

TERMS OF REFERENCE FOR PROFESSIONAL SERVICES REQUIRED FOR THE INDEPENDENT EVALUATION OF THE MONETARY POLICY AND FINANCIAL POLICY CONDUCT BY THE CENTRAL BANK OF CHILE

September 2019





1. BACKGROUND

Reference is made to an independent external evaluation undertaking by the Central Bank of Chile (hereafter, the Bank) on the fulfilment of its mandatory objectives as enshrined in its Basic Constitutional Act (BCA) of 1989. These include price stability and financial stability (hereafter, the Evaluation).

The BCA has granted the Bank autonomy to achieve its legal purpose and to exercise its powers, regarding other entities of the State. The Evaluation will assess the extent to which the Bank has accomplished its two institutional objectives and will be submitted to the Government and the Senate as a voluntary accountability exercise on the occasion of the 30th anniversary of the BCA.

The details of the Contract to carry out the Evaluation are described in this document.

The Evaluation will be undertaken by a Panel of five independent external experts (evaluators), one of them acting as Chairperson (hereafter, the Panel).

The Bank will appoint a counterparty team to provide the Panel with (i) the terms of reference of the Evaluation as agreed upon by the Board of the Bank; (ii) a number of recent assessments of specific aspects of monetary and financial policy by external consultants/bodies; (iii) all the additional information requested by the Panel, and (iv) logistical support to the planning and development of the Evaluation.

2. Objectives of the Evaluation

The Panel will assess to which extent the Bank has accomplished its mandatory objectives established in 1989, focusing on the last decade and especially recent years. In particular, the evaluators are asked to consider:

- i. The degree of independence of the Bank with respect to other State-run entities in achieving its objectives;
- ii. The influence and impact of the Bank's policy actions on economic agents and general public decisions;
- iii. The suitability of the policy framework and tools adopted by the Bank to achieve its monetary policy goal;
- iv. The suitability of the policy framework and tools adopted by the Bank to achieve its financial stability goals;
- v. The effectiveness of its organization, procedures, and tools to implement such policy frameworks;
- vi. The quality of the main policy reports published by the Bank to communicate the framework, analysis and policy decisions in both areas, namely the *Monetary Policy Report* and the *Financial Stability Report*, as well as all other formal communication tools (Monetary Policy Statements, minutes, and the like);
- vii. The room for potential improvement in any of the above areas.

Conditions

The Panel shall conduct the evaluation and submit the Report (in English) to the Board of the Bank, according to the objectives and conditions given in this section of the Contract. The Panel will deliver a presentation of the draft report before the CBC Board in July, 2019 to allow the business areas of the Bank to comment on the relevant sections of it. The Panel will be free to either acknowledge or ignore any comments in the final evaluation report. This will include any remaining comments from the Bank units and the final conclusions by the Board. The final version of the report, including an executive summary in Spanish (translated at the Bank), will be freely available on the Bank's website.

In performing their work, Panel members will be assisted by Bank staff on information requests, meeting arrangements, visits to the Bank for in-person interviews and presentations, and all other logistical needs involved.

The evaluators shall conduct their work freely and objectively and shall render impartial judgment and make recommendations to the best of their professional abilities. The following conditions apply:

- i. The evaluators will begin to work in December 2018, while the completion of the evaluation report is expected by August 2019. The evaluators will keep both heads of the Monetary and Financial Policy Divisions informed on the progress of their work;
- ii. The evaluators shall have access to information in possession of the Bank as needed for carrying out the evaluation. A Bank representative shall make all necessary arrangements to facilitate and assist with any logistical or liaison support in this respect. The Bank will provide all the assessments previously made as an input for the report. The evaluators are also free to request information from sources outside the Bank as deemed appropriate;
- iii. The evaluators shall not use any information or material not available to the general public for the purpose of furthering a private interest in the course of the exercise. They will act with appropriate discretion and, in particular, shall refrain from making any public statement concerning their duties without the prior approval of the Bank in the course of the exercise.
- iv. The Panel will gather with the Bank counterpart in a kick-off meeting in New York, United States, during January 2019, and will make up to two visits to Chile for field work and reporting. A first visit to the Bank is considered around the end of the first half of the evaluation period—the specific date is subject to external evaluators' joint availability—, and a second visit at the end of the evaluation period to receive feedback and submit a presentation of the assessment to the Board of the Bank (July 2019).
- v. One of the external evaluators will act as a Chairperson. The responsibilities of the Chairperson include a proper organization of the duties and workload of the rest of the Panel, and to organize the presentation of the draft report before the CBC Board.
- vi. The members of the Panel will be paid an honorarium, plus travel expenses and reimbursement of any other expenses they may have incurred in performing their assignment. The Chairperson will be paid an extra honorarium for his/her duties.

