation of Fund’s policy advice.

Finally, staff rightly points out that simpler frameworks are easier understood by the markets, which may foster central bank credibility. *Are there risks that the IPF, with its multiple tools, may be viewed by markets as a complex framework?*