

ANALYTICAL CAPABILITY OF THE ESM: TECHNICAL ANNEX

May 2025

Table of contents

1. Terms of reference	5
Background: purpose of this evaluation	6
Objective	7
Scope	8
Basis of judgement	9
What the evaluation intends to achieve	10
Guiding principles	10
How will it be accomplished	10
Prioritisation principles	11
Governance and accountability arrangements	12
What resources are available	13
Desired professional experience, skills, and values	14
Administrative and logistical support	15
Timeline	15
Resulting products, intended audience	15
Limitations and risks	16
2. Approach and methodology	18
Why this evaluation?	19
Analytical capability	19
Evaluation strategy	21
Evaluation process	22
Planning phase	22
Inception phase	23
Data collection and analysis phases	23
Synthesis phase	24
Integration of fact findings	25
Other methodologies	28
Most Significant Change study	28
Staff self-evaluation	29
Benchmarking through shock event studies	30
Resourcing	32
Timeline	33

Authority	34
Limitations	36
Alternative outcomes: removing some limitations	37
Alternative approaches: broader scope	37
3. Management plan	38
Timeline and resourcing	40
Status quo and objectives	43
Significant changes, remaining gaps	44
Recruitment data	45
Additional figures	46
Horizontal workstreams	47
4. Analytical system	52
Formalised frameworks in international institutions	53
Country risk assessment and monitoring framework	53
Backstop to the Single Resolution Fund	57
5. Shock event studies	59
Conclusions	60
Study 1: Brexit	61
Timeline	61
Background	61
Findings	63
Proposal of actions and policy solutions	65
Study 2: Covid-19	65
Timeline: three phases of shock	65
Early concerns	65
Pandemic confirmed	67
Lockdown	68
Findings	69
Proposal of actions and policy solutions	71
Study 3: Energy shock	71
Timeline	71
Background	71
Findings	73
Proposal of actions and policy solutions	74
Study 4: Monetary policy tightening	74
Timeline	74
Background	75
Findings	77

Proposal of actions and policy solutions	79
Study 5: Credit Suisse	79
Timeline	79
Background	79
Findings	80
Proposal of actions and policy solutions	82
6. Effective use of analytical capability	84
7. Bibliometric study	86
Introduction	87
Processes, priorities, events, and collaborations	87
Publication output: quantity, topics, incentives	90
Citation analysis: quality of publications	94
Internal quality control	98
Benchmark analysis: ESM and selected peers	100
Impact analysis: policy and media	102
Points for reflection by ESM Management	107
Annex 7.1 – Elsevier Report	108
Annex 7.2 – ESM annual citation counts	110
Annex 7.3 – Distribution of research and publication activity at ESM	110
Annex 7.4 – Key topics of the ESM working paper series	112
Annex 7.5 – Output compared to that of selected peer institutions	112
Annex 7.6 – ESM publications with most policy impact	113
Annex 7.7 – Other institutions’ recommendations after research evaluations	113
Annex 7.8 – Full Elsevier Report	115
8. Continuity	116
Staff training	117
9. Survey questionnaires	120
Staff self-evaluation	121
Letter of Introduction	121
Staff self-evaluation questionnaire	123
Staff survey	138
Letter of Introduction	138
Staff survey questionnaire	139
Board survey	150
Letter of Introduction	150
Board survey questionnaire	150
10. Coding structure	158
References	172

Acronyms and abbreviations

173



1. Terms of reference

Background: purpose of this evaluation

These Terms of Reference were approved on 21 August 2023.

Following the euro area sovereign debt crisis and the provision of financial assistance to five member states by the European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM), Europe was hit by the Covid-19 pandemic and subsequently by geopolitical threats and the energy crisis. To face these more recent crises, European Union (EU) Member States received financial support through newly established means and from other institutions than the ESM.

With challenging growth prospects and high levels of indebtedness, as well as threats from climate change and unpredictable events such as pandemics, the ESM needs to remain ready to discharge its mandate of safeguarding the financial stability of the euro area. In December 2018, the ESM Members called for new (more preventive) responsibilities for the institution and in 2021 signed an amended treaty (currently under ratification) to crystallise such decisions. The Members' renewed trust in the institution imposes huge expectations on the institution's analytical and crisis response capabilities. These expectations raise the need for evaluating how well the ESM has used its resources after the expiry of the stability programmes to further develop its capabilities and stay up to date, or ahead of the curve in the most strategic capabilities.

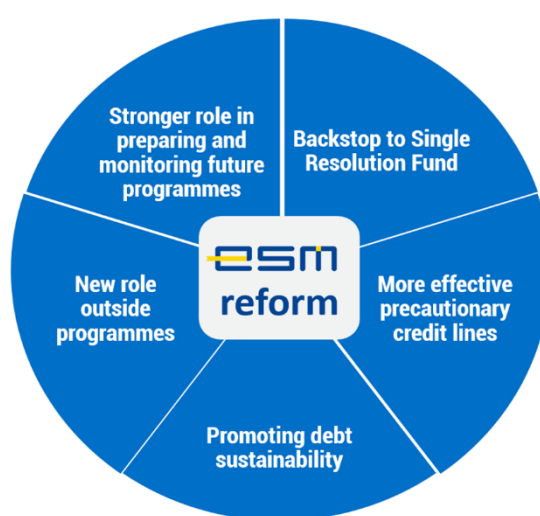
From its predecessor, the ESM inherited a focus on fund mobilisation for stability support in the event of impaired access to market financing by a Member. Under the core mandate until 2015, ESM country teams were monitoring programme countries with a focus on liquidity over a 12-month ahead horizon. The participation of the country teams in programme negotiations and reviews was focused on establishing a broad understanding of the issues. The limited analytical tools were mainly built by the individual capacity of the economists. Exchanges with the peer institutions were ad hoc and happened on a need-be basis. The Chief Economist, and the Managing Director, reviewed the output of the country teams.

Thereafter, in the context of the ESM Greek programme, the analytical capabilities strengthened. Several monitoring tools were developed, including for macroeconomic and fiscal, flow of funds, financing needs, and Debt Sustainability Analysis (DSA). The ESM team participated in programme design and reviews. The strengthened analytical capabilities were valued by the other institutions and the Eurogroup resulting in the ESM playing a leading role in assessing financing needs and debt sustainability. This was reflected formally in the revision of the Early Warning System (EWS) guidelines (approved by the ESM Board of Directors in June 2016) when the EWS reports were enriched with discussion around liquidity and risk scenarios and extended over the medium and long term. During the unprecedented debt measures for Greece (2016/2018), the analytical efforts supported the ESM and its Managing Director becoming one of the main actors in the negotiations.

Although all stability programmes financed by the ESM terminated in 2018, the ESM's operating environment, including financial markets, has remained volatile, challenging monitoring capability and timely strategy formulation. Funding of the granted loans continued and demanded active balance sheet management. The euro area economic governance framework was suspended in the midst of the pandemic and limited progress with the banking union and capital markets union initiatives continues to call for policy contributions.

As the basis for the enhanced mandate to preserve the financial stability of the euro area and its member states, the members agreed to further develop the ESM to strengthen the resilience and crisis resolution capacities of the euro area. The ESM will notably take a stronger role in the design, negotiation and monitoring of financial assistance programmes and is intended to provide a backstop for the Single Resolution Fund, in full respect of the European Commission and European Central Bank (ECB) competences as laid down in the EU legal framework. The European Commission and the ESM, within their respective competences and according to the modalities agreed in their joint position on future cooperation, will follow and assess macroeconomic and financial risks as well as debt sustainability to be prepared for future financial assistance requests and to adequately assess and design crisis measures. Figure 1.1 below recaps the main additions to the ESM mandate that transpire from the agreement in December 2018.

Figure 1.1
Key elements of the ESM reform



Source: ESM

The response to these demands has required investing in new instruments, the integration of macrofinancial and market analysis, and organisational development such as restructuring the Chief Economist department and developing a Review function. The response strategy to the strong policy guidance from Members has entailed a considerable increase in staffing and further development of tools, modalities and procedures including the internal committee framework. At the same time, all core responsibilities had to be maintained and the market has also challenged the resource mobilisation function and balance sheet management which are essential for the ESM's readiness to tackle potential support needs by Members.

Furthermore, the ESM entered a new era with the retirement of Managing Director Klaus Regling whose contribution was fundamental to establishing the institution and shaping its activities. The change at the helm creates an opportune moment for an evaluation to draw lessons and support institutional strategy reflections.

Objective

In this context, the ESM Management Board is commissioning an evaluation with a working title of ESM analytical capability.

The overarching objective is to assess the institutional capability to produce timely and relevant analytics and use the output for the benefit of the ESM mandate in both normal and crisis times. The evaluation process will identify key achievements, relevant strengths, and remaining relative weaknesses. More specifically, the evaluation should:

- Assess how recent efforts have advanced the ESM's capability to deploy and integrate economic and macrofinancial analysis with market intelligence to identify relevant risks and policy options.
- Reflect on the relevance and robustness of the established analytical system in view of the future needs including under the new mandate for risk monitoring and identification as well as programme design; identify key gaps, and assess the adequacy of the existing plans to credibly narrow or close them.
- Examine aspects of sustainability: Given the evolving operating environment and the unforeseen, complex nature of crises – with lingering vulnerabilities and sudden triggers – explore to what extent the achievements made in capability development are grounded in the organisation.
- Assess how effectively the ESM uses the analytical outputs to inform strategy formulation, and decision-making with focused recommendations in the service of mandate execution.

Scope

The evaluation will cover economist and finance functions closely connected with the design and monitoring of financial assistance, including the quality reviews. The investment strategy will not be among the priorities given its inclusion in the Board of Auditors' work programme, in spite of the relevance of macrofinancial analysis for its design. Legal analysis will not be covered either.

In terms of organisational setting, the underlying capabilities (or components of the scope) are managed mainly in the Chief Financial Officer (CFO) department, the Chief Economist (CE) department, and the Secretary General (SG) department. The evaluation approach and workplan to be developed in the inception phase will consider certain activities in those departments, and in others, as enabling capabilities when the focus will be further specified for the purposes of this evaluation and once adequate evaluability will have been verified.

The scope is further defined by the main evaluation period 2019–2023. While the focus will be on assessing the period relevant for the enhanced mandate since the 2018 agreement by the member state representatives, the evaluation will differentiate two time periods according to their functions within the scope. Developments in 2012–2018 will be examined and described to the extent necessary to understand the drivers and constraints affecting the main evaluation period. The context will therefore be developed on the basis of questions: What key capabilities relevant for the core mandate did the ESM acquire and develop in its first years of operation (2012–2018)? What were the plans to respond to further mandate demands, and how they were established?

Basis of judgement

The evaluation is grounded in the business objective of the ESM maintaining a high level of preparedness to act swiftly to both signal emerging risks and provide financial assistance if requested.

As a basis for the above assessment, the evaluation team is expected to

- take a holistic approach on the ESM's evolving mandate and diverse stakeholder expectations, putting a specific emphasis on how the ESM fits in the institutional framework and contributes through its specific status of an institution being present in the financial markets.
- base its capability judgements on key analytical products, tools development, and the relevant acceptance processes;
- sketch available expert and key player profiles as well as the ESM analytical system and the progress made in the past decade through key milestones.

The evaluation will contextualise the capability assessment to the size of the organisation and phase of development. The inception report will consider the possibilities for establishing the ESM's fit to the institutional setting and business interactions through institutional comparisons and benchmarking with relevant comparators as regards both the focus and contents of output with selected event studies.

While capability evaluations are primarily guided by the relevance criteria, the approach is further shaped by sustainability and effectiveness lenses. A crisis resolution entity's predicament to strive for timely output reflects the efficiency criterion with the understanding that delayed output risks being largely irrelevant. Preparedness will be assessed also through the sustainability criterion, covering the Single Resolution Fund backstop instrument.

The evaluation criteria are further defined in the glossary in Table 1.2.

The first objective, to be operationalised mainly through the efficiency criterion, applies particularly to the ESM's role to follow market, macroeconomic, and financial situations, and design and monitor financial assistance with partners in case of (a programme) request. This includes the strategy to maintain the readiness to fund such assistance. The second objective embedded in relevance requires the evaluation team to review i.a. analytical tools, products, related review processes, and development plans in place as well as coordination. The evaluation team may also demonstrate capability and progress through country cases. The third sustainability objective entails exploring the adequacy of the measures or precautions taken to deploy the capabilities as needed and to safeguard them over time; this would i.a. involve institutional comparison of relevant policies and practices. Analysis of the capability to use the analytical products focuses mainly on effectiveness and relevance considerations.

In assessing the prospective capability, the team may take into account concrete plans put in place for the 2024 budget to the extent their implementation can be judged realistic.

The inception report will refine the operationalisation of studies to adequately address the analytical support to the ESM's core responsibilities and the enhanced mandate.

What the evaluation intends to achieve

This evaluation is geared towards providing evidence to support a learning organisation and continuous improvement of ESM activities. It aims at informing the Managing Director and senior management of the institution's progress in the implementation of its enhanced mandate and maturity in responding to the relevant stakeholder expectations, and thus supporting future strategy deliberations and potential organisational decisions susceptible to ensure excellence in ESM responsibilities.

The analysis and conclusions of the evaluation process will strive to help understand and communicate key matters relevant for the ESM's core business responsibilities and critical for its mandate execution.

As excellence in the analytical capability is crucial for the institution's success, this evaluation can be characterised as strategic. It is also by nature thematic as it is focused on no specific country operation although case studies and benchmarking approaches will help build an informed assessment.

The evaluation results will be reported to the ESM Board of Directors and made public to contribute to transparency on the institution's activities. The evaluation may formulate recommendations for ESM Management's consideration. The timing of the draft evaluation report could facilitate management's typical cycle of reviewing the ESM strategic plan in June 2024. The findings of the evaluation are also likely relevant for partner institutions and the member state officials interacting with the institution.

The Evaluation Sponsor will advise the Managing Director on the application of international financial institution standards for management response and evaluation follow-up that support the overall process as a developmental and transformative exercise.

Guiding principles

How will it be accomplished

The evaluation will be conducted by the ESM Evaluation function under the auspices of the Secretary General as the Evaluation Sponsor. The evaluation team will be composed of ESM staff and enjoy support from external consultants. The team will have uninhibited access to ESM documents and data, including those of the relevant committees and ESM governing bodies, and it will seek internal and external stakeholder views.

The team will elaborate on the operationalisation of the evaluation criteria and questions in the inception report and in the technical annex to the evaluation report.

The evaluation will build its conceptual framework on the Kellogg logic model which is the industry standard for specifying the relevant elements of the evaluation objective (evaluand) and the logic of the evaluation approach. In this context, the evaluation will elaborate i.a. on the policy aspirations, collaboration arrangements, and legal and structural constraints affecting the evaluand. The evaluation process will likely require theories of change at varying levels of depth and detail.

The team will apply a mixed methods approach based on triangulation of various data sources to its investigation, i.a. document studies, interviews, focus groups, surveys. The team will also request self-assessments and invite staff to workshops on specific issues such as the mapping

of the ESM analytical system consisting of various tools and elaborating on how the analytical system is developed. The inception report will elaborate on individual studies to be undertaken.

It is worth emphasising that the analytical capability ultimately materialises in cross-departmental processes and senior management and experts making good use of the analytics and institutional positions formulated on that basis. The use involves generative initiatives, communication activities, advocacy, and indirect influence that often happens with considerable time lags. The team will develop theories of change and seek to apply the spheres of influence approach in its effectiveness assessment.

The team will ensure that data come from a variety of sources to ensure their accuracy, validity, and reliability. The evaluation design team obtained access to a large set of internal documents shared on internal SharePoint sites. The key features of the access will be catalogued in the inception report while it will not be disclosed due to data security reasons.

The relevant stakeholders will be considered so that the assessment is complete, fair, and unbiased. The team will consult the Evaluation Reference Group and internal stakeholders on draft versions of the evaluation report, and to the extent necessary institutional partners and peers for fact verification. The evaluation team will invite the relevant heads of division to information sessions during the evaluation process. The same group will form the main internal consultation body before engagement with the Management Board.

Prioritisation principles

Given the broad evaluation agenda, the team will need principles to prioritise its operational focus. The team will prioritise assessments in topics that have a likelihood of providing actionable results, i.e. conclusions and recommendations, and explore perspectives necessary for appropriate contextualisation.

Examining tool development efforts and their conceptual basis is an important part of the evaluation.

The key analytical product categories subject to this evaluation are seen as:

- Economic and financial analysis: Economic and Financial Risk Report (EFRR), Early Warning Exercise reports and DSAs, pre-/post-mission policy notes, spillover notes, Bank Viability Indicator (BVI), Sovereign Vulnerability Indicator (SVI).
- Market analysis: macrofinance report, issuance conditions environment report, Investment's weekly market report.
- Quality assurance: internal guidance, manuals and concept notes, process descriptions (Internal Control Framework), SG department's Policy Strategy and Institutional Relations (PSIR) division feedback notes, divisions' internal quality reviews, stress tests, post mortem or self-assessments.
- Outward engagement: external speeches, blogs and presentations, discussion papers.

Studies where data constraints risk the ability to ensure reliability or timely completion of the evaluation will be deprioritised. Incidents of encumbered data access will be reported. Although the ESM's role as a market participant is recognised as an advantage, high-frequency monitoring products may be treated with lesser intensity in this evaluation in favour of products that elaborate on context and conclusions. Similarly, documented studies deserve priority to presentations without shared background material.

Where collection of external feedback through interviews is subject to scheduling constraints, the team may resort to remote interviews, focus group discussions, or allowing stakeholders to submit written responses to a reduced list of evaluation questions.

Use of the analytical products is a relevant aspect of this evaluation. However, as the ESM evaluation plans contain a separate future evaluation of the ESM's communication strategy, the deeper or more technical and cumbersome communication topics, even when relevant for the institution's analytical capability, could be considered secondary in the event of critical resource constraints. For example, the ESM has published a large number of working papers, by staff and external authors. They could be considered within scope of the evaluation if a librarian resource was available to document the external use of the papers. The evaluation may, however, seek to establish the internal relevance of the studies independently from a broader study.

Use of the analytics includes the formulation of ESM positions for policy fora. The ESM Annual Report is the only regular publication of the institution. Given the detailed review member states exercise on its policy and country analysis sections, it also reflects political views of ESM Members and not only the analytical and communication input of ESM staff.

Where a separate self-evaluation by operational teams, or the Review function, based on a narrower set of mostly internal input can create complementary value, the evaluation team may decide a carve-out in the event of resource pressures.

The Chief Economist and CFO have provided guidance for the above prioritisation logic and emerging evaluation questions. A more detailed triage plan will be developed in the inception report to guide adjustments in workplans when needed.

Governance and accountability arrangements

The Management Board selected the evaluation topic in March 2023 after having established the ESM Evaluation function in December 2022. The Secretary General will act as the Evaluation Sponsor and will ensure adequate resources for the evaluation.

The exercise will be led by Senior Advisor to the Secretary General as the Evaluation Lead, supported by a Senior Legal Counsel, Institutional and Corporate affairs. The Evaluation Lead may liaise with key stakeholders, partner institutions, and other stakeholders within the remit of the evaluation plan. The Evaluation Sponsor will support access to evidence and foster external collaboration where relevant.

The ESM has re-established the Evaluation Reference Group as the key quality assurance mechanism. The Evaluation Reference Group is composed of former senior officers with extensive experience from international financial institution evaluation activities. In view of the Evaluation Reference Group's advisory role, the Evaluation Lead has an obligation to give a due consideration to their advice which is summarised to the Evaluation Sponsor. The evaluation schedule incorporates five occasions of interaction between the Evaluation Reference Group and the evaluation team.

The Evaluation Lead will conceptualise the evaluation approach, formulate the workplans with the evaluation team, and manage the activities. He will promote a common understanding of the basic objectives, values, and assumptions underlying the analysis among the evaluation team. This role includes confirming the final judgements, where necessary in consultation with the Evaluation Reference Group and the Evaluation Sponsor who will protect the independence and impartial process free from undue management influence.

The ultimate purpose of every evaluation is to exert influence, promote practices to propel policy and strategy changes, and organisational and agenda modifications. The Evaluation function should strive to apply relevant international financial institution best practices to develop recommendations, deploy feedback loops, elicit management responses, involve boards, and promote follow up on the implementation of recommendations.

In its fact finding, the evaluation team may approach selected ESM Members' representatives individually. ESM Directors and/or their team members in charge of ESM matters may be also involved in the surveys.

The report will be submitted to the Board of Directors and Managing Director. The Management Board will have an opportunity to comment on the report that, once finalised, will be presented to the Board of Directors and published on the ESM's website, together with the supporting background papers and a technical annex. In the evaluation process, the evaluation team will make a draft report available for division heads for feedback based on their expertise.

The evaluation team will exercise a coherent evaluation process and present verified evidence. It will apply the relevant ethical standards of the evaluation community, including reporting on all relevant perspectives and acknowledging well-founded minority views. It will protect the anonymity of respondents and informants, and apply the "do no harm" principle. The team will access confidential data and documents at its request. The relevant division heads will support data accessibility. The evaluation team may reflect on all existing material while applying due caution with disclosure of market sensitive and strictly confidential information as well as protecting personal data. Conclusions may, however, be drawn on such data when contextualised with additional evidence.

What resources are available

With the support of the Evaluation Sponsor, several ESM departments will provide staff resources to the evaluation team. The expectation is for allocations from the CE, CFO, SG, and Legal departments.

The Evaluation Lead is assigned full time to the evaluation exercise and institutional development of the function. Evaluation team members will be working on specific evaluation activities with part-time effort that should be adequately planned and committed. A core team working initially on best-effort basis will complete the inception phase to establish the workplans.

The resources available for external expenditure in 2023 have been specified in the ESM budget under Managing Director's contingency. Further allocations for the 2024 budget will be proposed on the basis of the workplans by July 2023. A junior resource is requested as a trainee position for the first half of 2024.

The scheduling of various activities under the evaluation exercise will depend on the availability of the resources and length of procurement procedures. Depending on the effort allocated for each individual, up to five additional experts hosting diverse capabilities may be required to contribute after the inception phase in which the Evaluation Leads will have support from deputy head and senior advisor level staff. Unless departmental priorities for the second half of 2023 are adjusted, some of the resources likely require sourcing through consultancy contracts. Consultants will also contribute to the independence of the exercise and reducing potential staff

concerns on lack of objectivity. Delays in resourcing would lead to postponing process milestones and risk missing the expected completion time.

The Chief Economist, CFO, General Counsel, and Secretary General have been consulted about the evaluation questions and staff resource allocations for this exercise. The workplans will prioritise the evaluation questions and respective studies, and the Evaluation Lead may adjust them to the resource availability after consulting with the Evaluation Sponsor applying the principles described above.

Desired professional experience, skills, and values

The evaluation team, with differing areas of expertise and experience, is expected to make active efforts to preserve an independent and unbiased approach to the evaluand. Team members should aspire to conduct high-quality work guided by professional standards and ethical and moral principles. Evaluators must respect people's right to provide information in confidence, and must ensure that sensitive information cannot be traced to its source. Evaluators are not expected to evaluate individuals, and should balance an evaluation of management functions with this general principle. Evaluators have a responsibility to note issues and findings that may not relate directly to the Terms of Reference, and consider how they may affect the context. The evaluation tasks will require willingness to develop a comprehensive understanding of major trends and issues affecting the evaluation topic and the institution. Formulating non-prescriptive but actionable recommendations require political sensitivity.

Team members are expected to be well versed in qualitative and quantitative data collection, analysis approaches and tools, and capable of extracting evidence-based findings and conclusions. Skills should support systematic inquiry and situational analysis.

Given the nature of the evaluation exercise, the ability to engage in participatory approaches, and bring together diverse perspectives will be important. Evaluators must ensure the honesty, impartiality, and integrity of the entire evaluation process, including clear representation of study limitations.

The evaluation team will establish a mechanism that will allow the team members to disclose within the team any matters that might be perceived as sources of conflict of interest in the ESM or by external stakeholders. This is an individual responsibility for which awareness will be fostered. Staff will not as a rule assess products of their own work and will not accept guidance from their superior for the evaluation tasks. The Evaluation Lead will report any such guidance to the Evaluation Sponsor.

While capability evaluations naturally build on interactions, the evaluation team will avoid overburdening ESM divisions or ESM Members with requests, while ensuring appropriate participation.

The counterparts of the evaluation team, particularly the heads of divisions, are expected to raise generic concerns in a forward-looking manner in the context of regular internal consultation events. Where division heads feel compelled to issue a complaint, they will approach the Evaluation Sponsor who will advise the Evaluation Lead where necessary. Effort will be made to seek the Evaluation Reference Group's advice in relevant cases.

Administrative and logistical support

The Evaluation Sponsor will provide administrative support and a resource to help organise field work including travel where necessary.

The Communications division will engage efforts in 2024 for editorial support to finalise the products and assist the evaluation team to formulate its communication and outreach plan which will i.a. include a session in the European Evaluation Society's conference in September 2024.

Separately, the finalisation stage will allow the PSIR and Communications divisions to plan the institutional response and related communication approach.

For internal communication, the evaluation team will use a specific open ESM Teams channel.

Timeline

As a guiding principle, the evaluation will be completed by Q3/2024, subject to adequate resourcing. This Terms of Reference will be approved by the Secretary General in August 2023, and the inception report containing the workplans will be completed by August/September 2023 following a consultation with the Evaluation Reference Group. The inception phase includes undertaking a literature review on the concept of capability. Procurement for the first external deliverables will be frontloaded to the extent possible.

The workplans will aspire to collect the necessary evidence to move to synthesis phase at the beginning of 2024.

The draft evaluation report should envisage to contribute to the mid-2024 update of ESM strategic plans. Table 1.1 outlines the tentative milestones of the evaluation process.

Table 1.1
Initial evaluation timeline

Milestone stages	Tentative target timeline
Decision on the evaluation topic	March 2023
Inception phase	April – August 2023
Data collection	May 2023 – January 2024
Analysis	August 2023 – January 2024
Synthesis leading to a draft report	January – May 2024
Consultation on the draft evaluation report	June 2024
Finalisation	July 2024
Layout	August – mid-September 2024
Publication	Before end-September 2024

Source: ESM

Resulting products, intended audience

The exercise will produce an evaluation report addressed to the Board of Directors and ESM senior management. Findings which are more suited for internal attention may be presented separately. Conclusions should add value to findings and represent insights into identification or solutions of important problems or issues. The evaluation methodology and a critical self-

assessment of the evaluation process will be described and made public in a technical annex which may also include further information mostly relevant for the professional evaluation community or internal experts. Any commissioned background papers will be published in conjunction with the other reports.

The exercise will follow the reporting standards of the professional evaluation community, including outlining key questions that this exercise was not able to address in full, and what data or resource would have been needed to answer these questions. Any changes made to the objectives included in the Terms of Reference will be described in the reporting. A comprehensive, but not excessive, description of the critical aspects of methodology should be contained in the evaluation report or technical annex to allow the users of the evaluation to come to their own conclusions about the studies. An explanation of context contributes to the utility and accuracy of the evaluation. An understanding of which external factors contributed to the success or failure of the evaluation helps determine how such factors will affect its future, or whether it could be replicated in another context.

Limitations and risks

The evaluation will draw on available documentation, and interview or survey identified knowledgeable experts and decision makers. Effort will be made to approach previous ESM staff and trainees to the extent their contacts will be available. Essentially, this will represent a convenience sampling.

The examination of the internal analyses and analysis tools will mostly build on a portfolio analysis approach seeking to establish the logic, developments over time, focus – or variance in focus – patterns, systematic phenomena, connections, synergies, and gaps, instead of profoundly assessing the quality of individual studies, reports, or personal skills.

The tentative schedule is in line with international financial institutions' typical project portfolio evaluations on the condition that resources are in place. But ideally case studies would be prepared prior to the main interview period in Q4 2023. A parallel operation of those workstreams presents a risk for timeliness and fully benefiting from potential synergies unless carefully coordinated.

Given a small evaluation team, the exercise will suffer key person risks. Active senior management support, teamwork, and opportunities for personal engagement support staff commitment and ownership. Despite the team size, each evaluator will avoid assessing connected work alone. As a rule, four-eyes practice will be applied.

While this evaluation does not focus on the ESM Risk Management department, it should consider how risk aspects were treated as part of the analytics. As noted, the evaluation does not assess legal analyses, nor will it prioritise investment strategy. The implementation of CFO department strategies and past programme policies is also outside of the scope.

Table 1.2
Evaluation criteria

Criterion	Definition for the purposes of this evaluation
Efficiency	<p>The extent to which the intervention delivers, or is likely to deliver, results in an economic and timely way.</p> <p>Where cost analysis is done it should be explicit in terms of perspective used and its limitations. “Timely” delivery is within the intended timeframe, or a timeframe reasonably adjusted to the demands of the evolving context.</p> <p>For this evaluation, efficiency criterion essentially concentrates on timeliness as a condition for relevance which determines largely whether the subject evaluated is worth doing. It further explores the extent to which the measures were implemented as planned.</p> <p>This may include assessing how well the intervention was managed and how coordination mechanisms operated. The efficiency criterion also includes a notion of internal coherence and consistency of the intervention with the relevant international norms and standards to which the institution adheres.</p>
Effectiveness	<p>The extent to which an intervention attains its major relevant objectives, or is expected to do so, taking into account their relative importance. Has it generated positive institutional development? In this evaluation the aspect concerns mostly the ESM’s influence.</p>
Relevance	<p>Relevance as an evaluation criterion assesses the extent to which the objectives of an intervention are consistent with country needs, a strategy, or institutional mandates; where relevant, it may extend to partners’ policies or global priorities. It, therefore, pertains also to aspects of external coherence (the consistency of an intervention with other actors’ interventions in the same context) in this evaluation. In capability assessments, relevance is considered the primary criterion.</p>
Sustainability	<p>The degree to which capability has been built and institutionalised so that services or processes continue once inputs (funding, materials, training, etc.) provided by the original sources decrease or discontinue. It further assesses the potential for scale-up or replication; the achieved ownership of the results; and may adopt environmentally, institutionally, financially, politically, culturally, and socially sustainable, or systemic perspectives. The Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee encourages analysis of potential trade-offs under this criterion.</p> <p>Sustainability criterion typically captures the likelihood of long-term benefits and the resilience to risks of the net benefit flows over time. It thus considers the trade-offs of meeting current and future needs.</p>

Source: ESM

2. Approach and methodology

This chapter reports on the evaluation process and methodology, complementing Chapter 1 of the evaluation report.

Why this evaluation?

The ESM showed its capacity in the context of the Greek crisis. Following the euro area sovereign debt crisis and the provision of financial assistance to five member states, Europe was hit by the Covid-19 pandemic and subsequently by geopolitical threats and the energy crisis.

In these later crises, the ESM played a less central role, as other institutions also activated crisis support in the EU. However, it needs to remain responsive to traditional dangers, such as challenges to growth, financial instability, and high debt levels, as well as to more fluid threats to the region, such as pandemics and climate change.

In December 2018, the member states called for a more preventive mandate for the institution. They agreed on a new set of responsibilities.

The Members' demands place a weighty burden of expectations on the institution's analytical and crisis response capability. Given the prominence of the enhanced mandate, ESM Management sought an assessment of the progress made since 2018 to further develop its capacities and to stay ahead of the curve in the most strategic capabilities. Evaluation results can then be used to focus capability development where needed. The ESM also entered a new era with the retirement of Managing Director Klaus Regling, whose contribution was fundamental to establishing the institution and shaping its activities. The change in leadership creates an opportune moment for an evaluation to draw lessons and reflect on institutional strategy.

With its role evolving in a challenging operating environment, the institution can benefit from an exercise that provides transparency on its strategies and operations, and reassurance on the progress made in relevant capabilities. To conduct an appropriate assessment of these aspects, the exercise is grounded in the business objective of the ESM maintaining a high level of preparedness to act swiftly to both signal emerging risks and provide financial assistance if requested. The Terms of Reference defined the following topics for evaluation: development and safeguarding of analytical capability; the ESM's place in the institutional setting; and implications for the formulation of the funding strategy.

The above calls for a holistic approach, considering the ESM's evolving mandate as well as stakeholder expectations in which comparisons with other international financial institutions set high benchmarks for an institution that operates with a different business model and on a smaller scale than its peers, and which is still in a phase of development.

Analytical capability

This evaluation aims to assess the ESM's analytical capability, framed as the institutional capability to deploy and integrate economic and macrofinancial analysis with market intelligence in a timely manner to identify relevant financial stability vulnerabilities, flag emerging risks, and consider policy options in preparation for a role in financial assistance. The analytical capability is thus harnessed to preparedness.

There is no well-established theoretical framework to measure or assess capability, although some international institutions have conducted specific capability evaluations and a body of

research exists in the field, often connected to innovation. It is an area that leans on diverse theories and analytical frameworks, which have some common features. Robeyns (2017) describes a “capability approach” as a conceptual framework for a range of evaluative exercises. These include assessing individual levels of achieved conditions (wellbeing, freedom, or readiness) or of skill, evaluating social arrangements or institutions, and designing policies and other forms of societal change.

This evaluation makes an effort to apply a systems approach to the analytical capability of the ESM, looking at it in a holistic way. Aligned with Wu, Ramesh, and Howlett (2015), the analytical capability of an institution involves capabilities at three nested levels — individual, organisational, and systemic — each affecting the other. The systemic element means that for an organisation to be effective in its policy roles, certain external conditions must be met, such as other stakeholders having relevant policy capabilities. Andrews, Pritchett, and Woolcock (2017) articulate the effectiveness of policy capability through a need for institutional trust and an authorising environment.

Authority structures have important effects on how, when, and with whom organisations conduct their activities, and with what focus. This authority may be exerted through charismatic individuals, traditions and customs, or through status conferred by formal rules, such as powers to regulate.¹

Policy capability ultimately defines the opportunity for effective use of the institution’s analytical capability. In our evaluation framework, a certain level of authority and legitimacy is assumed from the authorising environment to enable policy capability, but actual activity requires agency, a choice of converting the existing capability set into action.²

Being in active use is a key characteristic of a capability. Capability is formed and maintained by repetition: a plan or a one-off exercise is not sufficient evidence of a capability, although they might contribute to maintaining or further developing its elements. A capability is also easily lost in inaction and is unlikely to be rebuilt without considerable investment. An activity should enjoy a good probability of success, or be realisable, to constitute a capability. Moreover, such an established routine would typically allow a certain level of standardisation. (Bridoux et al., 2016; Robeyns, 2017; Escamila-Solano et al., 2017)

The approach developed for this evaluation does not assess individuals’ capabilities or performance, although it includes individual staff and others as informants. Indeed, they assess their own capabilities (skills and experience) as input to the institutional assessment, which essentially takes a portfolio approach. The key actors are internal, staff and management, with their individual capabilities forming a collective capability.

The capabilities of interest are collective, which underscores a need to engage in collective action and interactions for any individual to reach their “personal capability”. Similarly, one person’s actions may influence the capabilities of others. This pertains to both individuals and organisations. Policymakers have the agency to influence structural factors. Guo et al. (2022)

¹ Robeyns (2017) claims that structural constraints are particularly relevant for those who suffer from stigma — as the ESM. These constraints affect the capabilities that do not rely on resources, or the capability set directly, such as confidence and opportunities for an effective network.

² For Wu, Ramesh, and Howlett (2015), the ability to access and apply technical and scientific knowledge and analytical techniques in an efficient and effective way defines one’s analytical capability. They recognise that individual professionals, such as policymakers, public managers, and policy analysts, play a key role in determining how well various functions in policy processes are conducted, and their policy capability is largely determined by their knowledge of relevant processes, analytical skills, managerial expertise, and political judgement. However, high levels of individual capacity may not ensure policy effectiveness without support from organisational and system level capabilities.

see generative capability as particularly important in organisations whose development involves an evolving knowledge base and behaviours. Lado and Wilson (1994) emphasise management roles such as articulating strategic vision and re-examining assumptions regarding what constitutes a distinctive competence for their organisation. This framework identified input-based assets (physical and human resources, knowledge, skills, change processes, etc.), transformational assets (innovation, organisational learning, entrepreneurship, internal labour market, etc.), and output-based assets (including knowledge base, corporate reputation, and image) as defining an organisation.

Many of the above aspects have helped organise the findings and assessments of this evaluation. Its multi-faceted objective is to establish and put into operation a repetitive process of regular analysis and policy support. It entails maintaining a high level of preparedness and capability to prioritise. The stakes are high; success or failure can bring large social benefits, or costs.

A final element of this capability evaluation is sustainability. It examines the vulnerability of the analytical capability, asks which activities have persisted and how the institution is building for the long term. How accessible is knowledge, how is it appreciated, shared, retained? The study asks whether adequate efforts are made to ensure that staff are sensitive to member states' tolerance for conditions of financial assistance. Are institutionalisation efforts sufficient in this regard? It aspires to provide at least partial answers to complex questions, such as whether there is an environment at the ESM conducive to sustaining new activities and assessing levels of collective responsibility and accountability ('authorising environment'). Knobbout et al. (2024) note that if a capability is real, it will not be easily transferable elsewhere because of its embedded nature.

Evaluation strategy

Stakeholder objectives dictate that the evaluation should support organisational improvement and continuous learning and should also respect the nature of the ESM as an organisation in a permanent state of alert. As such, they characterise the evaluation approach as a formative one – designed to improve research capability as it develops. There are several elements to the implementation of the evaluation. For example, Chapter 2 of the evaluation report lays out a process evaluation of the implementation of the Management Plan. That plan is supplemented by a Most Significant Change module to identify key levers and valuable outcomes from a management perspective, and this is then contrasted with a staff view obtained from a survey. The Most Significant Change method is often connected with impact evaluations but here it contributes to understanding the change dynamics.

The exercise is characterised by aspects of both ex-post and ex-ante evaluation, but the main metric of the assessment is progress made in preparedness for the ESM's new formal responsibilities. The ex-post element refers to the completed Management Plan. The ex-ante element reflects that the treaty formalising all these foreseen responsibilities has yet to be ratified.

The first element of the evaluation assessing the fidelity of implementation of the Management Plan caters for accountability perspectives. It also helps understand to what extent the development was intended, and where progress was more organically driven.

Given the need for continuous development, the exercise should be understood as a

transformational evaluation, focusing on the most significant aspects of efforts to build capability. Some interviewees said that the Management Plan had greatly transformed an institution previously focused on financing. These elements require evaluation to recognise the phase of development in relation to the time span involved and the resources available to the organisation, within the broader institutional and operational context.

This evaluation was also an opportunity to support further adaptation and a new focus on needs dictated by a changing situation. While the formal Management Plan ran from 2020 to 2022, development work continues to draw on outcomes achieved through it. As a result, the evaluation took place while some changes set in motion by the plan were still under way, as well as while uncertainty remained over the completion of ratification of the ESM Treaty.

Rogers and Woolcock (2023) posit that it would be reasonable for ex-post evaluations to consider what stage capabilities might reach in future. The Terms of Reference allowed the evaluation team to extend the formal evaluation period to 2019–2023 to consider objectives set for 2024. Further projection would be challenging in the absence of longer-term organisational plans.

The evaluation strategy is further characterised by a portfolio approach. Due to the wide scope of analytical capability across departments, the evaluation alternates between a broad, structural perspective and zooming in to aspects of specific capabilities within the ESM. The evaluation reports as a priority on those aspects on which the team could develop adequate insights to influence the direction of the institution.

Finally, data collection and analysis have been shaped by the mixed-methods approach. This enables triangulation of different data sources and data sets and the alternation of evaluators working on specific topics, to bolster the reliability and depth of assessments. The available data is, however, mainly qualitative. This is typical for capability evaluations.³

Evaluation process

Planning phase

The planning of the evaluation started at the beginning of 2023. The governance and organisational structure for the conduct of the evaluation was set in the Terms of Reference approved at the end of the planning stage. The evaluation was conducted by the ESM Evaluation function under the auspices of the Secretary General as the Evaluation Sponsor. As with previous ESM evaluations, the evaluation team was supported by the Evaluation Reference Group. The Evaluation Reference Group provided quality assurance, periodically reviewing intermediate output, including the draft Terms of Reference, inception report, interim report to ESM Management, and the final draft report.

The planning phase identified key elements of the Terms of Reference to ensure that the evaluation would serve the interests of ESM Management, as the first level of stakeholder. The evaluation aimed to support strategic and organisational decision-making in the early part of the new Managing Director's term and to help clarify matters critical to the ESM's business and core responsibilities to its stakeholders.

³ Surveys were deployed to obtain quantitative data. Some quantitative data was also provided by the ESM Human Resources and Communication departments. The bibliographic studies rely largely on quantitative data.

Scoping also reflected on the necessary resource planning and its implications for the evaluation timeline, which was to be adjusted for resource availability.

Inception phase

An inception report was drafted to review academic literature on capability concepts and understand relevant approaches applied by peer institutions in this field. It defined the evaluation approach, outlined the envisaged data collection methods, and elaborated on the context and project stakeholders.

This phase also established information collection tools, such as the procurement of an online survey service and a transcription service, as well as verified access to key internal data. The main internal documents were gathered in a secure database operated with QDA NVivo software to allow equal data access to the whole team. In later stages, all relevant input documents, including the survey responses, were saved in the same database to help ensure that the evaluation could be replicated.

Data collection and analysis phases

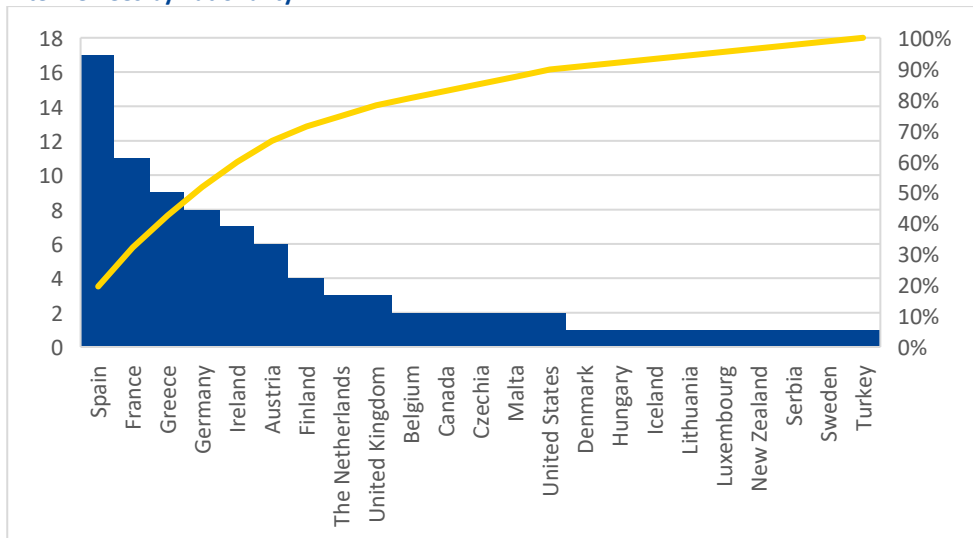
Primary data collection started with internal surveys and interviews that took place in parallel from September 2023 to January 2024. Table 2.1 outlines the main data collection methods.

The evaluation team conducted 87 external interviews among stakeholders, almost all face to face. Recordings were transcribed and coded on QDA NVivo in an iterative process and written notes compiled from the handful of interviewees who declined recording.

Figures 2.1 and 2.2 describe the nationalities and employers of the external interviewees, selected through purposive sampling. Some were chosen for their engagement with and depth of knowledge of ESM activities, others were influencers in the relevant policy domains. In a very few cases, requested interviews could not be conducted in the time available. Some interviewees suggested further interlocutors, who were interviewed in turn. All such interviews provided useful perspectives.

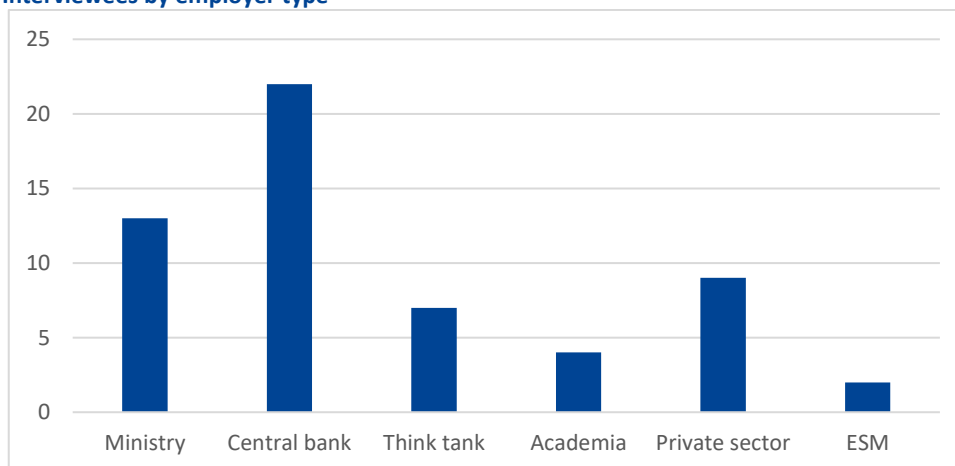
An initial coding structure was suggested by the Team Lead based on the review of theory and key evaluation questions. This was further elaborated based on feedback from the team. Once all the interviews were coded, several nodes – units of meaning – were further parsed into subnodes to refine the material. To help in the drafting of the report, some nodes were summarised outside the system. Further analysis was conducted which, in turn, studied node clusters, survey data, background information, and literature.

Figure 2.1
Interviewees by nationality



Source: Evaluation team

Figure 2.2
Interviewees by employer type



Source: Evaluation team

For the bibliometric study ESM staff were requested to share their publication records, and ESM working paper abstracts were collected and analysed. The evaluation team also had access to Elsevier's Scopus database and SciVal analytical tool, as well as to the Social Science Research Network. Separately, Elsevier produced an extensive, tailored citation analysis from its databases. The bibliometric study is reported in its entirety in Chapter 7. The Elsevier Report is published separately.⁴

Synthesis phase

The evaluation per se is a synthesis of various strands of work (analyses, surveys, studies, and consultations) that draw on different data sources and types. The analyses form a multi-level

⁴ The initial plan to conduct a full internal citation study and review the media reach of a selection of ESM working papers, discussion papers, speeches, and blogs was replaced by this more external assessment due to resource constraints. This led to results weighted toward academic output. A specific study of altmetrics – typically of online and social media engagement – was abandoned. Plans for a later, specific evaluation of the ESM's communication strategy played a part in these decisions.

structure that supports inference and synthesis. On occasion, the team used researcher triangulation and queried part of the data with artificial intelligence (AI) to challenge the completeness of perspectives.

In the synthesis process, the evaluation team's objective was to create an understanding beyond a simple set of isolated conclusions made on the basis of the findings. This happens by integrating individual strands of work.

Individual strands of work were summarised to serve as inputs to the synthesis and establish findings and conclusions. Interviews were transcribed in detail when the narrative became important for the analysis. The key points of the more technical interviews were summarised in individual notes. Peer consultation within the team was used to qualify or eliminate alternative interpretations.

The synthesis drew on academic and management literature to provide structure for the teams' findings. In the drafting process, the report or parts of it were submitted for consultation. The Evaluation Reference Group had an opportunity to review an early draft. The ESM Management Board was consulted on the subsequent version, and the final draft was again discussed with the Evaluation Reference Group before completing the drafting phase.

Evaluation standards followed by international financial institutions include systematic follow-up on those recommendations that are accepted by management or governing bodies. Recommendations should be firmly based on evidence and analysis and be relevant and realistic. They should be prioritised as far as possible. Best practice calls for recommendations to state responsibilities and a timeframe for their implementation, to the extent possible.

Integration of fact findings

The assessment of implementation fidelity for the Management Plan in Chapter 2 of the evaluation report draws on several elements: the ESM staff survey; internal document studies; further discussions with ESM staff; and the Most Significant Change study conducted with CE department management and its related focus group discussions. These qualitative studies help to identify key success factors in the reform efforts. The conclusions attempt to provide insights on whether the Management Plan was implemented as intended, and on what obstacles emerged. Since the implementation was carried out by staff – new recruits and longer-serving experts – the employee self-evaluation provided views on the quality of resources available for implementation.

Chapter 3 of the evaluation report, which maps the main components of the ESM analytical system to assess its robustness, builds on fact findings drawn mainly from the staff self-evaluation and staff survey, internal document reviews, evaluation interviews and focus group discussions, and publications by peer institutions or in academic journals.

The effectiveness analysis of Chapter 4 of the report draws on those same staff surveys and self-evaluations, external and internal interviews, internal document studies, shock event studies, and an in-depth bibliometric study of the ESM's research and publication activity. The bibliometric study stands alone as Chapter 7 of this technical annex. The external input commissioned from Elsevier is published separately.

The sustainability and continuity element of the report's Chapter 5 similarly benefits from the staff survey. However, it benefits especially from interviews conducted by the evaluation team. Less formal features of the team's fact finding, through submersive observation, particularly informed the analysis of the organisational culture and the role of the senior oversight

committee.

Table 2.1 summarises the main tools developed for the collection of evidence in this evaluation exercise. The survey questionnaires are available in chronological order in Chapter 9.

Table 2.1
Sources of evidence

Source	Description
ESM staff self-assessment	<p>Timeframe: October–November 2023.</p> <p>Purpose: Gathering staff assessments of their individual skills and analytical capability (knowledge, applied skills, and behaviour).</p> <p>Tool/Platform: Netigate. Questionnaire based on “Policy Skills Framework”, The Policy Project (New Zealand government, 2023), see: Policy Skills Framework. See Chapter 9 for the questionnaire.</p> <p>Observation Points: The initial distribution of the questionnaire included 115 ESM employees of various categories in the CE, CFO, and SG departments. Of the 76 anonymous respondents, 50% work in the CE department, 26% in the SG department, and 24% in the CFO department. Respondents from the CE department are evenly spread across its units. Respondents from the SG department mainly work in PSIR (40%), Corporate Governance and Internal Policies (25%), and Communications (20%). Respondents from the CFO department work notably in Funding and Investor Relations (FIR) (72%) and Asset and Liability Management (ALM) and Financial Structuring (28%). 90% of the respondents are experts, 9% are managers, and 1% support staff. Surveys were made available to all staff in the three departments for the sake of transparency, independent of their specific tasks. The focus of the questionnaire explains a lower response rate in the SG department.</p> <p>Non-response statistics: Complete responders (64); non-responders (39); answering dropouts or item non-responding dropouts (5); lurkers or lurking dropouts (7).</p>
ESM staff survey	<p>Timeframe: November–December 2023.</p> <p>Purpose: Gathering staff assessments of the ESM’s analytical capability and framework.</p> <p>Tool/Platform: Netigate. See Chapter 9 for the questionnaire.</p> <p>Observation Points: The initial distribution of the questionnaire included 115 ESM employees of various categories in the CE, CFO, and SG departments. Of the 51 anonymous respondents (response rate of 44%), 66% work in the CE department, 20% in the CFO department, and 14% in the SG department. Respondents from the CE department are evenly spread among the units Economic and Market Analysis (EMA) (11), Economic Risk Analysis (ERA) (10), and Financial Sector and Market Analysis (FSM) (10). Respondents from the CFO department mainly work in FIR (4) and ALM and Financial Structuring (4). Most respondents from the SG department work in PSIR (4). 86% of the respondents are experts, 12% are managers, and 2% are support staff. 33% of the respondents are female, 67% are male.</p> <p>Non-response statistics: Complete responders (39); non-responders (64); answering dropouts or item non-responding dropouts (5); lurkers or lurking dropouts (7), all from CFO and SG departments. The questionnaire included several batteries of questions, which is intended to favour consistency in responses but also tends to weaken the response rate.</p>
ESM board survey	<p>Timeframe: December 2023.</p> <p>Purpose: Gathering Members’ assessments of the ESM’s analytical capability and framework.</p> <p>Tool/Platform: Netigate. See Chapter 9 for the questionnaire.</p> <p>Observation Points: The Managing Director informed the Board of Directors in advance of the survey being sent to them. The initial distribution was to the finance ministries of the 20 euro area member states. Four responded, while three began the survey but dropped out. Given</p>

	the low response rate, some ministries were contacted for oral feedback. Others were already part of the broader interview missions.
External interviews	<p>Timeframe: September 2023–March 2024.</p> <p>Purpose: Gathering external views on the ESM’s analytical capability, role, and profile from the points of view of stakeholders, peer institutions, and the scientific community.</p> <p>Tool/Platform: Physical and online interviews. Coding in NVivo.</p> <p>Observation Points: 93 interviews with people from nine euro area and two non-euro area countries, including 13 government representatives, 22 central bank representatives, 26 representatives from international organisations, 11 from scientific institutions, and 9 from corporations.</p>
Focus group discussions	<p>Timeframe: March–June 2024.</p> <p>Purpose: In-depth discussions of ESM staff self-evaluation and ESM survey results. Further gathering of information on ESM analytical tools, processes, and products.</p> <p>Tool/Platform: Physical and online discussions.</p> <p>Observation Points: Two discussions with ESM Management, four with ESM staff.</p>
Document analysis	<p>Timeframe: August 2023–September 2024.</p> <p>Purpose: Theoretical and empirical background for the evaluation. In-depth analysis of the ESM’s analytical framework and its development (e.g. the ESM Management Plan).</p> <p>Tool/Platform: NVivo.</p> <p>Observation Points: Database of about 1,000 internal and external documents collected in NVivo.</p>
Bibliometric study	<p>Timeframe: January–May 2024.</p> <p>Purpose: The bibliometric study was conducted to assess the productivity, quality, and impact of the ESM’s research and related publication activity for the period 2013 to 2023, reflecting both the individual analytical capabilities of staff and organisational capacity.</p> <p>Tools/Platforms: ESM publication database, ESM Communications division database, Google Scholar, Scopus, Overton database, SciVal, and the Elsevier Report (2024). See Chapter 7 of this technical annex for the full study.</p> <p>Observation Points: 206 publications (2013–2023) listed on ESM homepage (70 blogs, 11 annual reports, 58 working papers, 22 discussion papers, and 45 op-eds, articles, or other reports) and 57 ESM staff publications (2014–2023) registered in Elsevier’s Scopus database (54 articles in peer-reviewed journals, 2 reviews, and 1 conference paper).</p>
Elsevier Report	<p>Timeframe: January–April 2024.</p> <p>Purpose: Commissioned by ESM from Elsevier to assess quantity, quality, and impact (on policy and in media) of ESM articles (2014–2023) in peer-reviewed journals. Benchmarked against peer institutions.</p> <p>Tool/Platform: Elsevier Scopus database, Overton database, SciVal analytical tool. See separate document for the full Elsevier Report (2024), including key deliverables agreed with the ESM in the Elsevier Services Statement of Work (2024).</p> <p>Observation Points: 57 ESM staff publications (2014–2023) registered in Elsevier’s Scopus database (54 articles in peer-reviewed journals, 2 reviews, and 1 conference paper).</p>
Shock event studies	<p>Timeframe: December 2022–May 2023.</p> <p>Purpose: Assessment of the ESM’s ability to detect early signals of shocks and to link market intelligence to economic analysis.</p>

	<p>Tool/Platform: Document analysis, internal interviews to verify information. Assessment Framework drawn from New Zealand Government Policy Project: Policy Quality Framework and its paper-scoring template. See Chapter 5 of this technical annex.</p> <p>Observation Points: Five crises selected for study through intensity sampling: Brexit; Covid-19; energy prices; monetary policy tightening; Credit Suisse.</p>
Staff skill profiles study	<p>Timeframe: March 2023.</p> <p>Purpose: Deeper understanding of ESM hiring strategy over time, regarding skills required and levels of experience.</p> <p>Tool/Platform: ESM Human Resources provided post descriptions, AI supported thematic analysis of new or updated post descriptions between 2016 and the first half of 2023.</p> <p>Observation Points: Dataset contained 173 post descriptions, of which 120 in the complete study window.</p>
Most Significant Change survey	<p>Timeframe: April 2024.</p> <p>Purpose: CE department management perspective on the most significant and impactful changes that contributed to the new level of capabilities relevant to the enhanced mandate. Survey respondents were also asked to specify internal and external drivers and constraints for change.</p> <p>Tool/Platform: Netigate. See Chapter 9 for the questionnaire. Consultation of individual CE department management team members.</p> <p>Observation Points: 7 CE department management team members, complete collection.</p>
Network analysis	<p>Timeframe: April 2024.</p> <p>Purpose: A small-scale network analysis to i) establish the role of the horizontal workstream in the CE department's manner of organising and connecting with other departments, and ii) validate the role of the Review function in the analytical workstreams.</p> <p>Tool/Platform: Analysis was conducted initially using the Kumu.io network analysis platform to map connections and collect metrics. In a second round, another researcher verified these interpretations running the same dataset in R and extracting basic summary statistics (in- and out-degrees). Data was collected by the team by querying CE department staff and checking distribution lists. Dataset was anonymised when on external platform. In a third stage, AI was used to query the dataset for further insights.</p> <p>Observation Points: 244 connections by staff in the horizontal workstreams.</p>

Note: For comparison with implemented timeline, see Table 2.4.
Source: Evaluation team

Other methodologies

Most Significant Change study

In a first step, the CE department management team was sent an online survey asking them each to identify the three most significant and impactful changes that had contributed to a new level of capabilities relevant to the enhanced mandate. The respondents were also asked to specify internal and external drivers and constraints for each change outcome.

In the second step, the evaluation team consulted a small number of staff and formulated the 15 change descriptions received into 10 statements. Each CE department management team member then ranked these. These responses were used to create an overall ranking of the 10 statements. Respondents had an opportunity to comment on the results as part of the review

of the interim report.

The ESM staff survey, which preceded this exercise, had also collected respondents' views on the most significant changes associated with the Management Plan.

Staff self-evaluation

The evaluation team designed an online survey based on the New Zealand government's policy skills framework,⁵ which exists both for personal self-evaluation and team-level assessment by team or divisional leaders. The evaluation team adapted the questionnaire by adding a European policy element and reconsidering some assessment criteria. The questionnaire is detailed in Chapter 9.

Washington and Mintrom (2018) share a practical overview for assessing policy capability. This is composed of stewardship, policy quality systems, customer- and stakeholder-oriented engagement, and people capability.

This paper lists design principles for policy frameworks as part of the quality system, proposing that they be:

- functional – scalable, adaptable, and diagnostically sound;
- usable – easy to use, accessible, efficient, and administratively painless; and
- maintainable – iterated as the context evolves.

The quality of advice is examined by an acid test which poses several questions.

- Does this equip the decision-maker to make fully informed decisions?
- Is the real problem (or opportunity) exposed?
- Does this advice take account of the broader context?
- Does advice make sense of the evidence and insights?
- Can the options really be delivered?

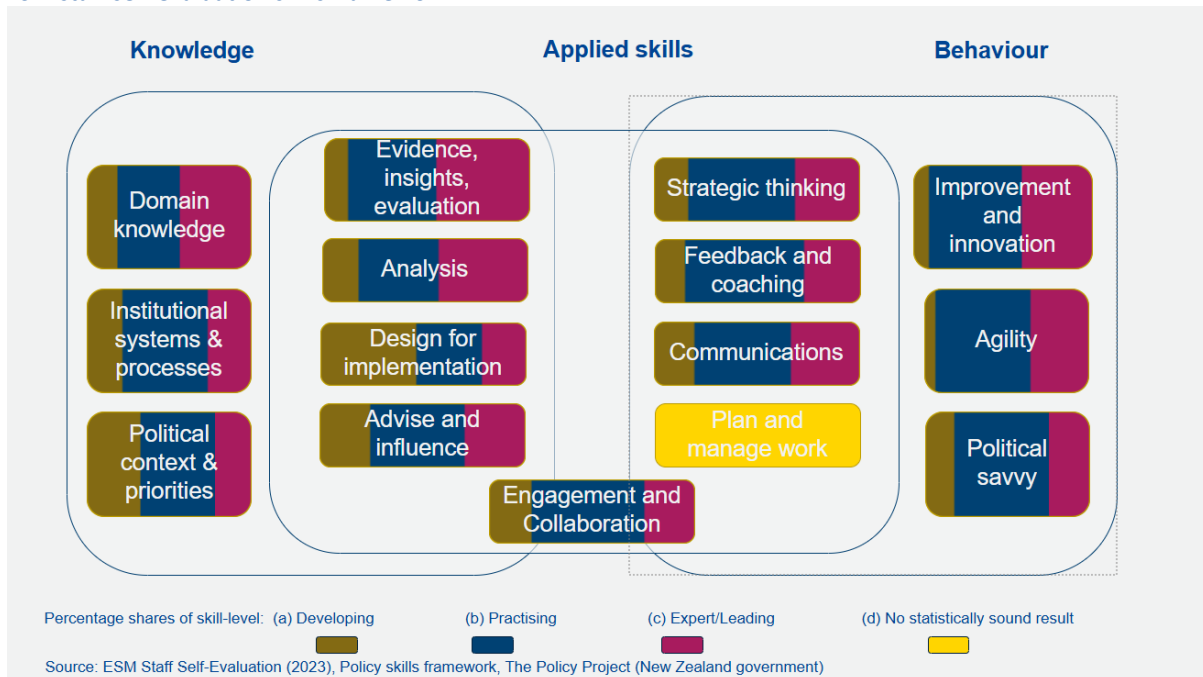
This latter list is relevant to the assessment template used in the evaluation's shock event studies. The staff self-evaluation is more directly focused on employees' knowledge base and on behavioural and applied skills.

In our approach, individual employees volunteered information after a meeting where evaluation team members explained the concept of the study, guaranteed respondents' anonymity, and offered guidance. This was aimed at bolstering the response rate and fostering unbiased response strategies. Individual results were pooled and the results discussed in focus groups of selected staff, providing further findings. Separate focus groups were held with CE department and CFO department management teams after they had seen a summary note on the survey results. Line managers taking part in focus groups generally expressed the view that staff had demonstrated a willingness to be self-critical in their survey responses. The survey asked respondents to categorise each of their own skills as developing, practising, or expert/leading, in accordance with specified criteria.

The relevant skills and the distribution of the levels of confidence among the respondents from all three departments for each skill are mapped out in Figure 2.3.

⁵ [Policy Skills Framework – Map your team's policy skills profile. New Zealand Department of the Prime Minister and Cabinet.](#)

Figure 2.3
ESM staff self-evaluation skills framework



ESM staff showed relative confidence in their knowledge of their own domains of work and in their ability to gather evidence and conduct analysis, as well as in their agility and in their focus on improving methods and practices. Many also saw strategic thinking and communication skills among their strong points, while among areas where they tended to see relative weakness, or potential for development, were designing policies for assistance programmes and political insight and navigating sensitivities, as well as their knowledge of decision-making mechanisms and political priorities at EU and national levels in Europe.

In the context of focus groups, ESM Management received more granular analysis of their own departments' specificities.

Respondent feedback indicated that some skills criteria at the expert/leading level seemed especially demanding. A few noted that the designation "leading" was confusing as it could imply having managerial responsibilities and hence cause non-managerial staff to rate themselves below this level, even where their skills were very advanced.

The response rate was high among economists, less so among staff in the CFO and SG departments, whose routine responsibilities and experience fit less clearly into the survey's scope. The policy skills framework is considered an adequate match for ESM analytical capability, particularly for the CE department, even though there is more focus for most staff on conducting analysis than on designing policy recommendations. The New Zealand framework was considered suitable and adaptable to the ESM context and the evaluation focus on macrofinancial analysis, although many ESM finance experts said they found it too heavily oriented towards policy work. Alternative capability frameworks are listed in Puttick (2024), among other sources.

Benchmarking through shock event studies

The evaluation design included shock event studies as a means of benchmarking ESM analytical output and rigour against peer institutions. However, given a lack of access to other institutions'

internal analysis, comparison could only be made with analysis they chose to publish.

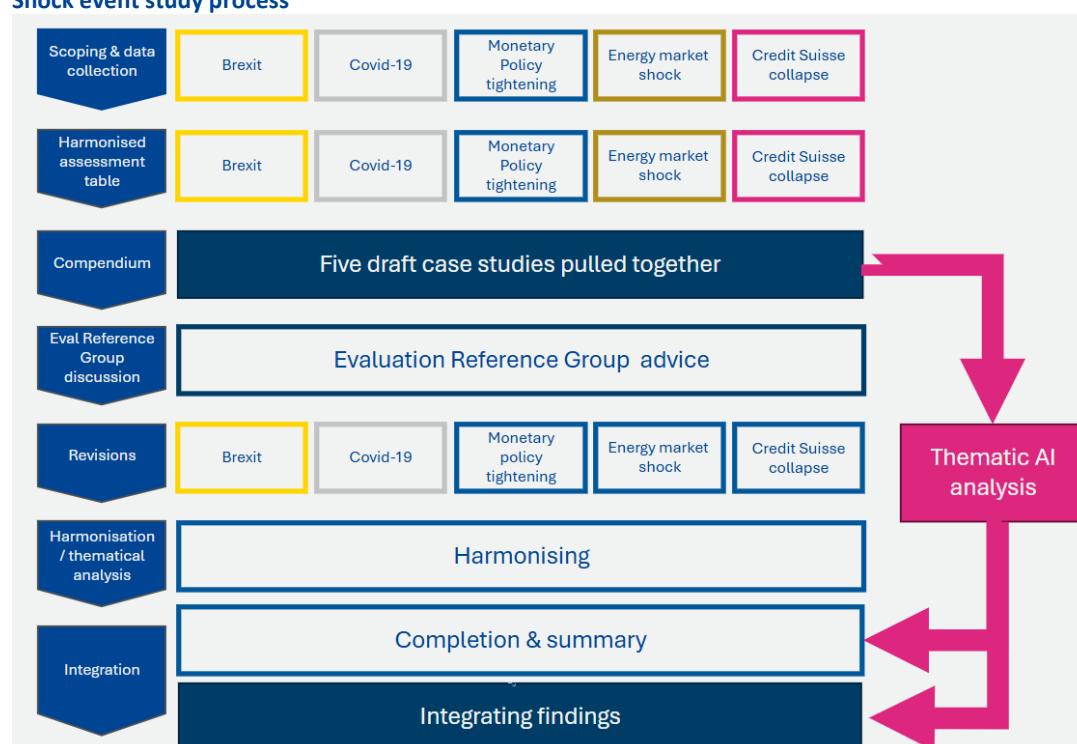
The evaluation team developed studies on five recent shocks to euro area economies and markets, collecting data on internal ESM analysis around the specified events. The first focus was to identify what was monitored and analysed and whether the shocks were detected and reported in a timely manner. Reporting was structured according to harmonised assessment criteria drawn from the New Zealand government's Policy Project.⁶

Figure 2.4 outlines the assessment process in which individual researchers analysed the material in the first two phases. After this, the documents were consolidated and shared with the Evaluation Reference Group for discussion and advice. The studies were then revised, some by the initial authors, some by others. Researcher triangulations applied in two cases where authors had been involved in the original analysis. Finally, one team member harmonised the studies.

The collated work discussed by the Evaluation Reference Group was also submitted to a thematic analysis by an AI application to draw parallels between the interim case assessments. This provided input to complete the analysis and integrate key findings in the evaluation report.

Chapter 5 of this technical annex includes the shock event analyses.

Figure 2.4
Shock event study process



Note: Different coloured boxes denote different team members involved.
Source: Evaluation team

⁶ Policy quality framework: A guide on panels and processes for assessing policy advice papers, The Policy Project, New Zealand government. February 2024.

Resourcing

The evaluation team was composed of seven ESM staff members from relevant departments and one external consultant. The Evaluation Lead, from the SG department, led the team and reported to the Evaluation Sponsor and a Deputy Team Lead was appointed from the Legal department. Of the five other staff members, three were drawn from CE department and one each from the CFO department and the SG department's PSIR division. No workload accounting was in place. The Team Lead was assigned to the project full time while others retained most of their normal assignments and worked part time on the evaluation. The combined CE department contribution was initially set at one full-time equivalent (FTE) employee, but changes in data collection and analysis plans increased that workload. The consultant's input was about 180 working days.

Table 2.2 provides further information on the team composition and Table 2.3 offers the Team Lead's assessment of the evaluation team's combined capability strengths and weaknesses.

Table 2.2
Evaluation team composition

Name	Organisational attachment	Main role in evaluation
Olga Francova	CE department, EMA	Interviews and focus groups, shock event study, document analysis, drafting of chapter assessing the analytical system.
Sotirios Giannoulis	SG department, Policy Strategy and Institutional Relations	Interviews, shock event study, assessing elements of the analytical system. Team member until end-May 2024.
John Goossen	Commercial, Legal and Procurement, Legal Division	Interviews and focus groups, board survey, observation of the Economic and Financial Monitoring Committee (EFMC), drafting the continuity chapter.
Jurgen Klaus	CFO department, Funding and Investor Relations	Interviews, shock event study, box on market intelligence. Team member until end-June 2024.
Andres Williams	CE department, Financial Sector and Market Analysis	Interviews, shock event study, box on financial sector. Team member until end-July 2024.
Diana Zigraiova	CE department, Economic Risk Analysis	Interviews, shock event study, assessing the analytical system, quality reviews.
Carsten Eppendorfer	Consultant	Survey design and analysis, interviews and focus groups, bibliometric study, drafting the effectiveness chapter and the Management Plan section of the report, quality controls. Team member until end-September 2024.
Kari Korhonen	SG department	Overall design and advice, production of the inception report, survey design, observation of EFMC, interviews and focus groups, Most Significant Change study, specific data collections and studies, technical annex. Team Lead until end-September 2024.

Notes: All team members were involved in coding interviews. In addition, ESM trainees Ashley Andrews and Emma Martinez provided technical support in parts of the analysis.
Source: Evaluation team

Table 2.3
Assessment of evaluation team strengths and weaknesses

	Relative strengths	Relative weaknesses
Respectfulness	Aware of conflict of interest Respectful of anonymity Mindful of affecting the evaluand	
Knowledge	Contextual knowledge Institutional knowledge Strategic knowledge Activity level knowledge	
Methodological	Conceptual skills Data collection skills Ability to synthesise Good judgement	Data visualisation
Technical	Drafting skills Good judgement Interpersonal skills	Ability to detach from ongoing responsibilities Facilitation skills Project management
Mental	Ability to deal with uncertainty Curiosity to explore new avenues to generate a satisfactory answer	

Source: Evaluation Lead's assessment

The Evaluation Reference Group engaged actively with the team and provided concrete views on the evaluation design and ways to deal with certain risks, as well as guiding the team to recalibrate over-ambitious initial plans.

Timeline

Over the course of the work, the evaluation process accumulated a couple of months delay, notably due to unanticipated resource constraints and additional time required to meet certain objectives.

Table 2.4
Actual evaluation timeline

Milestone stages	Timeline
Decision on the evaluation topic	March 2023
Inception phase	April – August 2023
Evaluation Reference Group discussion on draft Terms of Reference	23 May 2023
Final approval of Terms of Reference	21 August 2023
Evaluation Reference Group discussion on inception report	28 August 2023
Data collection	May 2023–March 2024
Bibliometric analyses	September 2023–March 2024
Surveys	September–December 2023
External interviews	September–December 2023
Coding	December 2023–February 2024
Synthesis leading to interim report	April–June 2024
Evaluation Reference Group discussion on draft interim report	21–22 May 2024
Management consultation on interim report	July 2024
Production of final report	July–early September 2024
Evaluation Reference Group discussion on final draft report	13 September 2024
Finalisation	March 2025
Layout	October 2024–February 2025

Note: For comparison with the initially planned timeline, see Table 1.1.

Source: Evaluation team

Authority

The evaluation team's authority was sufficiently well defined. The Evaluation Sponsor respected the independence of the team in the design and conduct of the evaluation. Authorisation needs related mainly to the authority to generate expenses, respecting team members' other normal work commitments as defined by their line managers, and to the resulting procurement of external resources. In their evaluation tasks, the team members were considered independent from their line managers and obliged to respect the ethical rules of evaluation practice.

Management support for the exercise nevertheless proved uneven, and in practice prompted the team to focus on areas in which it was able to draw informative conclusions.

These internal stakeholders took part in operational authority and information sharing:

- Managing Director
- Secretary General (Evaluation Sponsor)
- Chief Economist
- Chief Financial Officer
- Chief Risk Officer (also in charge of Middle and Back Office, Finance and Control)
- General Counsel
- Chief Operating Officer
- Compliance
- Head of Internal Audit
- Head of Finance and Control
- Head of Business Strategy and Project Management
- Head of Human Resources and Organisation
- Team Lead, Commercial, Legal and Procurement
- Team members' line managers

The following updated assessment of the team's authority is taken from the inception report.

Table 2.5
Evaluation team authority

Categories	Description
Team Lead time and effort	Full time.
Other staff as team members' time and effort	<p>The CE department granted 1 FTE divided among 3 experts for the analysis phase; synthesis phase resourcing was lower.</p> <p>Limited CFO department resources were made available in a changing authorisation. Deputy Team Lead and PSIR resource was available subject to urgent demands of other, normal duties.</p> <p>Compensation for weekend work to be discussed with line managers.</p>
Decision-making rights	<p>Team Lead had authority to decide who was consulted within the workplans and how studies are designed and implemented and had the power to collaborate in institutionalised processes.</p> <p>The final Terms of Reference were approved by the Evaluation Sponsor following Management Board discussion on the scope. Management discussed the evaluation mandate and was given an opportunity for feedback on an interim report in July 2024. The Evaluation Lead decided to share the inception report, and key material for the Evaluation Reference Group, with the Evaluation Sponsor for information.</p> <p>The Terms of Reference provided a right to adjust the scope of the evaluation within certain limitations to yield valuable messages.</p>
Access to Board of Directors	<p>Right of access to ESM Board contacts – Directors or desk officers – was cleared in the Terms of Reference process with the Secretary General as the Evaluation Sponsor.</p> <p>Evaluation Lead voluntarily notified Secretary General when individual interviews or a survey with Board of Director members were scheduled. Outcomes were kept confidential.</p>
Access to confidential and internal committee documents	<p>The Evaluation Lead and Deputy had broad access to institutional documents for the purposes of this evaluation, including the EFMC and Finance Committee. Access to Investment Management Committee and Internal Risk Committee was not open, although some documents could be requested. Initially, full access to Investment Management Committee material had been agreed with the CFO.</p> <p>Relevant documents were shared within the team in a secure database.</p>
Other resources	<p>Consultancy resource was budgeted and revised upwards during the exercise, acting as a partial buffer for staff availability limitations. Expenses coverage authority exercised through the Evaluation Sponsor's assistant.</p> <p>Staffing of the evaluation missions was to some extent dependent on the team members' line manager authorisation. Reasonable travel expenses were granted under the authorisation of a relevant line manager and ESM travel policy.</p>
Flexible authorisation	Managing Director decides on the release to the Board of Directors and public. However, the commitment to do so is enshrined in Terms of Reference. Timing and expenses on work related to publication to be handled by Communications division.
Shareable authorisation	Evaluation Lead had the authority to arrange information sessions with the department management teams and staff.

Source: Evaluation team

Limitations

Practical limitations included scope limitations and coverage of the qualitative analysis, and time and resource constraints.

Scope limitations in the Terms of Reference excluded investment management and excluded operational aspects. The evaluation team had the authority to adapt the scope to the availability of resources and data, as well as to time constraints to protect the credibility and utility of the exercise. Resource limitation led to less coverage of analytics on the CFO area of the organisation, and a focus on involvement with financial stability analysis. The approach adopted, therefore, covered inter-departmental collaboration involving the ALM team and the Market Intelligence team. There was an interest in findings on the utility of economic analysis as an input to funding strategy and investment strategy, but the inquiry did not yield very substantive findings.

The completeness of the qualitative analysis was constrained by time limitations, although external informants' availability proved a lesser concern than anticipated. Better time management could have allowed interviews to be expanded to include a small number of academics, two relevant EU institutions, and international institutions. However, the number of interviewees was considered adequate overall to inform the evaluation. Ensuring balanced data capture and a deeper understanding of the analytical system through interactions with internal informants was ultimately considered a more relevant and cost-efficient marginal input.

The team was unable to visit all member countries, but it invited all Members to participate in the board survey. Where the Member representative interviews followed the launch of the survey, interlocutors said the questionnaire had helped them prepare elaborated views for the interview.

The timing of the evaluation process proved challenging in terms of capturing some outcomes. It probably came too early for a full assessment of all the enhanced mandate measures, although the 2024 budget and projects related to annual objectives were considered as part of the synthesis. This limitation would have been more compelling in an outcome evaluation.

The team recognises that the identification of informed external stakeholders, acting as bellwethers of trends and common practice, can be a hit-and-miss process. The success rate was nevertheless high. Few interviewees said their knowledge of the ESM was too limited to form relevant views. Even those who were reluctant to judge were nonetheless able to elaborate on their own institutions' approaches in fields of interest to this evaluation, contributing to the benchmarking side of the evaluation approach.

A qualitative approach can be powerful in analysing sensitive and complex topics but may come with subjective bias. To mitigate for such biases, the team tried to tackle the complexities that the topic of evaluation presents through organisational knowledge, stakeholder analysis, and contextualising the findings. Triangulation of findings among team members helped to disentangle the factual from the perception component of responses.

The main risk that emerged in the evaluation process was key person risk. Three team members left the ESM during the drafting stage, while during earlier stages the team had little control over members' availability due to demands on them from their normal assignments. This considerably delayed deliverable material and reduced the time available for synthesis.

Alternative outcomes: removing some limitations

Without resource and time constraints, the team could have assessed the quality of market analysis and intelligence in a broader benchmarking study. A small effort would have been to have a walkthrough of the EFRR process, similar to one conducted for the EWS with one of the country teams. Knobbout et al. (2023) consider walkthroughs as a valid method when examining real-world settings.

Access to Human Resources' records was very limited for this evaluation. The evaluation results could be further informed by job satisfaction surveys run regularly by Human Resources, by summary assessments of staff sick leave, and healthcare cost data, as well as a comparison of incentive mechanisms. Management may reflect upon much of this during follow-up work after the evaluation.

The evaluation team could have experimented with an online chat box as a data collection method to collect additional staff views on specific internal issues, such as the relevance and quality of market-facing teams' high-frequency monitoring reports. With little extra effort, AI could have helped set up additional structured staff interviews on the internal processes or to collect microlessons from dry-run exercises. Both methods could also have been harnessed to find expert perspectives on initial reactions to the most recent developments covered in the shock event studies (Laaksonen et al. (2013)). Access to emails and calendars could have allowed the team to assess internal interactions around small case studies and conduct a deeper social network analysis. Automated, AI-driven interviews could also have been used to collect further information for the network analysis. The ESM's internal data policy is not currently conducive to extensive gains in practice.

Alternative approaches: broader scope

Investment team management was excluded from the scope due to a parallel audit plan. Resource constraints were an additional barrier to expanding the internal report analysis to the investment team. Many of the questions would also have risked meeting confidentiality issues. Analytical capabilities in ESM risk management are another area not covered by this evaluation. Overall, an evaluation of risk management would demand a high level of resources and the involvement of relevant committees.

This evaluation could be broadened by further considering – for example through self-evaluations – ESM support services. These include information technology (IT) services for data management and aspects of specialist tooling as well as library, investigation, publication, and event services. In this way, internal communication and the implementation of the external communication strategy could be studied more completely. Many findings point to implications for Human Resources management. How these arrangements in practical terms match best practice in support of developing the analytical excellence in the longer run would be a valid candidate for a forthcoming evaluation topic.

3. Management plan

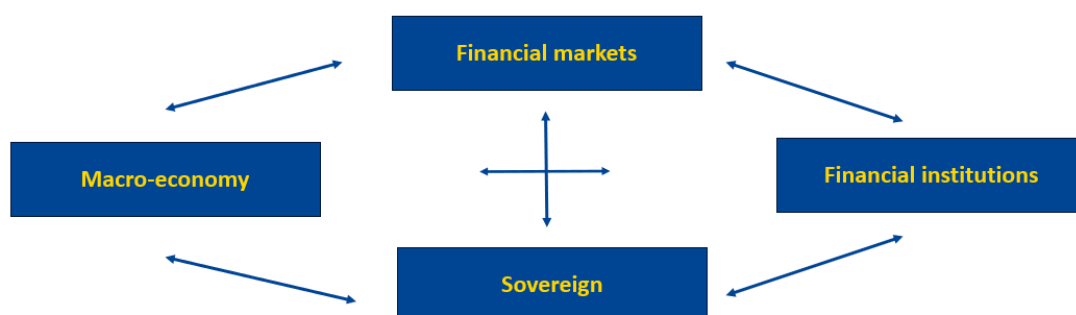
This chapter complements Chapter 2 of the evaluation report. It extends the evidence for the assessment of the core elements of the ESM Management Plan, the progress made, and the remaining gaps to implement these elements that aim to improve the individual and institutional analytical capability needed to implement the enhanced mandate. It also provides further evidence on the importance of the horizontal workstreams in the organisation of the monitoring and analysis functions.

The ESM reform is an institution-wide approach to implement the necessary analytical, procedural, and organisational changes to realise the ESM's enhanced mandate as agreed by the euro area finance ministers in its basic principles in December 2018 (see Box 2.1 in the evaluation report).

The reform is considered to consist of a *corporate project* to adapt the corporate infrastructure to host new business capabilities to be introduced through a *Management Plan*. There is a certain overlap between these two elements and an interlinked process. The Management Plan is a conceptual framework to enable the evaluation to focus on the key analytical capabilities resulting from the reform, as opposed to its administrative and execution aspects.

The core of the Management Plan is the integration of the various strands of analysis at the ESM, in particular the ramping up and integration of macrofinancial country and market analysis (Figure 3.1). Combining the experience, knowledge, and tools available across the respective divisions aimed to improve the ESM's ability to monitor macrofinancial risks, contribute to effective market operations, and enhance the ESM's reputation as a core euro area risk management institution for the benefit of a robust safety net and the stability of the euro area.

Figure 3.1
Interaction of macroeconomic and market analysis



Source: Bringing Together Economic and Financial Analysis with Market Intelligence, Report of the Working Group, 30 September 2019

Accordingly, within the evaluation of the ESM's analytical capability, particular attention is paid to the Management Plan's contribution to improving the ESM's preparedness to identify extant country vulnerabilities, detect emerging macrofinancial risks at an early stage, and to ensure an effective, rapid response to a crisis, also compared to peer institutions. This focus also reflects the evaluation team's resource constraints. While the evaluation examines the contribution of the Management Plan to improving preparations for the ESM's programme role, it does not consider the lending instrument reforms. The evaluation touched upon the preparation of the common backstop mainly in relation to modelling validation and preparedness testing.

Timeline and resourcing

The Management Plan was designed to be a three-year strategy and was supported by several deliverables of the corporate project (also known as the enhanced mandate project) that concentrated on swiftly establishing the necessary corporate infrastructure.

The corporate project was led by the Project Management Office from January 2020, working closely with an Executive Advisor from the business side. The primary results of this project included establishing budget, staff planning, and recruitment. It also laid the groundwork for the common backstop and close institutional collaboration with the European Commission, as well as the revision of lending instrument guidelines. According to the project completion report, it was closed satisfactorily in December 2020, with all the 12 planned workstreams completed (Table 3.1).

The corporate project's deliverables established necessary organisational changes and approvals, most importantly an agreement on personnel planning. The key changes to the ESM's organisational structure as envisaged at the end of 2019 are the reorganisation of the CE department and the creation of the Review function within the SG department's PSIR division. Two new elements were established within the CE department: the establishment of the ERA division, incorporating the Lending team transferred over from the CFO department, and the creation of a market analysis team within the EMA division. The planned organisational changes (Figure 3.2) were completed.

Figure 3.2
Indicative organisational chart by end-2022



Notes: This followed a three-year phasing-in period under the Management Plan. Further changes were made after the selection of the new Managing Director and in 2024 with regard to Communications and support functions.

Source: Bringing Together Economic and Financial Analysis with Market Intelligence, Report of the Working Group, 30 September 2019

Table 3.1
The enhanced mandate project workstream assignments

	Workstream	Description
1	Define approach to country monitoring (post-programme monitoring, pilot countries)	Translate the overall framework into a concrete approach for five post-programme monitoring and initial pilot countries for 2020. Including countries to be covered, analytical and monitoring focus, tools, outputs, teams, timetables.
2	Design enhanced monitoring for euro area	Define the objectives, analytical and monitoring focus, tools and data sources, outputs, team, and timetable.
3	Design the new quarterly EFRR	Design outline and produce first volume of the report, in close collaboration with CFO department. Identification of topics to be covered, organisation of work, drafting responsibilities, timetable.
4	Reorganisation of the CE department	Prepare full list of tasks and responsibilities for the three CE department divisions, based on overall allocation of mission agreed in the strategic plan.
5	New ERA division	Consider and ensure implementation of all the steps necessary to set up the new division in the CE department. Key tasks include: drafting of mission statement and description of main responsibilities; advertising the positions of Head of Division and Deputy Head of Division; allocation of staff; physical arrangements and IT set-up.
6	Transfer of Lending team to ERA division of CE department	Reaffirm and adapt as necessary the mission and tasks of the Lending team and incorporate these into mission and tasks of the new Economic Risk Analysis division. Prepare all necessary steps for the Lending team's move and integration.
7	Creation of market analysis team in EMA division	Based on background and recommendation of the Working Group, design the tasks, modus operandi, outputs, and staffing of the market analysis team, including its close collaboration (and possible partial co-location) with Funding and Investor Relations. Contribute to EMA division functional model update.
8	Creation of the Review function within SG department – PSIR	Define the (gradual) approach envisaged for creating a Review function in SG department's PSIR division.
9	Creation of the EFMC	Consider and ensure implementation of all steps necessary to set up the new committee. Key tasks include drafting of Terms of Reference (with Corporate Governance guidance), and supplemental note with more detail as appropriate (including substantive remit, governance, membership, meeting frequency and venue, meeting preparation and documents, outputs).
10	Creation of Market Data Working Group	Design the Terms of Reference, composition and leadership, and key tasks and priorities of the Working Group, following the background and recommendations in the Working Group Report.
11	Creation of Informal Market Forum	Design and launch this informal forum (patterned in part on the preparatory Investment Management Committee meetings), based on the background and recommendations in the Working Group Report (a platform for informal exchange of views on market developments and intelligence, to identify emerging risks and analytical topics to pursue, and thus also provide input to the preparation of the quarterly EFMC).
12	Collaboration with other institutions	Consider a strategic approach to collaborate with other institutions, especially with the European Commission, as we implement the enhanced mandate. Monitoring across our new procedures and outputs (especially country monitoring, quarterly EFRR, results of the EFMC), both at senior strategic level (Management Board, messages to convey) and at more technical, operational level.

Source: Enhanced mandate project – Project Closure Report (2021)

Members' disagreement on staff headcount led to an ad hoc Group of External Experts being established to assess ESM Management's resourcing plan. A significant increase of staff headcount can be seen as one of the most important preconditions for successfully establishing the new capabilities under the ESM's enhanced mandate.

The corporate project allowed the ESM to acquire and develop the human resources to reach the necessary organisational and analytical milestones in a process of gradual transformation. Staff budgeting nevertheless took longer than initially planned and led to a more limited increase in headcount than originally proposed by management. On the recommendation of the Group of External Experts, the ESM implemented the vote of the Budget Review and Compensation Committee (BCC): *"While the Managing Director considered that 43 FTE were required for the implementation of the enhanced mandate, on 26 September the BCC unanimously agreed to endorse and recommend to the Board of Directors an increase of 36 FTE (from an average headcount of currently 197 FTE to 233 FTE), to be phased in over three years, with 15 FTE to be recruited in 2020, 13 FTE in 2021, and 8 FTE in 2022."*⁷ Sixteen additional staff were foreseen for monitoring of the euro area and member countries, seven for the financial sector, four for markets, three for the Review function, and six for data and other support. This was based on an understanding that the ESM could also request further resources during this period, if necessary (Tables 3.2 and 3.3). The Group of External Experts recommended that a team of at least three be assigned to non-bank financial intermediaries.⁸ Existing country teams had on average of six members, while the new monitoring plan was to yield on average teams of four.

The discussion extended beyond pure headcount and led to changes in the planned operating model. Given the limited resources, the ESM's *"broadened country monitoring will be implemented in a risk-based manner, focused on the assessment of macroeconomic and financial risks, and with the amount of resources devoted to each country calibrated to the potential risks to financial stability and possible spillovers to other [euro area] member states."*⁹

The Group of External Experts also recommended ensuring sufficient highly qualified staff while also aiming for a wide skills mix and, thereby, achieving organisational readiness to deliver effectively on the enhanced mandate. In this respect, the Budget Review and Compensation Committee called on the ESM to consider how best to achieve the optimal skills mix, including through targeted recruitment, internal mobility, training, and external assignments and secondments.¹⁰ The Most Significant Change exercise organised with the CE department management team (see chapter 2 of the evaluation report) showed that managers appreciated a selective talent acquisition process.

Another reassessment was seen in a more coordinated approach taken on several questions of substance, as noted in the Project Closure Report: *"The project was delivered with its initial*

⁷ The evaluation team was informed by various confidential 2020 budget planning documents and a Reasoned Opinion by the Budget Review and Compensation Committee on the report by the Group of External Experts - "Examination of the staffing plans of the ESM in relation to recent developments in its mandate", 2019. The group report posits that the recruitment could be phased in gradually and the overall headcount need was smaller as the ESM should reassign staff from certain functions in crisis times. The decisions assume that experienced and well-trained staff will be stepping up to the challenge of an emergency and prioritisation will lead to interrupting certain monitoring and support activities. "The group also believes that ESM should also be prepared, with appropriate planning, for the contingency that programme demands in excess of those anticipated might arise."

⁸ For the implementation of the Management Plan, additional financial resources over three years were planned in the 2020 budgeting process: €15 million from 2020; €13 million from 2021; and €8 million from 2022.

⁹ The evaluation team was informed of the 2020 budget discussions, which took place based on confidential documents. Furthermore, see internal Note on ESM Enhanced Mandate – Staffing Needs, 10 March 2020, for a detailed description of the ESM's risk-based approach to enhanced monitoring.

¹⁰ Reasoned opinion by the Budget Review and Compensation Committee on the report by the Group of External Experts - "Examination of the staffing plans of the ESM in relation to recent developments in its mandate", 2019.

scope, timeline, budget, and resources. It benefited from close follow-up by a dedicated senior advisor and delivered high-quality deliverables which were mainly concept notes, organisational changes, and new analytical outputs. While no open points remain from the project, a subsequent initiative has been launched in 2021 as a coordinated initiative [...] It aims at implementing the core elements of concept notes and the analytical country monitoring framework, to achieve readiness for the introduction of the enhanced mandate starting in 2022.”¹¹ This fed into the Management Plan.

Status quo and objectives

The Management Plan developed the necessary skills, tools, and procedures to produce the analytical products that meet the enhanced mandate. The key elements of the Management Plan as set up in December 2019 and January 2020 are shown in Table 2.1 of the evaluation report. Overall, the strategic approach of the Management Plan was successful. The implementation of the key elements can be described as very advanced and broadly in line with the 2019–2020 plan. According to ESM Management, most tools have been developed and are operational for the monitoring of macrofinancial risks, but some work remains to be done to be prepared for a full stability support programme. As with the analytical capability of the ESM, the implementation of the Management Plan melds into an ongoing process of constant improvement and transformation, so only a snapshot is to be presented in the evaluation report.

Alongside the organisational changes shown in Figure 3.2 and described in Chapter 2 of the evaluation report, several cross-divisional thematic groups were planned to support the implementation of the Management Plan’s key elements, and particularly the integration of macrofinancial risk analysis (within the Macrofinancial Linkages Framework); see Table 3.1 above as well as Table 2.2 in the evaluation report. This approach follows the matrix concept of organisational structures. The following horizontal thematic groups were planned or established in the context of the Management Plan to continue the conceptual work on tools and products and coordinating analyses:

- **Data Steward Group/DataLayer** (originally: Market Data Working Group): The group (including staff from EMA, Financial Sector and Market Analysis, Banking division, Funding and Investor Relations, and Investment and Treasury divisions) manages market data, develops databases, and ensures quality control in collaboration with other market-facing divisions to achieve a more coherent data landscape. It steers the development and management of the market databases, with IT providing the technical handling of the data and tools. A priority is the coordination of ongoing initiatives by EMA and Funding and Investor Relations on sovereign auction data and EFSF/ESM bond transactions. The group was to coordinate a data governance project. In the meantime, it was transformed into the Data Steward Group.
- **Informal Market Forum** (originally: Macro & Market Discussion Forum): The objective of the staff-level forum is to foster more open and regular discussions across market and economics divisions with the goal of leveraging complementary skills and knowledge crucial to identifying key macroeconomic and financial stability risks and weaknesses. The group includes a broad range of active participants from the CE and CFO departments to mitigate coordination shortcomings and to reduce the duplication of work. Contributions that usually come from the EMA, FSM, Investment and Treasury, and Funding and Investor Relations

¹¹ Enhanced Mandate Project – Project Closure Report (2021).

divisions are agreed each time for the purposes of this forum. The group is to help identify topics that would be relevant for further analysis in the EFRR.

- **Modelling team:** The team is responsible for the building up and maintenance of monitoring tools and the euro area structural model for short-term scenarios, with contributions mainly from the CE department, particularly from the EMA division. However, the team's name and scope are changing due to several organisational changes.
- **Risk group:** The group has not yet been formalised. A workstream mainly at the CE department was expected to end in 2024. The objective is to overhaul the internal governance for producing risk assessments and consolidating the existing risk-related technical discussions in the economics domain (e.g. macrofinancial framework, risk-related empirical models) into deliberations of the new risk group.
- **Market Watch team:** Mainly led by the CE department. The team: (i) monitors the global economy and financial markets to detect external risks to the euro area; (ii) monitors euro area sovereign bond markets, in particular to identify market-movers and risks; (iii) reaches out to market economists for the prevailing macro narrative and bond market views; (iv) collaborates with other organisations, including the Bank for International Settlements (BIS), the ECB, and the International Monetary Fund (IMF), on market monitoring and analysis; and (v) contributes to the Funding and Investor Relations division's weekly market access monitor and the FSM division's monthly financial risk dashboard.
- **Euro area monitoring team:** The team: (i) provides regular updates on euro area macroeconomic and fiscal developments in different formats and forums, including macro updates, briefings, presentations, and contributions to the Investment Management Committee; (ii) plays a key role in the preparation of the EFRR, provides in-house analysis on selected economic issues, and presents the results in topical notes; (iii) prepares and presents alternative short-term macro scenarios for the euro area, as a guideline for country teams in assessing macro risks to their respective economies in the EWS framework.
- **EWS coordination team:** EWS process coordination and preparation of horizontal guidance. Contributions also received from the ALM and Financial Structuring team, the country teams, and the Review function.
- **EFRR team:** The EFRR editorial team led by the EMA division. The contributions and input also come from: FIR, Investment and Treasury, other CE department colleagues, the country teams, and the Review function.
- **Macrofinancial framework coordination team:** The team coordinates the workstream to build up the new framework.
- **Climate coordination team:** Climate coordination is a CE department workstream with contributions from each division.

Significant changes, remaining gaps

The CE department management team identified the following three most significant changes in the department's analytical capability resulting from the enhanced mandate implementation: an improved ability to dedicate skilled resources to analytics with an increased headcount; the establishment of a formal country monitoring framework supported by a toolkit to be applied to different countries; and the process development with a deeper underpinning of risk analysis and scenario work (see Table 2.2 of the evaluation report).

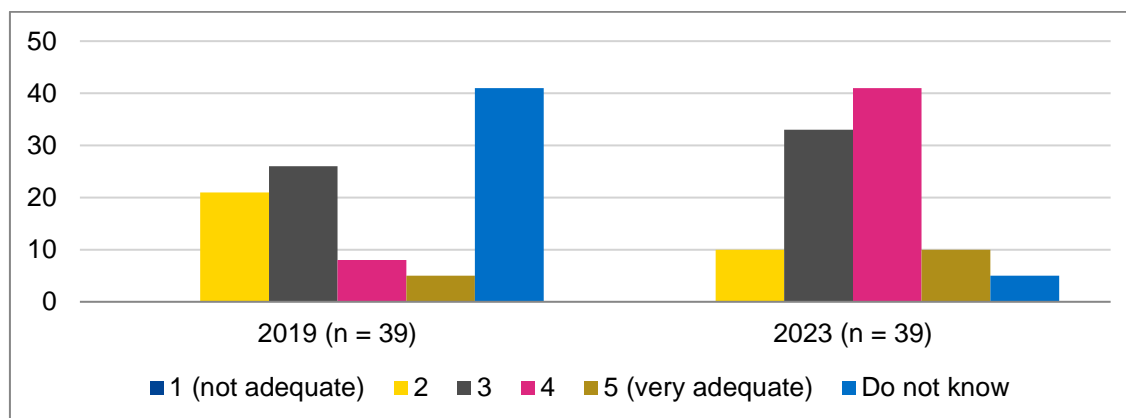
Members of staff see the existing plans to close gaps in the robustness of the ESM's analytical system as broadly adequate (Figure 3.3 below). However, while the analytical capability of the ESM is considered more sustainable in 2023 than in 2019, 36% of the staff survey respondents see the ESM's analytical capability still vulnerable to disruption through internal job rotations

and external career moves. This is confirmed by the staff survey results regarding the internal mechanisms for transferring knowledge. To better sustain the ESM's analytical capability, individual respondents suggest diluting the concentration of core knowledge of processes, tools, and models beyond the current small number of key people and introducing more formal handover procedures (such as guidance notes and manuals) or support functions, more in line with practice in peer institutions.

Figure 3.3

Adequacy of plans to close gaps in the robustness of ESM's analytical system

(share of respondents, in %)



Note: Based on responses to the survey question: "How do you rate the adequacy of the existing plans to close gaps in the robustness of ESM's analytical system? Think e.g. of economic/financial/risk modelling, statistical/econometric data analysis, financial programming, translation of data analysis into policy advice."

Source: ESM staff self-evaluation (2023)

For ESM employees, staff succession planning and job rotation need to be institutionalised and cross-departmental collaboration improved to ensure knowledge and data transfer. External advisory groups should be considered to keep knowledge and approaches up to date. There is a need to promote research and reduce barriers to external collaboration. The skills mix of the staff needs to be more balanced (from macroeconomists to market-skilled and behavioural finance economists).

The survey nevertheless indicates that the ESM uses its analytical outputs increasingly effectively to inform decision-making. Compared to 2019, respondents for 2023 are significantly more confident about the ESM flagging acute risks. Individual comments suggest that the lack of detailed data on banks may prove to be a disadvantage when assessing financial risks.

Recruitment data

The ESM has recruited 36 staff across relevant divisions (Tables 3.2 and 3.3).

Table 3.2
Hires by role

Role	2020	2021	2022	2023
Head of division	1	0	0	0
Senior advisor	0	0	0	0
Principal	0	1	1	0
Senior officer	5	3	1	1
Officer	6	6	5	2
Senior support	1	0	0	0
Support staff	2	1	0	0
TOTAL	15	11	7	3

Notes: Reported is the number of hires to meet the targeted recruitment plan. Note that there are some differences between the initial recruitment plan established before the pandemic and this overview, because some positions at higher levels were filled internally, leading to the recruitment of more junior profiles than initially foreseen.

Source: ESM

Table 3.3
Hires by division

Division	2020	2021	ANTICIPATED	2022	2023	TOTAL
ERA, EMA	7	4	1	5	3	20
FSM	3	2	0	2	0	7
PSIR	1	1	1	0	0	3
FIR/Investment and Treasury	1	1	0	0	0	2
Other admin	3	0	1	0	0	4
TOTAL	15	8	3	7	3	36

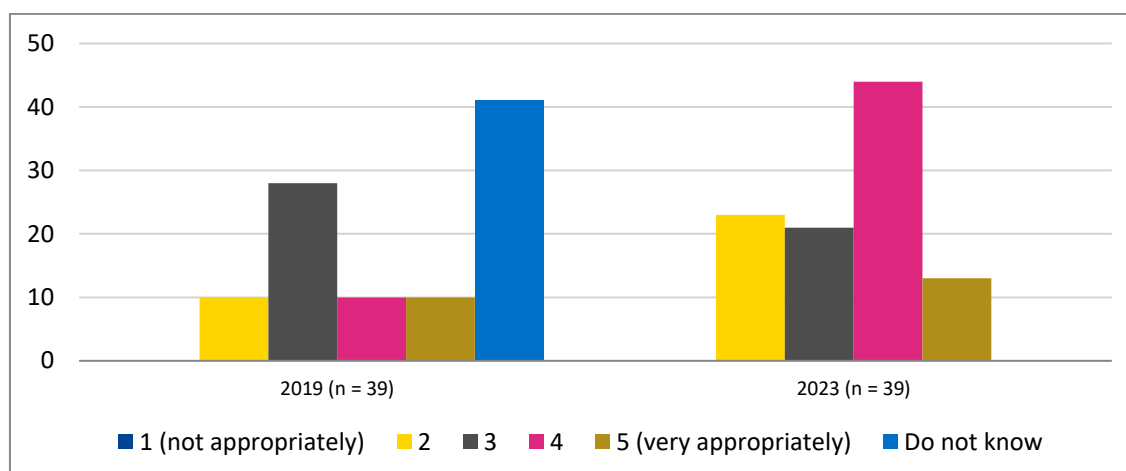
Notes: In 2021, instead of eight positions, the ESM targeted the recruitment of 11 staff members. Those recruitments by anticipation aimed to compensate for the slower onboarding that started during the Covid-19 pandemic and was expected to continue in 2022. It is important to clarify that the ESM reports to the BCC the overall budget consumption based on an average headcount. Although the ESM kept the BCC informed of progress on the recruitment of the additional headcount, the ESM did not report the actuals with a split between previous headcount and new headcount.

Source: ESM

Additional figures

This section contains supplementary figures with evidence on the focus of the ESM's analytical agenda on strategic policy objectives and mandate (Figure 3.4) as well as on the preparedness of the EFMC to fulfil its role under the ESM's enhanced mandate (Figure 3.5) – both to provide a more comprehensive picture of the new capabilities developed under the corporate project and the Management Plan.

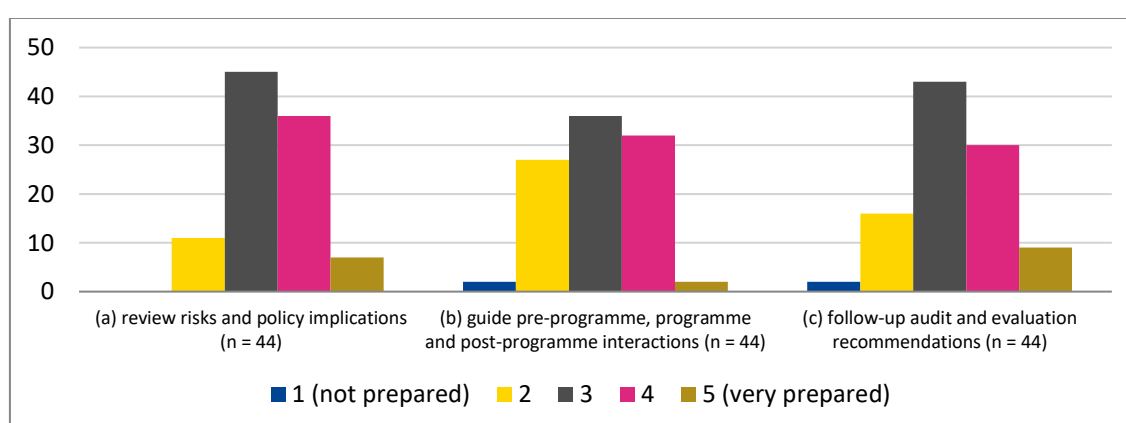
Figure 3.4
Focus of the ESM's analytical agenda
 (share of respondents, in %)



Note: Based on responses to the survey question: "Analytical agenda of the past years and current projects in the making: How appropriately do they focus on the ESM's strategic policy objectives / role?"

Source: ESM staff survey (2023)

Figure 3.5
Preparedness of the EFMC to fulfil its new mandate
 (share of respondents, in %)



Note: Based on responses to the survey question: "How do you rate the preparedness of the EFMC to fulfil its mandate under ESM's enhanced mandate in terms of (a) Review staff assessments of euro area/Member-specific macroeconomic and financial risks and policy implications, (b) Guide pre-programme, programme, and post-programme interactions with stakeholders, (c) Follow-up relevant audit and evaluation recommendations?"

Source: ESM staff survey (2023)

Horizontal workstreams

The evaluation team collected information on CE, CFO, and SG department staff participation in key horizontal workstreams, each of which comprises multiple individuals, relevant for the evaluand. The dataset created contained 123 people with connections to 21 identified workstreams. The workstreams included monitoring teams, thematic workstreams, and key workflows for coordination of the EWS and EFRR.

The first objective was to demonstrate the role of the Review function as a quality assurance or consistency check in the analytical work. This is visualised in Chapter 3 of the evaluation report. The Review function experts are shown to be central to country work as a support function, their outdegree being nine – highest for individual experts. But they are less directly involved in thematic groups.

The second objective was to obtain a further understanding of the role of horizontal working groups of various kinds in the integration of the analytical work across departments, particularly the CE and CFO departments.

The data show a broad engagement with 87 active workstream participants. The workstreams with the highest number of participants are shown in Table 3.4 both for the whole dataset and only for active participants, after past members were eliminated. The largest group, Market Watch, skews the result with its large distribution list.

Another angle was to consider how engaged individuals were and how concentrated the participation was. Concentration could reveal key person risks for the whole analytical system.

Excluding the Review function, staff participated in two workstreams on average (median 2; mean 2.129) with a maximum of five active workstream memberships for four staff, and two people with four workstream participations. Without controlling for active/past memberships, it can be seen that two of these experts have been involved in up to eight workstreams over time and therefore have a broad view of the horizontal groups. The mean increases to 2.8 when past connections are included, indicating some rotation among the workstreams. It should be noted that some of the workstreams, particularly those related to the EWS, have existed for an extended period of time.

Table 3.4
Largest horizontal workstreams

Workstream	Active connections	All connections
Market Watch team	35	84
Market Data Working Group (DataLayer/Data Steward Group)	17	18
Informal Market Forum (Market & Data Discussion Forum)	15	17
EFRR team	11	15
EWS coordination team	10	13
Country team S	10	13
Country team N	6	12
Climate analysis	7	9
Country team M	6	8
Euro area monitoring team	6	7
Mean	7.5	12.2
Median	5.5	6.5

Notes: Connections stand for number of participants or the indegree indicator. Country team names are anonymised.
Source: ESM

The centrality of a few individuals active in multiple workstreams suggests that they are crucial for maintaining the flow of information across the groups. Their awareness of the role they play in the network may be fundamental for overall performance.

The dataset also included a definition of Workstream Lead, which could provide a picture of some form of hierarchy within the workstreams. However, the information on this data item came from peers of the persons concerned, and so the assignment was not verified with management.

With the proviso that the data may not be complete, given its informal collection method, the workstreams are dominated by CE department staff, with only a small number of CFO department experts involved. An exception is the Informal Market Forum.

Table 3.5 provides the network analysis metrics for the horizontal workstreams. The definitions of the main metrics (used in Kumu.io) are presented below:

- **Outdegree** measures the number of outgoing connections for an element. In general, elements with a high outdegree can reach a high number of counterparts.
- **Betweenness centrality** measures the number of times a node lies on the shortest path between other nodes. It is used to find the individuals who influence the flow around a system. A high betweenness count could indicate someone holds authority over disparate clusters in a network, or just that they are on the periphery of both clusters.
- **The closeness centrality** is tightly related to the notion of distance between nodes. The distance between two nodes is defined as the length of the shortest path between two nodes. The farness is equal to the sum of the distance from a node to all the other nodes. Closeness centrality is the reciprocal of the farness. It highlights nodes that may reach any other node within a few hops and nodes that may be very distant in the community.
- **Eigenvector centrality** refers to the idea that a node is more central if it is connected to other important nodes. It is calculated based on the node's connection to other nodes and their centrality.
- **Reach efficiency** indicates effectiveness at reaching a wide audience. It measures how much secondary contact is gained through each unit of primary contact. If reach efficiency is high, then the actor is successful in reaching a wider audience through their primary contacts and supporting network cohesion.

According to these metrics, the structure that the horizontal workstreams and the participation patterns form is characterised by:

- Core of participants. The top participants with a reach efficiency score of 0.0112 are efficient in reaching others, e.g. to disseminate information, reinforcing their central role in the network.
- Participants like the Review function that have high closeness centrality (and eigenvector centrality), indicating they can quickly reach other participants in the workstreams, but whose relatively low betweenness centrality scores suggest they are not the main intermediaries in the whole network.
- Low betweenness centrality scores overall indicate a distributed network where multiple pathways exist, which reduces reliance on any single node for connectivity. Such a distributed connectivity, suggests resilience, as no single node is a critical bottleneck.
- Market Data Working Group stands out as vital for network cohesion due to its high betweenness, acting as a connector between different parts of the network. EFRR and Eurogroup Working Group coordination groups are also important for the network structure.

It should be noted, however, that many other centrality metrics exist, with different specific assumptions, that could affect the conclusions. The above nonetheless offers fairly firm indications that the horizontal elements are a key feature of ESM analytical work, which should be carefully managed, with experts entrusted to take guiding roles.

Horizontal workstream metrics

Outdegree			Closeness			Betweenness			Eigenvector			Reach efficiency		
Rank	Label	Value	Rank	Label	Value	Rank	Label	Value	Rank	Label	Value	Rank	Label	Value
#1	Person 120	11	#1	Person 120	0.096	#1	Market Data Working Group	0.00083	#1	EFRR	0.083	#1	Person 16	0.0112
#2	Person 114	10	#2	Person 119	0.093	#2	Informal Market Forum	0.00078	#2	Eurogroup Working Group coordination	0.083	#2	Person 78	0.0112
#3	Person 119	10	#3	Person 114	0.092	#3	EFRR	0.00074	#3	Person 114	0.056	#3	Person 56	0.0112
#4	Person 26	5	#4	Person 26	0.047	#4	Eurogroup Working Group coordination	0.00064	#4	Person 120	0.056	#4	Person 32	0.0112
#5	Person 40	5	#5	Person 48	0.037	#5	Climate analysis	0.00055	#5	Person 119	0.056	#5	Person 73	0.0112
#6	Person 19	4	#6	Person 34	0.034	#6	Person 120	0.00046	#6	Climate analysis	0.028	#6	Person 77	0.0112
#7	Person 48	4	#7	Person 47	0.034	#7	Person 119	0.00046				#7	Person 26	0.0112
#8	Person 34	4	#8	Person 40	0.034	#8	Person 114	0.00041				#8	Person 79	0.0112
#9	Person 47	4	#9	Person 42	0.03	#9	Person 1	0.00018				#9	Person 24	0.0112
#10	Person 42	4	#10	Person 19	0.027							#10	Person 48	0.0107
#11	Person 55	3	#11	Person 45	0.027									
#12	Person 51	3	#12	Person 51	0.024									
#13	Person 38	3	#13	Person 38	0.024									
#14	Person 45	3	#14	Person 27	0.024									
#15	Person 1	3	#15	Person 16	0.02									
#16	Person 27	3	#16	Person 55	0.02									

#17	Person 30	2	#17	Person 78	0.02		
#18	Person 17	2	#18	Person 56	0.02		
#19	Person 16	2	#19	Person 32	0.02		
#20	Person 29	2	#20	Person 73	0.02		

Notes: To preserve anonymity, individuals were referred to by code numbers throughout the analysis project. For betweenness centrality, data was generated for nine elements only, and eigenvector for the six listed. For reach efficiency, the top 10 are listed. For closeness centrality and outdegree scores, only a partial listing is provided.
Source: ESM evaluation team analysis

4. Analytical system

This chapter complements Chapter 3 of the evaluation report. It provides details on the ESM's analytical system. First, it highlights benefits of written and documented guidance in the context of international institutions. Second, it describes the ESM's risk classification. Third, it provides an overview of all the analytical tools developed and used across the ESM. Finally, it recaps the outcomes of the model validation exercise underlying the Common Backstop Repayment Capacity Assessment Methodology (CBRCAM). This methodology was developed jointly by the ESM and Single Resolution Board to ensure that any ESM loans to the Single Resolution Board will be repaid in the event of a necessary intervention.

Formalised frameworks in international institutions

International institutions have a tendency to formalise their frameworks as evidenced, for example, by the IMF's extensive library of staff guidance notes or the World Health Organization's monitoring framework for health emergencies and response capability under the Global Preparedness Monitoring Board, an independent monitoring and accountability body established by the World Health Organization and World Bank in 2018.¹² The need to become effective in the international context and align reference points for staff drawn from various backgrounds compels the institution to define its frameworks and procedures. In their daily work, staff benefit from permanently available, strategic, and common reference points. More detailed documents provide a framework and strengthen institutions' operations. They also constitute the basis of institutional memory.

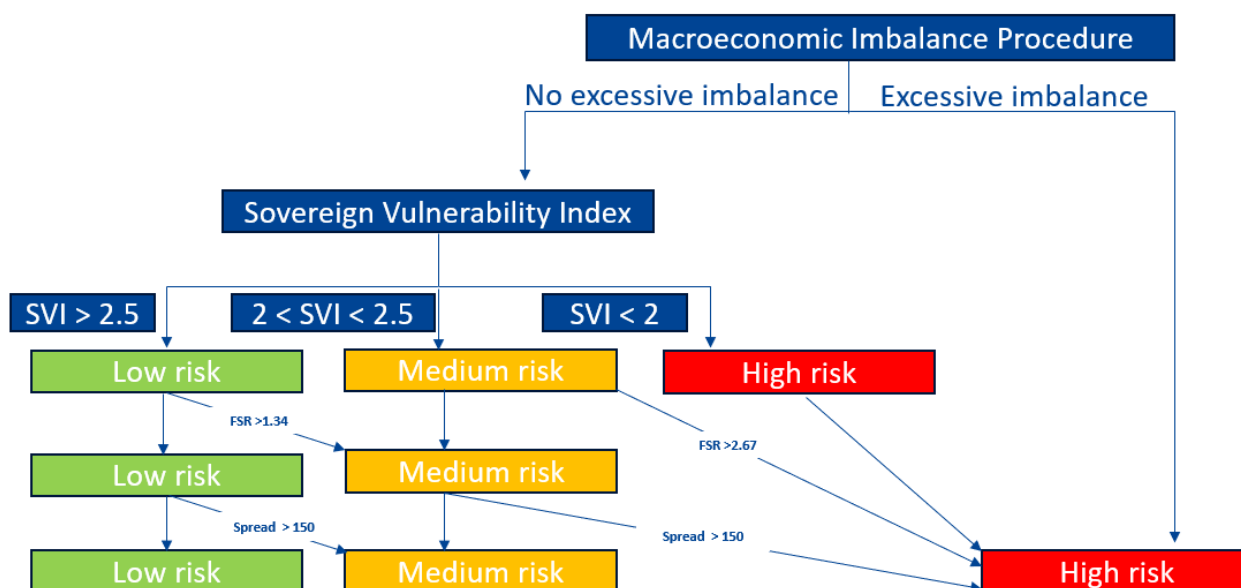
Country risk assessment and monitoring framework

The ESM's ERA division reassesses country risk every six months. The assessment uses a risk classification based on a decision-making tree that reconciles internal and external methodologies. The SVI together with the Macroeconomic Imbalance Procedure complement the debt sustainability indicators and spreads when defining the country risk category (Figure 4.1). The assessment framework has never been published, even internally. It is documented in a PowerPoint presentation.

The risk classification is based on a refined decision tree approach. The initial risk assessment is determined by a measure of economic resilience derived from the European Commission's Macroeconomic Imbalance Procedure and SVI. In addition, the assessment considers debt sustainability indicators from the Fiscal Sustainability Report and developments in spreads. To emphasise short-term dynamics not adequately captured by measures with a quarterly or annual frequency, the report also considers a two-week average spread. Values higher than 150 bps automatically result in a higher final classification.

¹² World Health Organization (2023) [Global Preparedness Monitoring Board monitoring framework for preparedness](#).

Figure 4.1
Risk classification for selected ESM tools



For the purposes of the evaluation, an analytical tool is defined as an instrument that ESM staff use recurrently across countries and over time to assess risks to euro area financial stability or to single countries, or to measure risks to ESM/EFSF operations.

The evaluation team has compiled a list of tools used in ESM operations across three departments: CE, Chief Risk Officer, and CFO (except the Investment and Treasury team). Of 40 economic tools, 27 were developed by the EMA division, five by ERA and seven by FSM. The Chief Risk Officer and CFO teams maintain tools relevant for ESM and EFSF operations. They mostly use operational tools for assessing risks and managing transactions. Most of the tools are used to help prepare committee decisions.

Table 4.1
ESM tools - CE department

Chief Economist Department	Tool	Model/Tool type	Frequency	Products	Committee/s takeholders	Owner
	1 Sovereign Vulnerability Indicator	Empirical/time series	Quarterly	Quarterly BMS risk classification	IRC	EMA
	2 Capacity Assessment Tool	Empirical/time series	Biennial	CAT report	EFMC	EMA
	3 Euro area DSGE workhorse model	Structural	Quarterly	EWS, EFRR	IMC, EFMC	EMA
	4 Euro area growth-at-risk tool	Empirical/time series	Quarterly	EFRR	EFMC	EMA
	5 Non-linear euro area DSGE model of macrofinancial risks	Structural	Quarterly	EFRR	EFMC	EMA
	6 House price valuation tool	Empirical/time series	Quarterly	EFRR	EFMC	EMA
	7 Risk-free rate market-implied baseline tool	Empirical/time series	Quarterly	EWS, EFRR	EFMC	EMA
	8 Term-premia VAR model	Empirical/time series	Quarterly	EWS, EFRR	EFMC	EMA
	9 Sovereign credit spread scenario tool	Empirical/time series	Quarterly	EWS, EFRR	EFMC, IRC	EMA
	10 Financial market VAR	Empirical/time series	Quarterly	EWS	EFMC	EMA
	11 Bond-vix	Empirical/time series	Ad hoc	EFMC	EFMC	EMA
	12 Euro area potential growth: large-dimensional non-stationary dynamic factor model	Empirical/time series	Ad hoc	EFRR	EFMC	EMA
	13 Option-implied probability of bond yields	Empirical / time series	Ad hoc	EFRR	EFMC	EMA
	14 Time-varying volatility model for government bond spreads	Empirical/time series	Ad hoc	EFRR	EFMC	EMA
	15 Bond spread spillover index	Empirical/time series	Ad hoc	EFRR	EFMC	EMA
	16 Order flow and liquidity monitoring of Bonds and BTPs	Empirical/time series	Ad hoc	EFRR	EFMC	EMA
	17 CDS-based metrics of default risk and redenomination	Empirical/time series	Ad hoc	EFRR	EFMC	EMA
	18 Uncertainty VAR	Empirical/time series	Ad hoc	EFRR	EFMC	EMA
	19 US-euro area yield spillover VAR	Empirical/time series	Ad hoc	EFRR	EFMC, IMC	EMA
	20 Firm profitability model	Empirical/time series	Ad hoc	EFRR	EFMC, IMC	EMA
	21 Inflation expectations VAR model	Empirical/time series	Ad hoc	EFRR	EFMC, IMC	EMA
	22 Bond yield decomposition VAR MODEL	Empirical/time series	Ad hoc	EFRR	EFMC, IMC	EMA
	23 Option-implied probability of inflation swap options (caps/floors)	Empirical/Quantitative risk metrics	Ad hoc	EFRR	EFMC, IMC	EMA
	24 Financial Market Conditions Index	Empirical/Quantitative risk metrics	Bi-weekly	EFRR	EFMC/IMC	EMA
	25 Household vulnerabilities	Empirical/time series	Quarterly	EFRR	EFMC, IMC	EMA
	26 Corporate Vulnerability Index (CVI)	Empirical/Quantitative risk metrics	Quarterly	EFRR	EFMC, IMC	EMA
	27 EFSF rate projection tool	Empirical/interpolation model	Quarterly	EWS	EFMC, FINCO	EMA
	28 DSA framework	Empirical	Quarterly	EWS, EFRR	EFMC	ERA
	29 Scenario tool for EWS	Empirical	Quarterly	EWS	EFMC, IRC	ERA
	30 Existing debt tool	Empirical	Quarterly	EWS, EFRR	EFMC, IRC	ERA
	31 Sovereign liquidity assessment tool	Empirical	Quarterly	EWS, EFRR	EFMC, IRC	ERA
	32 Early repayments analysis tool	Empirical/quantitative risk metrics	Ad hoc	EWS	EFMC, IRC	ERA
	33 BVI	Empirical/quantitative risk metrics	Quarterly	EFRR, EWS	EFMC, IRC	FSM
	34 NPL projections	Empirical/time series + quantitative risk metrics	Quarterly	EFRR, EWS	EFMC, IRC	FSM
	35 Spillovers monitoring based on systemic risk indicators/not finalised	Empirical/time series	Ad hoc	EFRR	EFMC	FSM
	36 Country level financial cycles	Empirical/quantitative risk metrics	Ad hoc	EFRR	EFMC	FSM
	37 Debt issuance by bank	Empirical/time series	Ad hoc	EFRR, EWS	EFMC	FSM
	38 Financial stability dashboard: country-specific financial conditions index	Empirical/time series + quantitative risk metrics	Ad hoc	EFRR, EWS	EFMC	FSM
	39 Tool for Risk Identification and Contagion Analysis Across Markets/not finalised	Empirical/quantitative risk metrics	Ad hoc	EFRR	EFMC	FSM
	40 Common Backstop to the SRF tool including the assessment of bank repayment capacity	Empirical/ time series + quantitative risk metrics	Not yet specified	Not yet specified	Not yet specified	FSM

Table 4.2
ESM tools - CFO and Chief Risk Officer departments

Chief Risk Officer and Chief Financial Officer	41	IRS control tool	Financial: risk monitoring	Daily	IRC, Finco	ALM
	42	Static liquidity gap tool	Financial: ESM/EFSF liquidity analysis	Daily	IRC, Finco	ALM
	43	Swap Projections tool	Financial: swap projections	Quarterly	IRC, Finco	ALM
	44	Miniloans and deferred interest projections tool	Financial: miniloan projections	Daily	IRC, Finco	ALM
	45	Funding Mix Optimisation tool	Financial: funding mix	Ad hoc	IRC, Finco	ALM
	46	CoF projection tool	Financial: cost of funding projections	Daily	EWS, IRC	ALM
	47	PFEL tool for derivatives	Financial: exposure monitoring	Daily	IRC/IMC/BRC	ALM
	48	Lending rate projection tool	Financial: lending rates projections	Ad hoc	EWS/IRC	ALM
	49	Cashflow projection tool	Financial: cashflow projections	Quarterly	EWS/IRC	ALM
	50	Funding Liquidity Planning Tool	Financial: liquidity planning	Monthly	IRC, Finco	FIR
	51	ESM portfolio performance tool	Financial: investment performance	Daily	investment, Risk,	Middle and back office
	52	EFSF portfolio performance tool	Financial: investment performance	Daily	investment, Risk,	Middle and back office
	53	ESM portfolio tactical benchmark tool	Financial: portfolio benchmarking	Daily	investment, Risk,	Middle and back office
	54	IMC performance report	Financial: portfolio performance	Monthly	IMC	Middle and back office
	55	Benchmarking trade tool	Financial: portfolio benchmarking	Monthly and ad hoc		Middle and back office
	56	ESM Credit Risk monitor for IRC/IMC/BRC	Financial: credit risk monitor	Monthly	IRC/IMC/BRC	Risk
	57	EFSF Credit Risk monitor for IRC/IMC/BRC	Financial: credit risk monitor	Monthly	IRC/IMC/BRC	Risk
	58	Monitor of impairment on EFSF securities	Financial: impairments monitor	Monthly	IRC/IMC/BRC	Risk
	59	Covered bond and financial institution group limits monitor	Financial: exposure monitoring	Monthly	IRC/IMC/BRC	Risk
	60	Country sovereign and supranational limits	Financial: exposure monitoring	Monthly	IRC/BRC	Risk
	61	Syndicated pricing	Financial: funding management system	Ad hoc	ALM.MOBO,Finco	FIR
	62	HRF database	Financial: secondary market flow analysis tool	Monthly	Finco	FIR
	63	EFSF ESM syndicated basket charting tool	Financial: secondary market pricing relative value	Ad hoc	Finco	FIR
	64	Derivatives pricing	Financial: DMI management tool (derivatives)	Ad hoc	Finco	FIR
	65	ESM market briefing	Empirical/reporting: tool to prepare regular market comments	Daily	Finco	FIR
	66	EGB performance	Empirical/reporting: tool to prepare regular market intelligence	Ad hoc	Finco	FIR
	67	Implied vs Real Rates	Empirical/reporting: tool to prepare regular market intelligence	Ad hoc	Finco	FIR
	68	SSA charts	Empirical/reporting: tool to prepare regular market intelligence	Ad hoc	Finco	FIR
	69	EUR EGB SSA	Empirical/reporting: tool to prepare regular market intelligence	Ad hoc	Finco	FIR
	70	Euro area ratings	Empirical/reporting: tool to prepare regular market intelligence	Ad hoc	Finco	FIR
	71	Swap Spread data / model	Empirical/reporting: tool to prepare regular market intelligence	Ad hoc	Finco	FIR

Backstop to the Single Resolution Fund

The common backstop to the Single Resolution Fund is generally considered a game-changer for the ESM's role. Its operationalisation is very advanced. Dry runs have been conducted and the final operational agreement has been negotiated with the Single Resolution Board. However, final development and activation is awaiting ratification of the amended ESM Treaty. The CBRCAM was jointly developed by the ESM and Single Resolution Board to ensure that any ESM loans to the Single Resolution Board will be repaid in the event of a necessary intervention. The methodology is also dependent on treaty ratification. Box 4.1 recaps the outcome of the model validation exercise.

Box 4.1 Model validation of backstop repayment capacity assessment

Macroeconomic and financial scenario framework

The macroeconomic and financial scenario framework sets the external working conditions for the banks.

Banks' projection framework

The banks' projection framework evaluates how the economic and financial conditions impact the banks' main budget items and the overall situation of each bank (for a large set of them, both systemic and non-systemic).

Contagion model

The contagion model assesses how cross-bank relations distribute losses from one bank to the others and permits computation of the distribution of the probability of bank defaults.

Contributions model

The contributions model evaluates, given the outcome of the previous steps, the actual recoupment capacity of the banking sector.

Single Resolution Fund flow analysis framework

The Single Resolution Fund flow analysis framework permits the study of the Debt Servicing Capacity, and to compute the Debt Service Coverage Ratio, leading to the final assessment of whether the activation of the backstop is fiscally neutral or not.

The technical opinion on the Repayment Capacity Assessment Methodology prepared by Prof. Massimiliano Marcellino (Bocconi University) comes to a positive assessment¹³ that the CBRCAM:

- is built following sound economic and financial theory, good econometric practice, and coherence with the relevant legislation;
- has been subject to model validation and robustness checks;
- is well documented and incorporates the suggestions of the relevant stakeholders;

¹³ The external technical opinion states that - while CBRCAM is rated "very positive" - some "additional checks, improvements and generalizations could further enhance the robustness and reliability of the procedure". Respective recommendations are made under the categories (a) The macroeconomic and financial scenario framework, (b) The banks' projection framework, (c) The contagion model and (d) Suggestions for more general extensions of the CBRCAM. See "Technical Opinion on the Repayment Capacity Assessment (RCA) Methodology", Massimiliano Marcellino (2022), Bocconi University.

and

- can be expected to provide reliable answers with regard to the fiscal neutrality of the backstop.

A report factoring in this external technical opinion which was entitled “Model validation - Common Backstop to the Single Resolution Fund” proposed the following recommendations.

(a) Conceptual soundness/methodology

- Bank projections do not include all risks stemming from Pillar I capital requirements and lack an additional component to consider non-credit related risks. It is suggested that the computation of Risk Weighted Assets should be expanded to include Market and Operational risk proxies.
- It is recommended that the possibilities of explicitly including a Net Trading Income component into bank net operating profits should be explored.
- Current model suite is built under a static balance sheet assumption which constrains the bank response to adverse scenario shocks. It is recommended that dynamic balance sheet modelling should be explored.
- It is recommended that the impact and contributions from Loan Loss Provisions to the overall level of capital and CET1 ratio projections should be monitored.
- It is important to adhere to the pre-agreed schedule of macro scenario development to minimise operational risk.

(b) Model and data selection

- It is recommended that the methodological document should be extended by providing tables with statistical estimates at each step of the model selection and a back-testing process to support qualitative argumentation regarding the decisions.
- While the methodological note provides a description of data sources used, no visual data description and summary statistics are provided. It is recommended that the document be extended by providing some descriptive statistics and empirical evidence about the general relationship of the variables across banks.

(c) Model environment

- Detailed step-by-step instructions (including necessary prerequisites in terms of software packages, versions, and other dependencies) on how to run the model and the relevant code blocks should be provided and available to third parties.
- Code and folder structure should be harmonised according to ESM code governance principles. In addition, it is recommended that a common code be created that shares infrastructure internally and between the ESM and Single Resolution Board, leveraging on the available Git environment, to ensure the change log process and version control.¹⁴

The recommendations were translated into an Action Plan structured along the categories proposed by the external technical opinion. Most of the recommendations were to be implemented by mid- or end-2023, while some recommendations were long-term projects.¹⁵

¹⁴ Model Validation Status Report (2022), internal document.

¹⁵ See “Action plan for addressing suggestions provided in the technical opinion by Prof. Marcellino” (2022), internal document.

5. Shock event studies

This chapter consolidates five shock event studies prepared for the evaluation with a view to collecting evidence for the relevance and effectiveness of the ESM's monitoring approach in establishing capabilities for identifying emerging or existing financial stability vulnerabilities in the euro area and for flagging other emerging risks.

The studies compare the ESM's internal analyses around the shock events to those signalled by those peer institutions and other bodies that were deemed relevant in each case, including banks. This chapter presents detailed summaries of the five studies and an outline of the general conclusions drawn across the board. The evaluation report itself contains a summary table and elaborates on the implications of the findings.

The five events considered relevant to the ESM's area of responsibility took place between 2015 and 2023. These were: the withdrawal of the United Kingdom (UK) from the EU (called Brexit); the Covid-19 pandemic; the energy price rises that followed the 2022 Russian invasion of Ukraine; the monetary policy normalisation that followed a post-Covid spike in inflation; and the Credit Suisse bank crisis of 2023.

Five members of the evaluation team prepared the shock event studies using the ESM's internal analytical reports and benchmarking these against published reports from other institutions. Benchmarking looked at six main considerations: timeliness; clarity of context and connections across policy areas; relevance of sources and comparison of scenarios; relevance of methods and clarity on limitations; reflection of relevant sectors and spillovers; and actions and solutions proposed. Authors of some of the external publications were interviewed and provided additional background on their approaches. A preliminary version of each study was submitted to the team for validation of their scope before draft versions were discussed by the Evaluation Reference Group (see Chapter 2, planning phase). One team member edited all five reports for this publication to ensure consistency of presentation.

Conclusions

Overall, the shock event studies identified strengths but also weaknesses in the ESM's analytical capability. These centred on the following areas:

- **Internal collaboration within the ESM:** The Brexit study revealed that in 2016 the ESM's analysis suffered from fragmentation, with a lack of communication and collaboration across teams and departments (silos). Similarly, the studies on the energy shock of winter 2021–2022 and the Credit Suisse failure of early 2023 corroborated this finding and concluded that insufficient cooperation across teams might lead to a future failure to identify important risks or to a lack of depth in ESM analysis. On the other hand, in the cases of Covid-19 and the monetary policy tightening of 2022–2023, the ESM's analysis was not hampered by internal communications issues.
- **Quantification of risks via scenario analysis:** On Brexit, the earliest case, the study identified a lack of a comprehensive scenario analysis to model potential economic disruptions to and longer-term impacts on the euro area and individual member states. A variety of macrofiscal scenarios were produced during the Covid-19, energy, and monetary policy shocks, but modelling of their impacts on the external sector was not systematic and this was absent from scenario analyses. Moreover, euro area risk narratives were not tailored to specific countries. The Credit Suisse default, the most recent case studied, was deemed peripheral to the euro area. This meant that the analytical approach to this shock did not use scenarios systematically to quantify

possible impacts on growth and the broader economy of the ESM Members but rather drew on ad hoc reporting and analysts' previous experiences.

- **Monitoring of short-term risks and market developments:** Across all five studies, monitoring of short-term market risks was found to be timely and, overall, a strength of the ESM's analysis function. However, better integration of market intelligence and economic and policy analysis would add significant value by rendering ESM analysis deeper and more comprehensive. This issue was highlighted by the energy shock study, which found that the ESM failed to identify that developments in natural gas derivatives markets risked creating funding liquidity shortfalls for energy companies that would in turn become material liabilities for governments.
- **Reliance on external analysis and access to data:** The ESM's heavy dependence on peer institutions' forecasts and risk assessments for its own analysis was revealed by the studies of Brexit and the energy and monetary policy shocks. The Covid-19 and monetary policy studies highlighted that the ESM lacks its own forecasting framework and based its scenario analysis on external forecasts from the European Commission. Moreover, the Brexit and Covid-19 studies documented limited interaction by the ESM with national authorities in terms of access to specific data and a failure to make full use of national authorities' resources in ESM analysis. In the study of the Credit Suisse shock, the team identified that the ESM had limited access to granular bank data and failed to appeal to regulators to provide this.
- **Policy engagement:** Overall, the shock studies documented that ESM analysis has been inward-focused – its main purpose was to inform ESM Management and ensure that the ESM fulfilled its fiduciary obligations, rather than to enable the institution to step forward and propose clear, actionable measures and policy solutions that could help the euro area mitigate the impact of economic shocks. This finding reflects a need for stronger internal coordination and independent analytical capabilities.

Study 1: Brexit

The period focused on in this study is the three months before and after the UK referendum vote on 23 June 2016 to leave the EU. However, it also takes into account documents published outside this six-month window.

Timeline

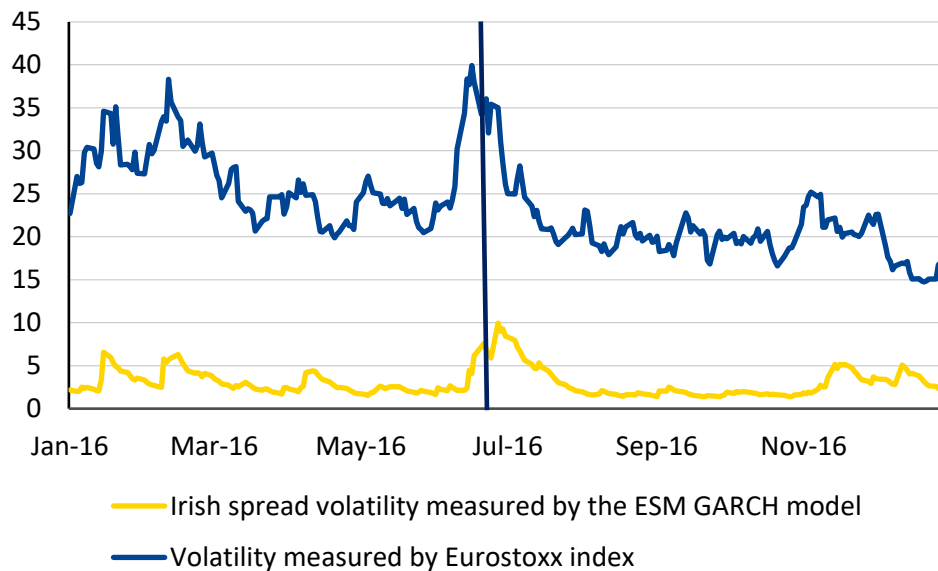
23 January 2013	Conservative Prime Minister David Cameron pledges UK referendum on EU if re-elected
7 May 2015	Conservatives win absolute majority, ending coalition with pro-EU Liberal Democrats
27 May 2015	New government pledges referendum on EU membership by end-2017
20 February 2016	Referendum date announced; Cameron campaigns to remain in EU
23 June 2016	Britons vote 52% to 48% to leave EU, confounding opinion poll consensus
31 January 2020	UK formally leaves EU after negotiating terms of withdrawal

Background

The study focused on the referendum as a source of risk to financial stability in the euro area generally and in Ireland specifically. The analysis was conducted around two axes. First, it distinguished two periods, before and after the result. Second, it differentiated between euro area and Irish financial stability. While the uncertainty triggered by the result increased overall

volatility and temporarily affected the stocks of Irish banks, it does not seem to have impacted Irish bonds (Figures 5.1 and 5.2). In the immediate aftermath of the vote, the Irish 10-year government bond yield recorded only a short-term and minor uptick, from 0.770% to 0.854%. The overall low-yield environment at the time helped protect Irish securities.

Figure 5.1
Different measures of volatility



Sources: London Stock Exchange Group, ESM own calculations

Figure 5.2
Ireland 10-year government bond yield
(in %)



Source: London Stock Exchange Group

At the time, the ESM/EFSF was ramping up its crisis resolution capacities. The ESM's analytical capacities benefitted from interaction with peers during the financial assistance programmes for Members affected by the debt crisis. While Ireland successfully exited its EFSF and IMF programmes in 2013 and 2014, respectively, the third Greek programme was only slowly rolled out. At the time of the Brexit vote, most of the ESM's resources were concentrated on Greece.

Compared to its peers, the ESM had limited staff numbers and operational experience as an institution and was slowly building up structures to provide country monitoring. The country

team conducting post-programme monitoring of Ireland comprised only three people (a banking expert, an economist, and the team coordinator). The equivalent team at the ECB had 10 times that number. Institutional structures at the ESM were coming together only gradually, with monitoring conducted along three formal lines: country post-programme monitoring; an internal quarterly euro area report that included dedicated country sections; and a quarterly EWS report shared with Members in an abridged version.

Additional internal analysis fed into overall risk assessment at management level. ESM Management also drew extensively on internal material providing regular updates on economic and market developments. The relevant notes were prepared for external EU meetings and for the internal Investment Management Committee.

Findings

Timeliness of the analysis

The referendum was a slow-moving event, first promised by the prime minister in early 2013. Market monitoring provided regular updates in the run-up to the vote and the operational functions prepared for possible repercussions from early 2016. Market movements ahead of the vote largely reflected opinion polling showing a narrow but consistent lead for those favouring the status quo. ESM analysis, triggered by its own market monitoring, responded primarily to the ESM's fiduciary obligations, given that the UK was not an ESM Member. The updates were channelled to ESM Management through well-established channels for preparing EU meetings and the internal Investment Management Committee. In spring 2016, the Risk function coordinated an internal impact assessment of the referendum on ESM operations and this assessment was escalated to the Board Risk Committee. Following the vote, management assessed the potential course of events and possible actions. Internal risk monitoring and high-level macrofinancial monitoring continued into July 2016, the latter mirroring publicly available analysis from the European Commission and the IMF.

Clarity on context, history, and connections across policy areas

In the run-up to the referendum, the ESM produced no analysis linking different economic policy areas. Analysis was conducted on separate tracks, with limited interaction between market, macroeconomic, and financial monitoring. At country level, financial stability analysis remained high-level. A general assessment of the impact on the euro area was presented through the Investment Management Committee in spring 2016, before the vote. While the market unit monitored shifts in bond yields and market sentiment, macrofinancial monitoring focused on recent developments and short-term risks to beneficiary Member States. After the referendum, country analysis submitted for the purposes of the EWS focused on consequences for economic activity through trade channels and impacts on banks' share prices and profitability.

Relevance of sources and comparison of scenarios or pathways

Internal analysis before the vote was structured around various time horizons – short-, medium-, and long-term – and reflected the conclusions of peer international institutions rather than analysis from national bodies. The ESM followed the lead of the European Commission, ECB, and IMF. Available evidence does not reference analysis by national authorities such as the Central Bank of Ireland. While the OECD flagged risks stemming from Brexit for the Irish economy and real estate sector in early June 2016, the national authorities had analysed and were prepared for various Brexit scenarios as early as H1 2015. ESM analysis refers to those of neither the Central Bank of Ireland nor the Irish Brexit Task Force. There is no evidence that ESM staff reflected on the preparedness of member states for negative spillovers or sought access to national authorities' information beyond the narrow remit of the post-programme monitoring missions. The economic analysis was covered in regular channels and

focused mainly on Cyprus and Ireland.

Post-referendum analysis focused on the identification of key transmission channels such as trade and foreign direct investment, as well as a separate analysis of the banking sector. Given the wide range of possible post-Brexit relationships between the UK and EU, ESM analysis avoided examining long-term trends. Scenario analysis using the Vector Auto Regression model examined the impact of sterling's real effective depreciation and the consequences of lower gross domestic product (GDP) growth. The model assessed the impact on the euro area as a whole, with a focus on exports and growth for Ireland and Portugal, as examples of high and low dependence on British trade. There is no evidence of scenario iterations between different economic policy sectors.

Relevance of analytical frameworks and methods, clarification of limitations

Internal analysis relied on metrics similar to those used by other institutions. Macroeconomic analysis focused on impacts on GDP, trade, and fiscal policies, as well as profitability, funding costs, and capital adequacy in the banking sector. Analysis conducted by the ESM's Risk function references market volatility. The analysis correctly described methods used and their limitations. It also referenced similar analytical output. It highlighted that a potential shock to euro area growth could result in slowing national growth with potentially negative implications for public finances that would endanger their sustainability.

Varying analytical perspectives were not fully reconciled and include no iteration or clear scenario analysis. Post-referendum analysis reflected various sectoral perspectives and examined risks to euro area growth and to the repayment capacity of the beneficiary Members. It focused on policy areas such as market analysis, macroeconomic analysis, fiscal risks, and the banking sector. The market analysis focused on market movements rather than on the views of the market participants. Financial stability concerns were not considered central to the analysis. There is no evidence of scenario analysis that covered disruption to financial flows or bond volatility, either in any one member state or at euro area level. Similarly, concerns about uncertainty raised in the July 2016 internal quarterly report did not lead to further studies. In the absence of a dedicated internal macrofinancial analysis committee, internal analysis focused on short- and medium-term market moves that were important to ESM funding and investment activities and reflected a focus on internal governance. Economic risk analysis was secondary to the ESM's fiduciary responsibilities.

Reflection on relevant sectoral perspectives and spillovers

Internal analysis focused on the ESM's fiduciary responsibility rather than on relevant sectoral perspectives and spillovers. An analytical toolkit for euro area financial stability and analytical processes were yet to be developed. The macrofinancial analysis took account of both euro area growth prospects and the repayment capacity of beneficiary Member States. Risks to euro area financial stability were not the focus. In line with its mandate, analysis by the Risk function considered the ESM's interests solely through the lens of its fiduciary responsibility towards its Members.

There was a lack of documented analytical processes and disparate approaches were taken. Recorded internal discussions on the referendum's impact on the ESM's operations make no reference to consistent macrofinancial scenario analysis. Management defined an institution-wide approach to the problem, related risks, and follow-up actions. This approach was not anchored in sound macrofinancial analysis but rather rested on opinions from the various operational units.

A lack of communication among operational functions prevented the ESM from fully leveraging its internal analytical capacity. Before the vote, short-term risk analysis was driven by regular reporting through direct channels connecting market analysts to management. On a separate

track, the Risk function was following the enterprise risk. After the vote, macrofinancial analysis was delivered through the newly established EWS. Discussions were driven by management at committee level in varying formats. Silos between operational functions meant staff did not fully reflect output from other functions in their own analysis. The Board Risk Committee focused on managing potential adverse impacts on the ESM's operations.

Proposal of actions and policy solutions

There was a lack of discussion of policy solutions or mitigation options. The ESM's internal governance was at an early stage of development and key exchanges may have taken place informally and been kept confidential among senior managers. Full records of internal economic risk policy discussions may therefore be missing. However, documented ESM analysis focused on the repayment capacity of the beneficiary Members and their liquidity positions rather than on risks to financial stability for the euro area. There is no evidence that the ESM engaged in any discussion of policy solutions or policy mitigation options for beneficiary Members.

Study 2: Covid-19

The study broke the pandemic into three periods, during which available information evolved. It assessed the ESM's ability to identify vulnerabilities and highlight risks, particularly concerning threats to euro area financial stability which could impact the repayment capacity of Members. The study does not examine whether those risks identified then materialised, but instead aims to document the actions taken by ESM Management and staff and to compare these to those at other institutions.

Timeline: three phases of shock

31 December 2019	First media reports of viral disease in central Chinese city of Wuhan
5 January 2020	World Health Organization issues detailed alert to all governments
24 January 2020	First cases of Covid-19 reported in Europe
21 February 2020	First local lockdowns imposed in northern Italy as illness spreads in Europe
24 February 2020	Main European equity index drops 4% as markets fear Covid-19 disruption
10 March 2020	Italy imposes national lockdown, other EU states follow within two weeks
12 March 2020	Main European equity index falls by more than 12% in a day
23 March 2020	EU finance ministers ease fiscal rules to allow funding of emergency measures
2 April 2020	European Commission proposes €100 billion solidarity instrument
8 May 2020	Eurogroup agrees ESM Pandemic Crisis Support tool of up to 2% of GDP
19 May 2020	EU leaders authorise up to €100 billion of EU borrowing to support employment
15 June 2020	EU lifts internal border restrictions after weeks of easing lockdown restrictions

Early concerns

Ahead of peer institutions, the ESM's market team swiftly grasped signals from global financial markets, promptly identifying potential risks to the outlook. These vulnerabilities were viewed as potential sources of disruption for large European economies, particularly Germany and, to a lesser extent, France. The ESM's market analysis team diligently tracked the release of high-frequency market and survey data and identified pockets of vulnerability in global trade

originating from the Chinese economy.¹⁶ Reflecting on the market sentiment, they expressed the belief that the impact of Covid-19 would surpass that of SARS in 2003, primarily due to the substantial size of the Chinese economy and its deep integration into global value chains.

Macroeconomic and market staff collaborated closely to draw up scenarios for the pandemic's trajectory. These scenarios ultimately proved optimistic but, despite a lack of competence on medical issues within the ESM, they provided valuable insights into the potential effects of an unpredictable virus. Those scenarios were based on external analysis – mostly by investment banks – filtered by in-house expertise. ESM market-facing staff meticulously assessed the euro area's exposure to China. While these evaluations anticipated disruptions in German merchandise exports and the European tourism industry, they were constrained by the pervasive uncertainty surrounding the situation. Country analysis was somewhat constrained by a lack of country-specific data at short notice. Nonetheless, teams examined countries with known risks and delivered preliminary assessments of how these could impact euro area stability.

On 13 February, the European Commission was the first peer institution identified in the study as raising concerns for the European economy, when its annual winter forecast looked at the healthcare implications of Covid-19. ESM markets staff had previously flagged risks the virus posed to global growth. The European Commission acknowledged the repercussions on the short-term outlook for the Chinese economy but envisaged only limited global spillovers under its baseline scenario. That baseline assumption assumed no viral contagion outside China, and only limited impact on international trade. It foresaw the outbreak peaking in the first quarter of 2020 before subsiding.

ESM staff, in internal communications and in interactions at EU fora, highlighted that the European Commission outlook on Germany was notably more optimistic than the market consensus – an early sign of ESM concerns about the outlook for Europe as a whole. Noting Germany's particular exposure to China, staff indicated that assumptions underlying the European Commission forecast regarding the trajectory of Covid-19 in China diverged from the prevailing consensus at that time, which was anticipating a decline in global trade. Private stakeholders and investment banks echoed that sentiment, foreseeing a global health threat as early as February, while also underscoring the increasing risks to global growth amid heightened uncertainty.

The ESM's euro area staff identified risks in a timely manner but their analyses relied heavily on external sources.¹⁷ This posed a challenge in tracking the real-time evolution of risks to the euro area economy, as staff analyses were largely contingent on the analytical output of external stakeholders. However, this analysis had its merits, as it reflected very accurately the insights of market participants, thereby avoiding the overly cautious wording commonly used by peer institutions. The informal nature of euro area assessments during that period is evident in the absence of a flagship, in-house report providing comprehensive coverage of the euro area outlook in a structured manner.

¹⁶ The financial teams also promptly reported turbulence in the financial markets.

¹⁷ Country reports within the EWS framework were not prepared during the timeframe, hence no country-specific evidence was available to the editors of the evaluation report.

Pandemic confirmed¹⁸

After identifying the threat posed by Covid-19, ESM financial staff vigilantly monitored market trends and established a rapid communication system with management through internal committees. The input was also used in ESM/EFSF investment strategies. Analysis concentrated on assessing market functioning and liquidity in markets and hedging instruments, and analysing market pricing and risk denomination, as well as credit rating updates in Europe and beyond. Evidence from meeting notes and back-to-office reports from EU fora indicates that the ESM staff's market analysis was well regarded by other participants.¹⁹

Staff focused on evaluating the ramifications of the global spread of the virus, employing a multi-scenario approach. Euro area staff identified relevant research regarding the potential economic repercussions of pandemics in the euro area and evaluated the resilience of member states to withstand a crisis of such proportions. They concluded that euro area economies were more resilient than during the 2008 global financial crisis. Notably, they highlighted improved external sector balances and stronger banking systems. However, vulnerabilities were identified in some member states due to public sector and corporate debt levels. Regarding economic recovery, while peers avoided such assessments, ESM staff highlighted research that pointed to a U-shaped rebound in Europe, albeit with a risk of a slower, L-shaped recovery. In terms of country work, staff pinpointed countries more exposed to a sudden halt in tourism, retail trade, and transport, as well as those most affected by disruption in international trade and global supply chains.

Staff analysis complemented the findings of other institutions. Peer reports refrained from offering definitive opinions on the duration of healthcare disruptions, the extent of economic losses, or the shape of a subsequent recovery, in contrast to the analysis conducted by the ESM during the same period, which took a less cautious approach. ESM staff focused less on breaking down the economic components of the shock and aimed at communicating market consensus. Peers more thoroughly examined supply-side effects, estimating production losses due to disrupted supply chains and direct and indirect effects on labour supply resulting from containment measures. They also raised concerns over disruptions to corporate spending and financing, which confirmed ESM staff views on elevated corporate indebtedness, albeit with a weaker analytical background.

The lack of an in-house forecasting framework posed challenges in generating independent fiscal assessments of importance for the ESM. The absence of an established framework within the ESM for producing macroeconomic and fiscal forecasts significantly affected analysis of the pandemic, which relied heavily on external input, delaying timely assessment. Without such a framework and with limited evidence of member states' plans for discretionary measures, ESM fiscal analysts offered initial assessments on the magnitude of automatic stabilisers, acknowledging that discretionary policies would have a more significant impact on fiscal balances. This analysis represented a unique approach at the time, reflecting the institution's adaptability in producing relevant analytical work with available evidence. Regarding policy response proposals, given its mandate, the ESM provided limited guidance, recognising that both fiscal and monetary policies would play their respective roles.

Collaboration was minimal with institutions that were tracking the pandemic more closely, notably the World Health Organization and national agencies. As a result, staff assessments

¹⁸ ESM staff transitioned to full-time telework on 13 March, without interruption to the delivery of the ESM mandate or the work of ESM governing bodies. Throughout the remaining period of our shock window, the institution was operating under compulsory telework arrangements.

¹⁹ The first EU agenda of direct relevance for the ESM was the Eurogroup Working Group "Covid-19 - Impact of Coronavirus and policy action" item on 6 April 2020.

regarding healthcare developments were not informed by specialist evaluations. The ESM proved to have been overly optimistic about the impact of disruptions during periods of heightened uncertainty, when peer institutions were either refraining from making such assessments or underlining uncertainty factors in their own analyses.

Lockdown

As countries went into lockdown, generating further uncertainty, attention shifted from assessing the shock to formulating the policy response. The ESM promptly took up the challenge, with staff presenting a comprehensive proposal in EU fora. Technical elements of this included the mitigation of stigma effects (concerns among member states about indirect economic and political costs of requesting external assistance), running debt sustainability analyses, and determining potential engagement from the IMF. These elements were communicated effectively and praised by European peers for their accuracy and analytical depth.

As uncertainty escalated, ESM staff, like other institutions, refrained from pinpointing the timing of recovery. While earlier communications aimed to reassure markets and offered somewhat premature estimates for the recovery timeline, the onset of lockdowns in Europe prompted a shift, with ESM staff abstaining from putting a time limit on the disruption.

In line with peers, albeit with less granular data at the national level, ESM staff produced analysis on the size of discretionary fiscal measures. Particular attention was paid to the influence of automatic stabilisers and contingent liabilities, predominantly in the form of state guarantees, while staff exercised maximum scrutiny of peer institutions' forecasts regarding the magnitude of discretionary policies. Nevertheless, the lack of an in-house macroeconomic and fiscal forecasting framework posed challenges in producing fiscal assessments. Consequently, ESM staff leveraged information from other institutions, notably the European Commission and ECB, and engaged with beneficiary Member States' national authorities to formulate estimates. Peer reports emphasised the importance of designing well-targeted fiscal measures, urging national authorities to support the most vulnerable. At that juncture, however, ESM staff did not present pertinent evidence to complement these recommendations.²⁰

The ESM's analytical work focused on its mandate and assessed the potential size of support Members might need. Ahead of the publication of the reports under the EWS, and indicative of the ESM's analytical edge, staff assessed the pandemic-related financing needs of euro area member states. This analysis used country-specific cost-of-funding metrics and indicated in quantitative terms the gross financing needs for each member state, according to prescribed technical assumptions. Potential needs for ESM financing to cover any financing gap were subsequently estimated.²¹ The analysis was based on two scenarios, a baseline using European Commission forecasts, and an adverse case produced by ESM staff.

ESM staff encountered some delays in producing timely country analyses for the purpose of its EWS due to slow input from European peers. Analysis concerning the repayment capacity of beneficiary Members commenced only after the European Commission issued its spring forecast in early May. This structural link in ESM processes posed a risk of rendering the analysis outdated given the rapidly evolving nature of the pandemic. Engagement with national debt management offices, particularly for beneficiary Members, proved invaluable, providing a real-

²⁰ ESM Management decided that staff should not overburden Members with queries. Hence the ESM relied to a large extent on public data and data collection on the prevention measures via the European Commission.

²¹ For confidentiality reasons, the present study does not provide further detail on that report.

time information conduit regarding financing requirements. Benchmark reports from the IMF and OECD offered estimates of the scale of the downturn at both country and sectoral levels, which allowed deeper analysis by ESM staff. Despite recognising relatively higher costs in certain countries, especially those heavily reliant on tourism and services, ESM staff paid limited attention to the potential for divergence among Members. Peer institutions took more account of this factor in designing policy instruments, notably the European Commission's Recovery and Resilience Plan.

Market teams reflected on evolving dynamics in international markets, picking up on early stabilising forces in late April. The ESM concentrated, again, on consensus forecasts and prevailing market sentiment. Sovereign yields remained a focal point of the team's attention. Additionally, staff observed the ECB's asset purchase programmes, sharing internal estimates regarding government bond purchases for Members of particular interest. Risks to the ECB asset purchase programmes were also noted, particularly following a ruling in May by the German Constitutional Court, which questioned their legal basis.

Risks of rating downgrades on euro area countries were highlighted by staff and meticulously reported in internal committees. Italy, as the first country in Europe badly affected by the virus, faced considerable risks and staff followed market developments very closely. As staff acknowledged, the impact of a potential downgrade risked an exacerbation of outflows, but securities purchases under the ECB's asset purchase programmes kept credit spreads in check. ESM analysts diligently tracked developments and consistently reported market views throughout the reference period and until Italian yield spreads eased in mid-June.

In line with peers, ESM staff noted troubling signals from long-term investors, signalling their heightened concerns about potential scarring effects on growth. ESM staff deliberated on the likely shape of the recovery, largely echoing the narrative of peers who foresaw a U-shaped rebound, with latent risks of this deteriorating into an L-shaped recovery if long-term scarring effects were overlooked. During the reference period, the European Commission introduced the temporary Support to mitigate Unemployment Risks in an Emergency initiative as a measure to safeguard jobs in the short term. ESM staff promptly evaluated the European Commission's proposal, recognising the initiative as a complement to the ESM's Enhanced Conditions Credit Line instrument due to its loan-based structure. Further work was conducted by ESM staff to determine the attractiveness of the new instrument for Members, comparing various factors such as maturity and interest rate differentials against market financing options. At the time of analysis, limited evidence was available on the Recovery and Resilience Plan.

Findings

Timeliness of the analysis

The ESM markets staff swiftly identified the risks of the virus, leveraging their role in monitoring financial markets. By early February, market teams were providing regular updates on the spreading shock and its spillovers from China. Macroeconomic teams followed during the outbreak phase by assessing the pandemic's potential impact on the euro area, employing a multi-scenario approach. Once in the lockdown phase, however, subsequent analysis, primarily communicated through ad hoc notes for EU meetings and internal monitoring committees, in large part simply echoed the work of peers. This was mainly due to constraints stemming from the lack of an independent forecasting framework and the reliance on European Commission forecasts to assess repayment capacity for beneficiary Members.

Clarity on context, history, and connections across policy areas

Once the shock was identified, policy teams across the ESM collaborated to generate related

intelligence. Euro area and market staff worked closely to draw up potential scenarios for the economic impact of the pandemic, and prepared relevant ad hoc studies throughout the reference period. Evidence from meeting notes and reports from EU meetings indicate that the analysis of market consensus and evidence on macrofinancial linkages from the shock were well received and recognised as a feature where the ESM stood out over its counterparts. At country level, during the initial phases of the shock, some ad hoc analysis of financial stability was prepared for high-risk countries. More systematic country monitoring was initiated later in the second quarter for EWS purposes. This focused on the consequences of the pandemic in the context of repayment capacity.

Relevance of sources and comparison of scenarios or pathways

In the early stages, market analysis provided fresh perspectives on market developments, but macroeconomic teams mostly echoed conclusions drawn by peer institutions. The macroeconomic analysis primarily relied on the work of the European Commission, IMF, ECB, and OECD. There was little evidence of analysis from national authorities being used, except for those of the general accounting and debt management offices of the beneficiary Members. These offered valuable insights to ESM staff as part of the EWS. Staff drew heavily on academic research related to the impact of pandemic shocks in Europe, which laid the ground for analytical tools that were later developed to monitor the evolution of the pandemic. As the virus spread, staff analysis, aligning with peer efforts, focused on identifying key transmission channels at both the euro area and national levels. Somewhat ahead of peers, staff initiated discussions about the shape of the recovery and potential long-term effects of the pandemic. Throughout, rich scenario analysis was conducted to account for the elevated uncertainty surrounding the evolution of the pandemic.

Relevance of analytical frameworks and methods, clarification of limitations

ESM staff employed analytics similar to those used by other institutions, where feasible. They concentrated on assessing the impact on and volatility in international financial markets, the outlook for the euro area, and developments in trade and global value chains. There was a particular focus on reflecting market consensus, incorporating into various reports analyses from large investment and commercial banks, asset managers, and other private entities with strong market access. Overall, the macrofinancial analysis accurately reflected the situation and did so ahead of peers, while also referencing analytical and research work from other bodies. On the policy side, there is somewhat limited evidence for the evaluation of fiscal policies, but closer monitoring was conducted on monetary policy. Interactions with the European Commission were crucial for assessing fiscal policy and the macroeconomic outlook, given the absence of an independent forecasting framework. Interaction with national authorities was limited during the early stages, leading to delays in the production of relevant analytical work, especially regarding country analysis. However, this was a common challenge faced by most peer institutions at that time.

Reflection of relevant sectoral perspectives and spillovers

Analytical perspectives were adequately reconciled between market and macroeconomic teams, ultimately deploying scenario analysis when the situation allowed. Throughout all phases of the shock, macroeconomic analysis largely reflected those perspectives also reported by peers, adequately assessing risks to the euro area and country outlooks, as well as beneficiary Members' repayment capacity. Adequate attention was given to various policy areas, particularly macroeconomic, financial/banking, and fiscal, even though available evidence from national sources was scarce at times. While weaker evidence on sectoral perspectives was noted, peer reports provided substantial evidence that staff later referenced. Country-level work exhibited some inconsistencies with assessments for the euro area as a whole due to the absence of an overarching report summarising the ESM's euro area outlook. Uncertainty on the

euro area at times prompted efforts to produce country-level analyses, but difficult access to relevant information was a persistent problem. Market staff monitored market movements throughout the shock, reflecting prevailing market forces, with a central focus on financial stability. Analysis of financial flows and bond volatility was also produced – another feature that distinguished the ESM’s output from that of its peers.

Proposal of actions and policy solutions

Internal analytical capacity was leveraged at a satisfactory level. Despite the ESM’s internal governance still being in a development stage, exchanges between market, financial, and macroeconomic staff took place, formally through internal committees, but also informally during division meetings or in private. The study found there was limited evidence of silo mentality at the highest managerial level, while at staff level interactions between operational functions allowed staff to reflect the output of other teams within the ESM. In the early phase, short-term risk analysis was driven by notes prepared for EU fora, often at short notice, or ad hoc notes informing management on the development of the crisis and its associated risks. Macrofinancial analysis at country level was delivered through the EWS. Despite a well-established framework for country surveillance, the workstream for assessing risks across the whole euro area had at that time not been collated into a flagship report. Management identified a gap and established the EFRR, which has since served as a key reference for internal briefings and policy positions across the ESM.

Study 3: Energy shock

The note covers developments in European energy markets starting in a six-month window ahead of Russia’s invasion of Ukraine in February 2022 and culminating with the period of large energy price movements in August 2022. The note draws on documents published in this window for analysis.

Timeline

Spring 2021	Easing of Covid-19 pandemic boosts energy demand
22 June 2021	Title Transfer Facility (TTF) gas future closes above 30 €/MWh for first time
Late 2021	Supply constraints and uncertainty boost gas prices, electricity follows
January 2022	Reduced nuclear and hydro output sees spike in electricity prices
24 February 2022	Russia invades Ukraine, prompting EU sanctions on Russian gas
7 March 2022	TTF gas closes above 227 €/MWh, more than trebling since invasion
Spring 2022	Large increases in non-Russian gas supplies through liquefied natural gas cargoes
Summer 2022	Lower nuclear and wind output, new uncertainty over Russian supplies
26 August 2022	TTF gas hits closing record high of 339 €/MWh
Winter 2022–2023	Mild weather, high stocks, liquefied natural gas supply help lower energy prices
Spring 2023	Increased nuclear and wind output contribute to further price easing
15 May 2023	TTF gas closes below 30 €/MWh for first time in nearly two years

Background

The study observed the surge in European natural gas prices and potential spillover risks for other market segments that began in the second half of 2021 and culminated in August 2022. The euro area financial sector faced numerous challenges following the Russian invasion of Ukraine in February 2022. The unanticipated military aggression posed severe geopolitical risks, triggering wide-ranging economic sanctions on Russia from the EU and its global allies. The

shockwave it sent through the financial sector necessitated a response to safeguard financial stability and address the direct and indirect economic repercussions. The objective of the analysis was to identify if – and to what degree – the energy shock was discussed and identified as a potential risk to financial stability in the euro area.

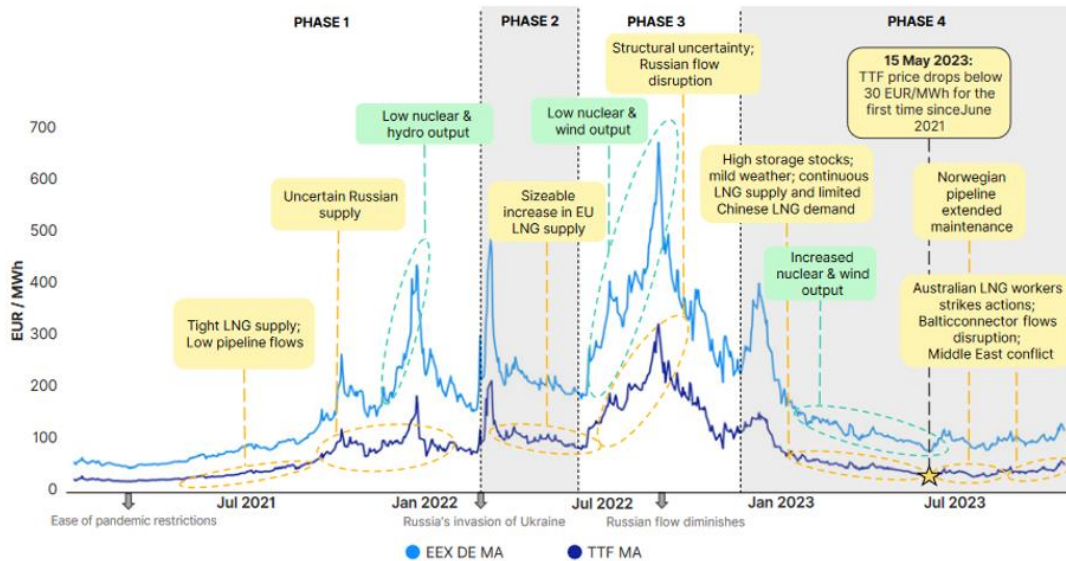
Immediate financial stability risks arising from the invasion of Ukraine were managed through coordinated policy responses, but the financial sector faced ongoing challenges due to the protracted nature of the conflict and its economic consequences. Banks with direct exposure to the conflict zone had to reassess swiftly and make provisions for potential losses while preparing for a heightened risk of cyber-attacks. The ESM's analysis of these exposures was conducted in February 2022 but some of the data references date to mid-2021 or even to 2020. While an ECB assessment of the euro area banking sector found it to be resilient, the disruptions in energy and commodity markets due to the conflict posed risks to economic activity in the area that had the potential to adversely affect banks' balance sheets. Investment funds exposed to Russian and Ukrainian assets or commodities faced valuation challenges and redemption pressures, with insurers reflecting implications of the conflict in their underwriting policies and claims. More broadly, the crisis highlighted the need for robust compliance systems and strengthening the anti-money-laundering framework, notably vis-à-vis sanctions evasion.

Compared to peer institutions' active cooperation with external stakeholders, the ESM's actions in the wake of the invasion of Ukraine were inward-focused. The ESM monitored euro area banks with exposure to Russia and Ukraine and reinforced its readiness to assist financially distressed Members (see [2022 ESM Annual Report](#)), ensuring that the mechanisms for support were operational. In contrast, the ECB also collaborated with national and international authorities to monitor the wider implications for the banking sector, including exposure to Russia and Ukraine and the risk of cyber-attacks, and the IMF evaluated the broader economic impacts and offered policy guidance and support to countries directly and indirectly affected by the crisis, including extending financing arrangements to Ukraine. The European Commission implemented a series of sanctions against Russia and promoted policies to reduce dependency on Russian fossil fuels by lowering gas demand and filling gas storage facilities to high levels.

In particular, the study looked at whether ESM monitoring flagged potential spillover risks in relation to events in the EU natural gas derivatives market in late 2022 and assessed how adequate it was to support decision-makers. The Russian invasion precipitated immediate market volatility, with a flight to safety leading to yield reductions on core government bonds and widening spreads on peripheral bonds. Energy markets were particularly disrupted, with oil and gas prices soaring, thereby influencing inflation expectations and monetary policy considerations. Equity markets experienced selloffs, especially in sectors with high energy dependency or direct exposure to the affected regions. In contrast, the defence and alternative energy sectors saw increased investor interest. The specifics of the gas derivatives market microstructure, with high concentration in derivative positions along with surging volatility in the underlying markets, showed that in late 2022 calls for liquidity support measures were arising due to hefty margin calls. These unexpected and large margin calls threatened to spill over from the energy market into a funding liquidity risk crisis for market participants, pushing governments to step in with credit lines, loans, and other measures.

The study was based on four phases in energy prices **Error! Reference source not found.** (Figure 5.3) and on the analytical work from the European Securities and Markets Authority and the Agency for the Cooperation of Energy Regulators.

Figure 5.3
EU wholesale gas and electricity prices
 (in €/MWh)



Sources: European Securities and Markets Authority, Agency for the Cooperation of Energy Regulators

Findings

Timeliness of the analysis

ESM analysis began covering energy price impacts and potential risks around the same time as peer institutions, in early September 2021. There was no evidence of market or economic teams reporting on the early stages of Phase 1. This was probably due to the summer break, when daily market briefings are suspended and fewer internal market and economic outlook discussions take place. There was no follow-up process, such as by revisiting risks and assumptions during the later stages of the energy shock episodes.

Clarity on context, history, and connections across policy areas

The ESM provided clear and contextual analysis covering various policy areas, though this was mainly from a macroeconomic perspective and very narrow. The topic was clear and contextualised, though mainly in a fiscal and macroeconomic context, raising concerns about the impact on demand and growth due to price effects. Spillover effects arising from gas and electricity prices into their highly concentrated derivatives markets were neither discussed nor foreseen. The critical role of energy companies as clearing members in the central counterparties was not known to the ESM. As a result, the ESM did not see the potential for contingent government liabilities. Government measures were required to mitigate a funding liquidity crisis by helping energy companies post variation margins in advance in the gas derivatives market. Interaction between ESM macroeconomic and market teams was limited.

Relevance of sources and comparison of scenarios or pathways

ESM analysis was largely limited to reporting the thinking of others and raising questions regarding impacts on the global financial markets. Overall, it lacked clear and concise thoughts and views of its own that could lead to clear policy recommendations. The CE and CFO departments delivered input based on relevant sources and attempted to put events in perspective. However, this material did not provide scenario analyses and offered little description of clear pathways ahead, though some events were described as policy-relevant.

Relevance of analytical frameworks and methods, clarification of limitations

There is little evidence of analytical output from internal processes. Material appears rather to be well-drafted summaries of analyses from other sources. The ESM delivered soundly sourced and well consolidated overviews but lacked its own analytical framework and processes, and deliverables were not comparable to the output of peers.

Reflection on relevant sectoral perspectives and spillovers

ESM contributions could not provide perspectives or identify spillovers as they were based on summaries from others. The ESM failed to spot mounting contingent sovereign funding needs resulting from volatility-induced margin calls for non-bank participants in energy derivatives markets. Its analytical focus was on macroeconomic consequences and did not adequately comprehend connections to and the political sensitivities around energy companies that were regarded by governments as “too interconnected to fail”.²²

Proposal of actions and policy solutions

ESM contributions lacked clear and consequential action steps to address policy issues. Most, if not all, ESM analysis is prepared for internal use, such as internal committees, and Eurogroup meetings. Its capacity to propose clear policy recommendations does not appear to be developed to its full potential on a working level. It may also lack the necessary internal communication practices to ensure that contributions reach the relevant committees, for example when market reports flag up risks. Financial sector monitoring in the ESM did capture proposed regulatory changes for central counterparties in October 2022, signalling a shift to paying attention to this issue.

Study 4: Monetary policy tightening

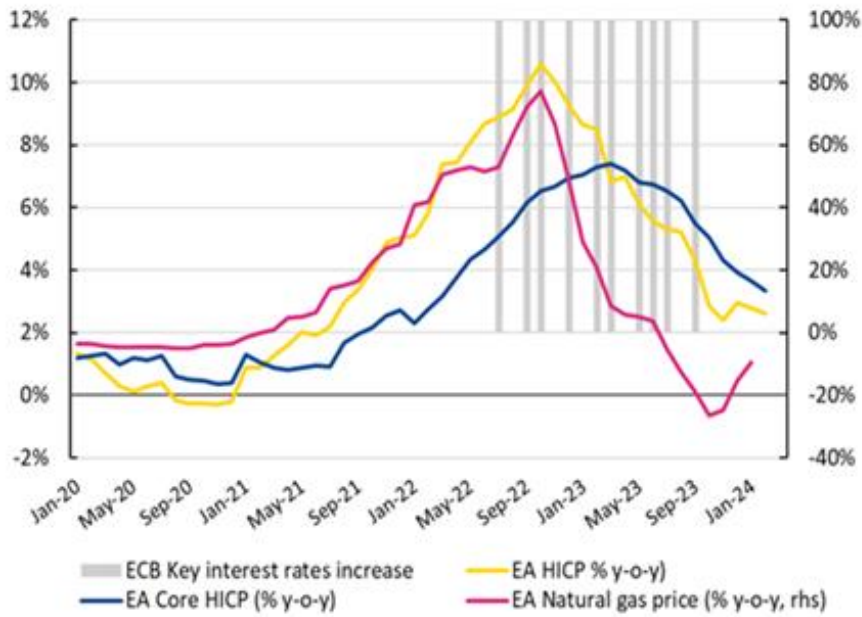
The study focused on analysis of former programme countries in a one-year window from autumn 2021 until autumn 2022, encompassing the ECB’s decision on 21 July 2022 to raise interest rates for the first time in more than a decade; this was a key moment in a transition from the accommodative monetary policy that followed the global financial crisis toward a tightening stance to combat post-pandemic inflation.

Timeline

16 December 2021	ECB says to end to pandemic emergency asset purchase programme at end-March
9 June 2022	ECB says to end asset purchase programme on 1 July; plans 25 basis point hike on 21 July
21 July 2022	ECB raises rates by 50 basis points, first increase since 2011
14 September 2023	25-basis point increase ends 14-month sequence of hikes totalling 450 basis points

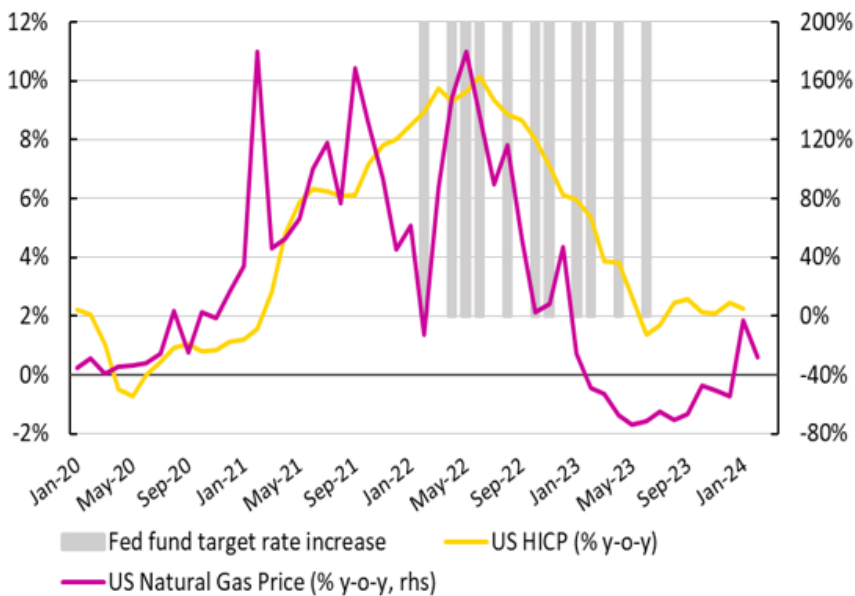
²² The 2024 [ESRB response to the consultative report by the BCBS, CPMI and IOSCO](#) on the transparency and responsiveness of initial margins in centrally cleared markets clarifies the systemic risk aspects of the non-bank clearing members’ liquidity crunch.

Figure 5.4
Euro area energy price and inflation
(in %)



Sources: ECB, Eurostat

Figure 5.5
US energy price and inflation
(in %)



Sources: Federal Reserve, Bureau of Labour Statistics, US Energy Information Administration

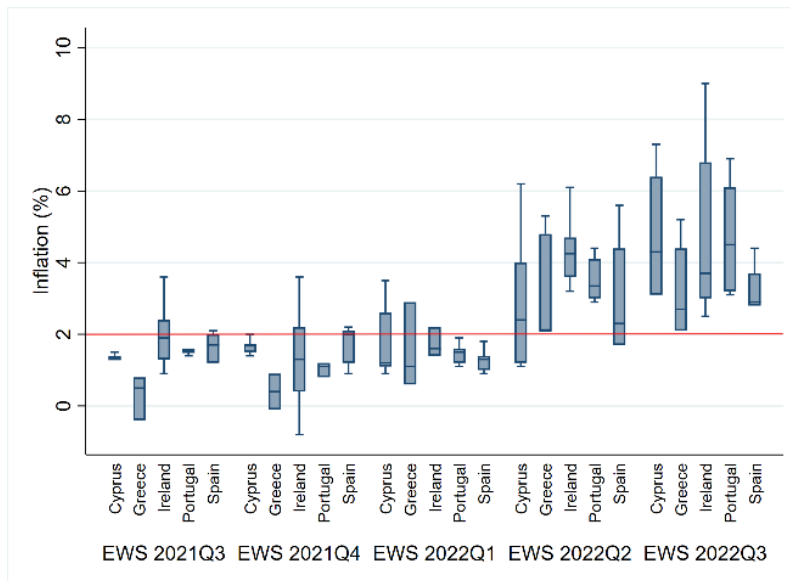
Background

The study looked at the range of scenarios produced for key economic indicators in former programme countries among ESM Members as part of their quarterly EWS reports over the timeframe under review. It considered consumer price inflation, real GDP growth, and the

primary balance for Cyprus, Greece, Ireland, Portugal, and Spain. These provided additional data against which to evaluate the ESM's analysis during the transition from loose to tight monetary policy.

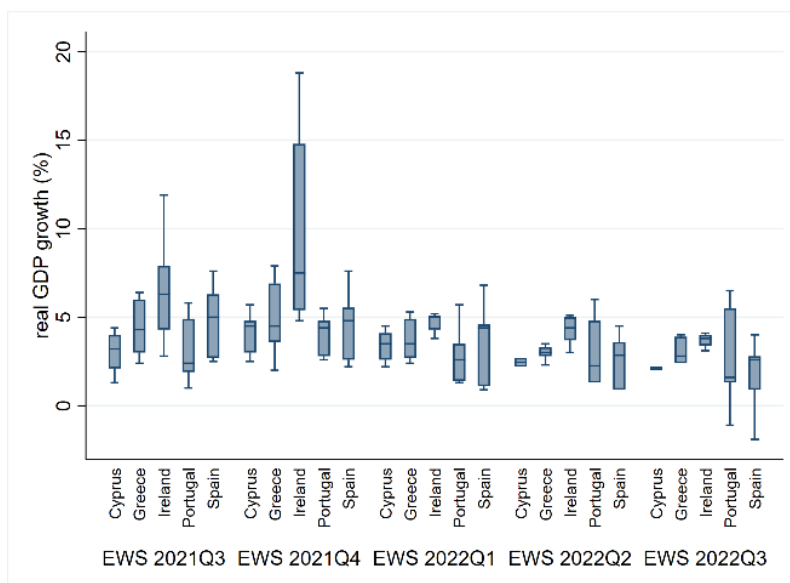
Figures 5.6 to 5.8 show the distribution of inflation, real GDP growth, and primary balance values over t to $t+2$, with t being the year of the EWS report, in beneficiary Members' EWS reports. The blue boxes show the interquartile range of indicator estimates as reported across all EWS scenarios, with the horizontal bar within the box showing the median estimate.

Figure 5.6
EWS inflation scenarios
(in %)



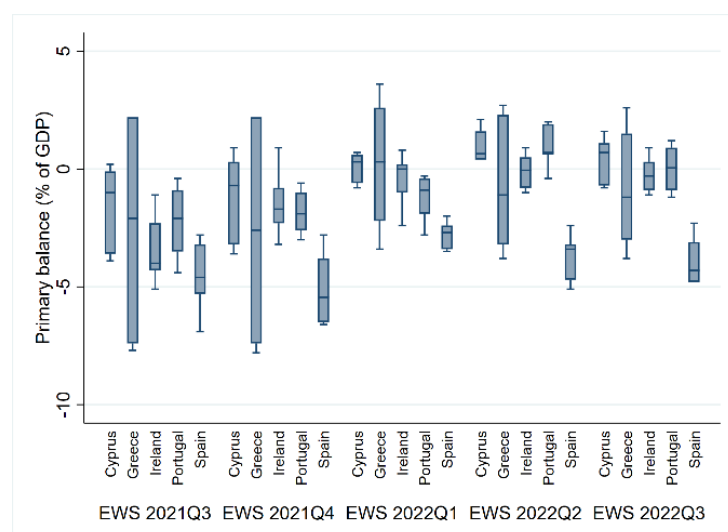
Source: ESM EWS reports

Figure 5.7
EWS real GDP growth scenarios
(in %)



Source: ESM EWS reports

Figure 5.8
EWS primary balance scenarios
 (in % of GDP)



Source: ESM EWS reports

Findings

Timeliness of the analysis

The ESM's internal analysis did not systematically flag the risk of a persistent and significant rise in inflation and a subsequent tightening of monetary policy until late spring 2022. Some peer institutions' macroeconomic scenarios reflected this risk earlier. In late 2021, the ESM's internal analysis assumed any inflation risk to be transitory and did not quantify its impact. This was in line with external publications from others at the time. The IMF stood out when it flagged a significant risk of inflation and a possibly faster tightening of monetary policy amid significant uncertainty. By early 2022, peer institutions had incorporated more persistent inflation and rising interest rates into their scenarios, while the ESM followed – less decisively – in late spring, anticipating persistently higher baseline inflation in only three euro area member states. Only in the second half of 2022, after the ECB had begun to hike rates, did ESM country analysis assume persistently high inflation in baseline scenarios across Members' economies.

Clarity on context, history, and connections across policy areas

The ESM's country analysis assessed risks to growth, inflation, fiscal position, and the resulting debt dynamics quantitatively using at least two different scenarios. As inflation rose and became more persistent, and ECB monetary policy became more restrictive, the scenarios progressively captured weakening growth expectations, a rising inflation outlook, and an increase in interest rates based on forward rates and country-specific risk spreads²³ (Figures 5.6 to 5.8). Country teams in their analysis used the European Commission forecast and the Debt Sustainability Monitor's macrofiscal scenario assumptions in their baseline scenarios while the narrative underlying the construction of alternative scenarios followed internal horizontal guidance. With Greece under enhanced surveillance at the time, the ESM's Greece team constructed additional risk scenarios of their own.

²³ Estimated in the adverse scenarios for beneficiary Member States using the macroeconomic and fiscal projections under the adverse scenario. These spreads were then added to the adverse risk-free rate which was derived from the German government bond yield.

Relevance of sources and comparison of scenarios or pathways

While the ESM's country risk analysis was based on European Commission forecasts and methodology, the adverse scenarios were model-based and accompanied by a cross-sectoral narrative informed by recent macroeconomic and market developments across the euro area. Country risk analysis as presented in the EWS reports was subject to horizontal guidance with respect to the construction of macro-fiscal risk scenarios over Members' loan repayment horizons. Commission baseline scenarios were modified over the short term using more recent data, and the cross-sectoral risk narrative for the euro area provided guidance for the growth and inflation figures adopted in the adverse scenario. In the medium to long term, the ESM baseline scenario converged to the European Commission's growth and inflation numbers over this horizon, while the ESM's EWS coordination team provided horizontal instructions for medium-term assumptions under the alternative – adverse – scenario. In the short term, the guidance for the adverse scenario was based on the euro area model forecast using the latest data updates, while over the medium to long term the guidance indicated a return to the inflation target but lower potential GDP compared to the baseline.

Relevance of analytical frameworks and methods, clarification of limitations

Internal country risk was analysed using scenario analysis, in line with peer institutions. The focus was on the assessment of Members' capacity to repay. This was constructed around three main blocks: risks to the macrofiscal outlook; sovereign liquidity risk and debt sustainability; and financial sector risks. Scenarios for GDP growth, inflation, fiscal balances, and market rates followed the European Commission forecasts for the baseline country scenarios; market-based indicators of interest rates, inflation, and oil prices were used for baseline scenario updates. The euro area adverse scenario narrative served in quantifying the horizontal adverse scenario using a central dynamic stochastic general equilibrium model with satellite structural and reduced-form models. This scenario did not reflect Members' country-specific risks, but country teams were allowed to deviate from the horizontal adverse scenario provided that they could justify their decision.

Reflection on relevant sectoral perspectives and spillovers

While most sectors were adequately covered, any formal analysis of external sector risks using risk scenarios was missing. In late 2021, only the Greece team quantified risks to debt sustainability related to high interest rates in a dedicated scenario, while the Cyprus and Ireland teams mentioned the risk of monetary policy tightening qualitatively. In the first half of 2022, the risk of monetary policy tightening was flagged by all country teams, and country yield spreads reflected market expectations of ECB action²⁴ and country risk premiums. Country teams reported external sector risks to Members only qualitatively in EWS reports and did not construct scenarios for current account or net international investment positions that would be consistent with the macrofiscal outlook. In building country-specific adverse scenarios, country teams largely adopted shocks and their magnitude from the euro area-wide adverse scenario. This may not adequately reflect risks for specific Members.

Apart from analysing country-specific and euro area risks, internal analysis also looked at the ECB policy change implications for the ESM/EFSF. Prior to the first ECB interest rate hike, market

²⁴ In January 2022, markets expected ECB policy rate hikes of 10 to 30 basis points in 2022 and 2023. In February, rate expectations increased before retreating in March to close to January levels. In April and May 2022, expectations of rate hikes strengthened, with 125 basis points forecast within a year. In June, markets were expecting increases of 150 basis points by end-2022 and of up to 200 basis points by end-2023.

risks for the ESM/EFSF funding strategy related to the tapering of quantitative easing were discussed and an adjustment to the funding strategy was adopted. This decision aimed to adjust the size of the ESM cash buffer to reduce negative carry for Members. Internal EFRRs presented analytical deep dives into topical issues such as the implications for growth and inflation of global supply chain disruptions and gas rationing. However, no evidence was found of case studies looking at how Members might be affected by issues such as a tightening of financial conditions and hence possibly increased market volatility; tighter liquidity; higher sovereign and private sector funding costs; the role of unrealistic public spending on fiscal consolidation; how Russia's war on Ukraine might disrupt the financial system; or the impact of high inflation on fiscal revenues and public debt. The internal EFMC discussed what level of fiscal support would be appropriate after the pandemic and the implications for the output gap and inflation of either too much or too little fiscal support. After the EFMC requested further analysis of this risk and its propagation mechanism, the follow-up analysis presented in the EFRR focused on the impact of too rapid a tightening of monetary policy rather than on a monetary policy response that was too slow.

Proposal of actions and policy solutions

ESM analysis tackled broadly the same questions as peer institutions and adapted its risk narrative to the evolving situation. While the risk narrative underlying macrofiscal scenarios was well established and reflected market views and risks, analysis of the external sector remained comparatively underdeveloped and largely descriptive. Euro area-wide risks were well quantified in risk scenarios and pertinent horizontal issues were investigated in EFRR analytical chapters. However, the implications of a policy response that was too late or too small to reduce inflation were left unexplored and guidance was missing on how to tailor the alternative (adverse) risk narrative to country-specific cases. Risks to the ESM/EFSF due to changing monetary policy were discussed in internal fora and necessary action was taken. Overall, it would be advisable to enhance the ESM's internal analytical toolkit to cover all sectors of the economy and provide quantitative guidance on tailoring the euro area alternative risk narrative to the needs of individual Members.

Study 5: Credit Suisse

The study focused on the months before and after Credit Suisse was absorbed by UBS on 19 March 2023 in a deal overseen by the Swiss authorities.

Timeline

September 2022	Credit Suisse shares hit record low, CDS prices jump on profit concern
Q4 2022	Deposit outflows, rating downgrades, annual accounts delayed
January 2023	Credit Suisse announces restructuring plan to restore confidence
February 2023	Proposed capital increase fails amid mounting investor scepticism
10 March 2023	US authorities resolve Silicon Valley Bank to protect depositors
15 March 2023	Swiss authorities say they will stand by Credit Suisse
19 March 2023	Swiss announce UBS merger; Credit Suisse AT1 bonds wiped out

Background

Poor profitability and uncertainty over the future of Credit Suisse saw a flight of investors and

depositors from the long troubled Swiss bank in late 2022. Separate problems in US banks over-exposed to tightening monetary policy heightened global market concerns over bank liquidity in early 2023. Swiss treatment of Credit Suisse AT1 bondholders in the forced merger with UBS prompted a sell-off of similar securities and saw the European Banking Authority, Single Resolution Board, and ECB reassure bondholders in euro area banks that this approach would not be applied in euro area resolutions.

Findings

Timeliness of the analysis

The ESM's monitoring was timely. The failure event was reported on the day of intervention and the events leading up to it had been followed daily. Though based outside the euro area, Credit Suisse was considered a global systemically important bank and the ESM analysed it as part of its monitoring of the financial sector. Such market monitoring had been stepped up due to market jitters over US banks. As market pressure increased on Credit Suisse, ESM Management received daily briefings. The Risk function had brought up problems with Credit Suisse much earlier and advised that the ESM reduce its exposure to covered bonds from the bank in October–November 2022. At a meeting of the Internal Risk Committee a month before Credit Suisse's failure, the bank was not mentioned as there was no ESM exposure. —

Given that Credit Suisse's demise stemmed from long standing problems, there had been a long history of reports and analysis on problems at the bank from credit rating agencies, brokers, and media. However, despite heavy media coverage of Credit Suisse during its rapid ultimate demise, there was no public mention of the bank by either the ECB or the IMF in this later period – probably due to policies of not naming individual banks in trouble. The ECB's link to the bank was weak as it was not the supervisor, Credit Suisse was not systemically important for any one euro area country, and only 12% of its revenues came from Europe (ex-Switzerland), Middle East, and Africa. For the IMF, publications before the failure did not point to specific problems with Credit Suisse. A press release after the IMF's annual Article IV consultation with Switzerland in June 2022²⁵ welcomed its "banking sector resilience" and noted only vulnerabilities to residential real estate and the war in Ukraine – neither of which brought down Credit Suisse. Overall, few analysts expected the bank to fail in the near term.

Many institutions sought to learn lessons in the aftermath. The IMF mentioned it several times in its April 2023 Global Financial Stability Report,²⁶ as did the ECB the following month in its Financial Stability Review.²⁷ The Financial Stability Board published a report on the implications for global systemically important bank resolution and resolution planning in October 2023. The ESM's semi-annual EFRR, semi-annual Non-Bank Financial Intermediation report, and weekly Market Watch all covered the Credit Suisse failure after the event, as did the following three quarterly notes on the BVI. A key point of this analysis was the resolution framework and how it was implemented in practice and the implications for the AT1 bond market. One internal ESM note reporting on market volatility around Credit Suisse noted its extended negative profit record over 2021–2022 but assessed it difficult to identify the specific sources of concern based on standard backward-looking metrics.

²⁵ Switzerland: 2022 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Switzerland (imf.org)

²⁶ [Global Financial Stability Report, April 2023: Safeguarding Financial Stability amid High Inflation and Geopolitical Risks](#)

²⁷ [Financial Stability Review, May 2023 \(europa.eu\)](#)

Clarity on context, history, and connections across policy areas

Risks to euro area financial stability were not central to ESM analysis of the Credit Suisse case. In line with its mandate, the analysis largely confined the ESM's priorities to its fiduciary responsibility towards Members and the exposures of its paid-in capital. This was closely handled by the Risk Management team. An implicit judgement was made that there was no need to trigger estimates of the Single Resolution Board's repayment capacity. One piece of analysis which did look beyond these concerns was a simulation of the potential impact of unrealised losses on European banks' balance sheets, reflecting some market concerns. With this, teams found evidence of comfortable capital buffers (Table 5.1).

Relevance of sources and comparison of scenarios or pathways

The ESM's initial analysis was structured around the long-term timeframe of the BVI. However, as market pressure increased on Credit Suisse, the focus turned to the short term and following the news. Familiar scenarios for bank failures – capital raising, emergency liquidity, nationalisation, acquisition – were understood and quantifiable. However, the contagion that this could cause in Europe was unknown and, since the authorities in charge were outside the euro area, the ESM was largely a spectator. An internal briefing note identified potential unrealised losses on banks' securities portfolios as a possible secondary-effect channel for euro area banks. A lack of statements from the ECB, IMF, European Commission, and others left the ESM with little external analysis to follow. Its own analysis incorporated media reports and Credit Suisse statements, and relied heavily on market data from Bloomberg for CDS, bond, and equities data. These are the same instruments that would be used by financial investors, besides having more reliance and access to sell-side analysts and traders.

Reflection on relevant sectoral perspectives and spillovers

ESM analysis of Credit Suisse did not consider risks to euro area growth or to the repayment capacity of beneficiary Members but focused on markets and the banking sector. Financial market movements, not the views of market participants, were the focus of the former. Financial stability concerns were not considered central to ESM analytical needs. There is no evidence of scenario analysis covering disruptions in financial flows, macroeconomic analysis, or bond volatility, in a member state or at the euro area level. In the case of Credit Suisse, there was little need for this given that its business concentrated on wealth management, largely outside the euro area. However, given the business model of the bank (mostly wealth management) and the low exposure in Europe it would likely have been unnecessary.

In October 2023, an ESM briefing note nonetheless did link the demise of Credit Suisse with more general considerations on bank liquidity conditions and the cost of funding as monetary policy normalisation continued. Risk Management, with its mandate over the ESM's fiduciary risks, told the Board Risk Committee the day after the failure of Credit Suisse that it would be monitoring potential spillovers and market reaction and would notify the Board Risk Committee promptly if necessary. It also noted that the ESM had no direct exposure to the banks involved, nor more generally to US regional banks or other Swiss entities. As a prudent step, Risk Management also decided to temporarily close limits for two derivative counterparties, which had the lowest credit rating allowed by internal policy – BBB+.

Two days after UBS's acquisition of Credit Suisse, the Internal Risk Committee discussed the Swiss and US bank problems. Not only had the ESM no direct credit exposure to Credit Suisse or UBS, neither was a derivative counterparty. Risk Management identified four ESM derivative

counterparties which held shares in Silicon Valley Bank,²⁸ but the banks absorbed those losses. The Internal Risk Committee also discussed spillovers of the bank failures into funding for other banks and concluded that the direct impact on euro area banks appeared contained. ESM counterparty risk remained small and selected. A stress test was carried out based on market expectations and a historical correlation with interest rate swap curve expectations. This confirmed that the ESM liquidity buffer was calibrated appropriately.

Relevance of analytical frameworks and methods, clarification of limitations

During the analysed window, there was no clearly documented analytical process. Documented internal discussions of the impact on the ESM's operations do not reference a consistent analytical approach. Management defined which teams would carry out work and received analysis on which, ideally, they would identify related risks and follow-up actions. This approach relied on the experience of personnel, as there were no pre-defined guidelines on how to proceed.

Proposal of actions and policy solutions

In the run-up to Credit Suisse's failure, short-term risk analysis was driven by regular reporting through direct channels connecting market analysts to ESM Management. Discussions were driven by management at committee level in varying compositions. On a separate track, the Risk function was following the enterprise risk and advised as early as October 2022 that direct exposure to Credit Suisse should be reduced. During the buildup of stress on the bank, the Risk function appears to have been largely absent from discussions given the lack of direct ESM exposure, but after the failure of the bank this team started analysing potential spillovers. Despite Credit Suisse being a non-EU bank with limited activity in the euro area, the analysis of contagion, indirect exposures, and spillovers could have been performed earlier. Some independent observers have suggested that regulatory metrics on capital and liquidity provide a poor view of bank health,²⁹ however no specific ESM analysis was put on the research agenda.

There is no evidence that the ESM engaged in discussions on policy solutions or policy mitigation options. A briefing note dated 15 March 2023 assessed Credit Suisse as a global highly interconnected institution that posed a threat to the wider financial system. It found that to make a deeper assessment of liquidity pressures and other risks for the euro area, the ESM required more data on the bank's net exposures to central counterparties, its collateral adequacy, and its interbank exposures within the EU. However, this data was not available to the ESM. There is no evidence of privileged contact being initiated with relevant supervisory authorities or institutions such as the Financial Stability Board to obtain such data or other insights.

The ESM seems to have acquiesced in the data gaps as no active effort was made to persuade regulators to consider how a lack of access to their data hampered the ESM's ability to operate effectively in the common interest. A dependence on public reporting for non-market data meant that ESM analysis was often based on data that was out of date by a quarter or more. The study also highlighted the poor reliability of regulatory metrics such as liquidity coverage ratios.

²⁸ JP Morgan, Morgan Stanley, Deutsche Bank, and Natixis

²⁹ <https://www.piie.com/events/2024/lessons-2023-collapse-credit-suisse>

Table 5.1

Potential effects of unrealised losses on selected European banks

Selected banks	CET 1 ratio				Capital buffer			
	December 2022 in %	Final in %	Impact in basis points	CET1 requirement in %	December 2022 in basis points	Final in basis points	BVI score vs euro area	Stock price vs one week before in %
ING	13.1	12.0	-104	11.0	207	103	Above average	-12
Commerzbank	14.2	13.2	-99	9.5	468	369	Below average	-17
BAWAG	14.4	13.6	-87	9.2	525	438	Above average	-16
Erste	14.4	13.7	-72	10.4	402	330	Above average	-13
Deutsche Bank	13.4	12.8	-53	10.6	275	222	Below average	-11
BNP Paribas	12.3	11.8	-49	9.6	276	227	Below average	-13
Raiffeisen Bank International	14.7	14.1	-59	10.7	400	341	Above average	-8
Bank of Ireland	15.9	15.4	-48	10.0	586	538	Below average	-9
Unicredit	16.7	16.2	-50	9.3	740	690	Above average	-11
Allied Irish Bank	17.9	17.4	-54	10.2	767	713	Below average	-5
Intesa Sanpaolo	13.8	13.4	-41	8.8	504	463	Above average	-9
Santander	12.2	12.1	-12	9.1	311	299	Below average	-9
BBVA	12.7	12.7	0	8.6	405	405	Below average	-11
Nordea	16.4	16.6	16	11.1	533	549	Above average	-10
Societe Generale	13.5	13.6	14	9.3	424	438	Below average	-17
Permanent TSB	16.2	16.7	49	8.9	726	775	Below average	1
Sabadell	12.7	13.4	76	8.6	403	479	Below average	-18
ABN Amro	18.4	19.7	129	9.7	874	1003	Below average	-11
Caixa Bank	12.8	14.3	153	8.3	445	598	Below average	-10
Bankinter	12.0	13.8	180	7.7	428	608	Above average	-14

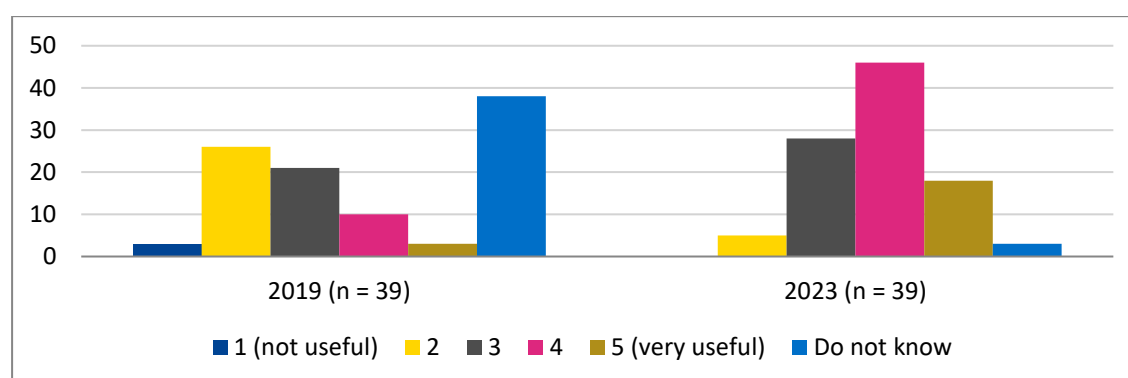
Sources: Internal analysis by ESM teams; BVI score categorised by the evaluation team

6. Effective use of analytical capability

This section complements Chapter 4 of the evaluation report on the effective use of analytical capability. Figure 6.1 shows the usefulness of the ESM's analytical products for early risk detection to provide a more comprehensive picture of the institution's analytical capability in preserving financial stability. Figure 6.2 displays how effectively macrofinancial analysis and market intelligence at the ESM are integrated.

Figure 6.1
Usefulness of ESM analytical products in early risk detection

(shares of respondents, in %)

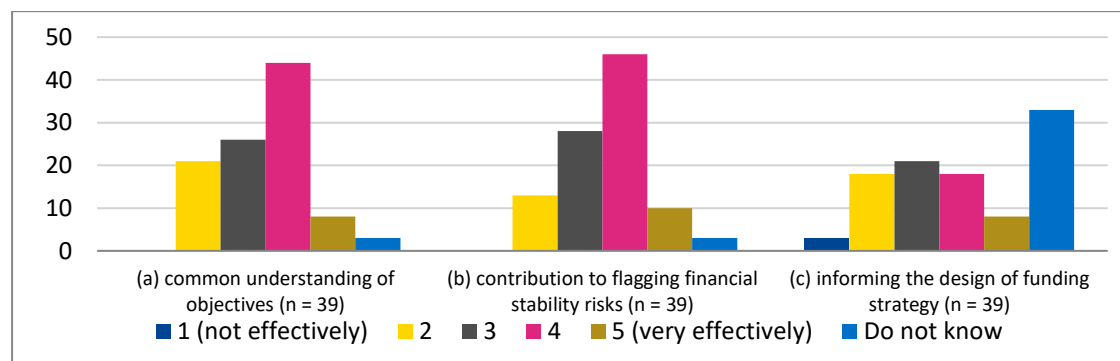


Note: Based on responses to the survey question: "How useful are the ESM's analytical products to help detect risks early with the aim to preserve financial stability? Think e.g. of the EFRR, Early Warning Exercise Reports, DSA, SVI, BVI or FSMA Monitor."

Source: ESM staff survey (2023)

Figure 6.2
Integration of macrofinancial analysis and market intelligence

(shares of respondents, in %)



Note: Based on responses to the survey question: "How effectively has the ESM integrated economic and macrofinancial analysis with its market intelligence in terms of (a) common understanding of objectives and priorities under the enhanced mandate, (b) contribution to flagging financial stability risks, (c) informing the design of funding strategy and balance sheet management (see Finance Committee's tasks) in changing conditions? Think of the objective to identify relevant risks and policy options."

Source: ESM staff survey (2023)

7. Bibliometric study

Introduction

Conducted between January and May 2024, the following bibliometric study assesses the productivity, quality, and impact of the ESM's research and related publication activity for the period 2013 to 2023, reflecting both the individual analytical capabilities of staff and the organisational capacity of the ESM as an institution.

Investment in the development of economic research and publication activity is a cornerstone for enhancing the analytical capability of the ESM and strengthening the robustness and sustainability of the ESM's analytical system to fulfil the institution's mandate. Peer institutions such as the IMF, ECB, and European Commission have long established a comprehensive environment of research programmes and projects, funding tools, scientific networks, and research collaborations to strengthen their analytical competence and to further support institutional capacity building.

This study assesses bibliometric measures that include: quantity and type of publication to capture productivity; citation counts to indicate publication quality; benchmark indicators of publications against those of reference institutions; and mentions of publications by media and in policy fora. It also considers the results of staff and stakeholder surveys, interviews with external experts, and an in-depth document analysis conducted for the evaluation of the ESM's analytical capability.³⁰

To introduce the ESM's institutional framework, the study starts with an overview of the ESM's research agenda and priorities, internal research coordination, and external collaborations. It concludes by proposing reflections for ESM Management on a formal institutional anchorage for research activity and on research capacity building, including considerations on incentivisation for staff and more focus for research and publication activity.

This review benefits from the Elsevier Report commissioned by the ESM. Based on its Scopus database and the SciVal analytical tool, the publisher Elsevier contributed to the below sections on publication output analysis, citation analysis, benchmark analysis, and impact analysis. This work assessed articles published by ESM staff in peer-reviewed journals.³¹

Processes, priorities, events, and collaborations

The ESM is a crisis resolution mechanism, not a research institute. Research is primarily conducted to improve the ESM's analytical capability and its capacity to fulfil its policy mandate. Research and publications also serve to raise awareness of the ESM among relevant professionals in Europe and internationally. These activities are concentrated within the CE department but are also carried out in the SG and CFO departments. In view of the ESM's research and publication track record, the European statistical office Eurostat accredited it as a research institution,³² giving it enhanced access to data, scientific platforms, and events.

ESM research activity follows well established internal procedures. The two core processes are the coordination of the research agenda and the coordination of research events such as conferences, seminars, and workshops. Both are anchored within the EMA division and are directed by two senior staff members supported by the Communications division. There are no

³⁰ The ESM staff survey, ESM staff self-evaluation, ESM board survey, and external interviews were mostly conducted from October to December 2023. For technical details and key results see the evaluation report.

³¹ See Annex 7.1 for a detailed description of the Elsevier Report.

³² See: [Recognised-research-entities.pdf \(europa.eu\)](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&plugin=1).

plans to expand these capacities.

The research agenda is broadly determined by the ESM's mandate and its analytical and policy requirements. However, an ever-changing international economic and political environment requires constant adaptation of the strategic research priorities. The research agenda and the corresponding research events are determined by staff putting forward proposals for management approval,³³ with a time horizon of about a year.³⁴ Once decided, research priorities are translated into concrete objectives for working papers, seminars, and so on. Current research priorities include “financial imbalances and macroprudential policies”, “monetary and fiscal policy interactions and the implications for debt sustainability post the great financial and pandemic crises”, “corporate investment and long-term growth”, and “climate modelling and policies”.³⁵

Research events at the ESM, such as seminars, as well as research collaborations and memberships of scientific fora, serve to present and discuss the research projects carried out at the ESM and to gather external top-level knowledge from the scientific and institutional communities.³⁶ This enhances the quality and capacity of the ESM's own research efforts and reinforces the scientific and political impact of ESM publications. The ESM currently budgets for around 20 research events a year. Such events include:

- ESM policy seminars at which ESM staff and invited guests discuss policy and less technical issues.
- ESM research seminars at which ESM staff and invited guests discuss the most technical topics.
- ESM internal seminars at which internal and external authors discuss early-stage research with ESM staff from the CE department and PSIR division, as well as invited guests. The seminars may be part of the publication process within the ESM working papers series.
- Joint seminars with other institutions that attract well-known economists, raise the ESM's profile, and improve synergy with external partners, including universities.

In addition to such seminars, the ESM holds an annual conference on DSA for a larger audience and, since 2023, an annual workshop on economic modelling in policy institutions, which addresses experts from central banks. Topics and speakers for events are put forward by staff for approval by CE department management. Most joint seminars are organised with the University of Luxembourg's Department of Finance under a formal agreement and with the BIS.

³³ Addressing thematic research proposals and proposals for topics and speakers in research events.

³⁴ Heads of division and department, mainly CE department but also other departments if research topics overlap.

³⁵ Annex 7.4 displays a word cloud of key topics derived from the ESM working paper series. Notable among them are “sovereign debt”, “financial market”, “risk”, and “model”.

³⁶ The ESM benefits in several ways from maintaining close collaborations with various institutions at global, regional, and national levels. Collaborations with counterparts are paramount for delivering on the ESM's mandate, especially when granting financial assistance to Members. Consultations with peers also promote the exchange of best practice and the sharing of knowledge and expertise. Regular interaction with external stakeholders is important to keep abreast of economic and political developments and contributes to the European policy debate. The ESM cooperates, among others, with fellow regional financing arrangements (RFAs) such as the Arab Monetary Fund, the ASEAN+3 Macroeconomic Research Office, the Eurasian Fund for Stabilization and Development, Fondo Latino Americano de Reservas, and the European Commission Secretariat for Macrofinancial Assistance. RFAs are mechanisms or agreements through which groups of countries mutually pledge financial support to countries experiencing financial difficulties in their regions. With other RFAs, the ESM created a policy dialogue to strengthen the Global Financial Safety Net. In this context, the heads of RFAs and representatives of the IMF meet once a year to exchange views on topics related to crisis prevention and resolution. In addition, RFAs hold an annual research seminar with academics and experts. See ESM (2024), Cheng, G. (2016), The Global Financial Safety Net through the Prism of G20 Summits, ESM working paper series, No. 13, and Schiliuk, G. et al. (2023), Global efforts to fight the consequences of climate change: the role of Regional Financing Arrangements, ESM discussion paper series, No. 21.

The ESM co-funds events organised by the European University Institute in Florence and contributes ad hoc funding for conferences such as those of the Central Bank Research Association.

It pursues occasional, informal research cooperation with institutions such as the ASEAN+3 Macroeconomic Research Office, the European Bank for Reconstruction and Development, and the EIB. The EIB was instrumental in setting up the EFSF in 2010 and close relations, leveraging on complementary expertise, continued to develop after the ESM took on the EFSF's role in 2012. With the EIB, the ESM organises an annual capital markets seminar that gives central bankers and private investors a forum to meet with experts from both institutions and the European Commission. The ESM is a member institution of the Centre for Economic Policy Research (CEPR), SUERF – the European Money and Finance Forum, and the Competitiveness Research Network (CompNet). It held workshops with the CEPR in 2019 and 2021. SUERF is a forum for exchanges among central bankers, financial professionals, and academics on issues including financial regulation and monetary policy.³⁷ CompNet provides a forum for high-level research and policy analysis on competitiveness and productivity.³⁸ ESM Management and staff made a number of presentations in these fora during the period under review, from 2019 to 2023.

External experts interviewed in 2023 said that the ESM had, in a very short time, established a well-respected research and publication environment, though note some lack of visibility and a lack of clarity over and communication of the ESM's research profile and priorities. ESM staff who responded to the 2023 staff self-evaluation said they would like to take more part in external research events, noting that this had mostly been reserved for senior management. They also called on management to offer stronger internal career incentives for research and publication output from staff. Survey respondents believe that the ESM as an institution has the tools and systems to support research engagement with academics and peer institutions, and to support the use of external research. Most also agreed with the following: individual staff have the knowledge and skills to support research engagement (56%) and to support the use of external research (72%); individual departments actively interact with researchers (81%); have access to (84%) and appraise (69%) relevant external research; use research to support monitoring (80%), policy development (74%), advice (67%), and agenda-setting (66%). The survey responses are skewed towards the CE department.

The ESM has established internal processes to advance the institution's research agenda, embedded in research events and a network of research collaborations. However, there is as yet no strategic research and publication framework with sufficient staff that would integrate the research agenda, events, collaborations, outreach, and capacity building. Such a framework could include an institutionalised development of research priorities based on more transparent criteria and derived from – among others – the requirements of the enhanced mandate and involving more deeply all ESM departments. This framework would formalise cooperation with Members and other stakeholders to ensure knowledge transfer and better consideration of national priorities in defining the ESM's research agenda. Better staffing or a more formalised structure could also be positive – a dedicated unit could, for example, coordinate all elements of the research framework (though some institutions are now moving away from that approach to avoid isolating researchers from policy units). Outreach and impact could benefit from

³⁷ See SUERF homepage (2023) at www.suerf.org.

³⁸ See CompNet homepage (2023) at www.comp-net.org.

visiting scholar programmes at the ESM,³⁹ fellowship programmes, or summer schools with experts drawn from academia and politics. It's worth noting that other institutions, such as national central banks, are moving away from dedicated research units to avoid isolation of researchers from policy analysis and policymaking.⁴⁰

Publication output: quantity, topics, incentives

Overall publication output of ESM staff mostly increased since the institution's transformation from the EFSF at end of 2012 and appears on a broadly sustainable upward path with a setback in 2021 (see Table 7.1). The ESM began publishing research and commentary the following year. It has increased its output significantly since then, reflecting the ESM's progress as a learning institution operating in an international environment where peers such as the IMF, ECB, and European Commission are producing considerable volumes of high-level research. Notable in recent years have been the introduction of blogs on the ESM website in 2020 and an increase in op-eds⁴¹ and articles contributed to news media.

Table 7.1

ESM output by publication type
(number of publications)

Year	Blogs	Annual reports	Working papers	Discussion papers	Articles/op-eds	Other	Total
2013	0	1	0	0	2	2	5
2014	0	1	0	0	0	4	5
2015	0	1	9	0	0	4	14
2016	0	1	12	2	1	3	19
2017	0	1	4	0	5	1	11
2018	0	1	8	3	3	0	15
2019	0	1	8	2	1	1	13
2020	28	1	6	7	1	1	44
2021	13	1	3	4	2	0	23
2022	14	1	5	2	9	0	31
2023	15	1	3	2	5	0	26
TOTAL	70	11	58	22	16	29	206

Note: Categorisation of publications is that used by the ESM until 2023, before changes made in 2024; Other publications include working papers co-authored by ESM staff but published by other institutions, journal articles, books, and internal reports.

Source: SciVal

Until 2018, working papers accounted for nearly half of all publications. Due to their generally smaller scale and growing readership on social media, articles written for news media, op-eds, and particularly blogs have offered additional channels of communication and opportunities to react in a more flexible and timely manner to economic or political developments or shocks.

³⁹ There have been, largely before 2020, a small number of visiting researchers from the EU and euro area finance ministries.

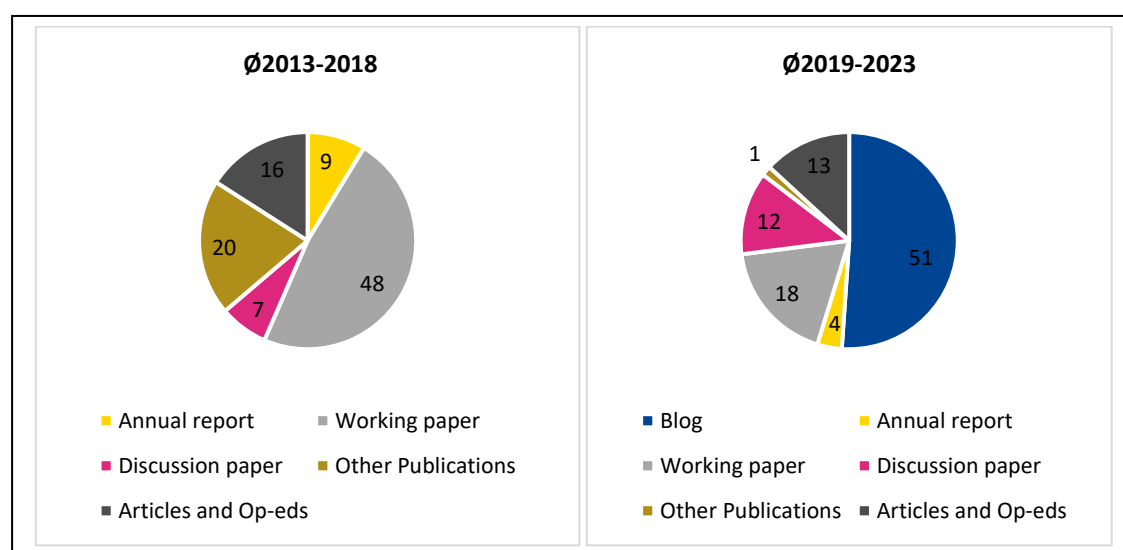
⁴⁰ Source: ESM interviews with stakeholders.

⁴¹ An op-ed is an article in news media that represents the strong, informed, and focused opinion of a writer on an issue of relevance to a targeted audience. It is a written prose piece which expresses the opinion of an author or entity with no affiliation with the publication's editorial board. The term is short for "opposite the editorial page", referring to the practice of newspapers placing op-eds on the opposite side of their editorial page. The New York Times is often credited with developing and naming the modern op-ed page, see Wikipedia (2024).

This explains their increasing popularity in the institutional and scientific sector.

From 2019 onwards, blogs have accounted for more than 50% of all ESM publications (Figure 7.1). While the output of working papers and discussion papers remained largely stable, these were outnumbered more than two to one by blogs over the first four years of blog production from 2020. The average annual publication of media articles and op-eds has almost doubled in the period since 2019 compared to the first five years of the ESM, while the share of working papers shrank from 48% in 2013–2018 to 18% in 2019–2023. Since 2020, no ESM research has been published in other formats, such as books or jointly authored articles appearing in publications from other institutions.

Figure 7.1
ESM average output by type of publication
(in %)



Source: ESM

The topics covered by the ESM's public research output largely reflect its mandate. The Elsevier Report considered 57 items in the company's Scopus database of abstracts and citations that were published by the ESM between 2014 and 2023. Nearly all were articles in peer-reviewed journals, and more than half dealt with the subject classed in the report⁴² as fiscal policy and sovereign debt (Table 7.2), while about a quarter touched on monetary policy and/or financial stability and systemic risks. The Elsevier Report also looked at the output of four international financial institutions, four euro area central banks, and the Brussels-based economic policy think tank Bruegel, quantifying their research publications into eight subject clusters as applied to the ESM.

⁴² The CE department was consulted by the evaluation team on the selection of research clusters and peer institutions.

Table 7.2
Distribution of publication output by research cluster, 2014–2023
 (average shares of total publications per institution, in %)

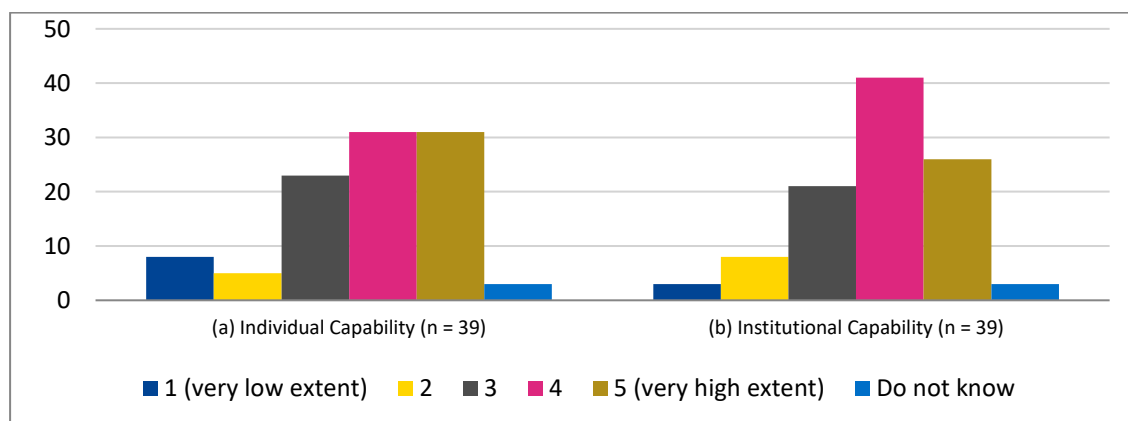
	ESM	IMF	ECB	BIS	Central Bank of Ireland	Bank of Spain	Bruegel
EU/regional integration	15.4	2.7	10.1	2.7	9.4	5.7	5.7
Finance/banking	15.4	18.0	21.8	36.2	20.8	21.3	38.0
Financial markets regulation	5.8	9.2	13.0	13.1	6.3	9.2	7.3
Financial stability/systemic risks	23.1	21.8	29.4	38.1	14.6	31.6	18.8
Fiscal policy/sovereign debt	53.8	20.7	20.5	12.6	10.4	25.3	15.1
Monetary policy	25.0	25.7	38.8	41.0	10.4	34.5	21.6
Other economics/economic policy	13.5	34.7	17.9	17.2	21.9	22.4	32.2
Statistics/econometrics	5.8	6.6	12.4	3.6	6.3	9.2	2.9

Note: The analysis of the Elsevier Report (2024) is based on overall 57 publications by ESM staff registered in the Scopus database, including 54 articles in peer-reviewed journals, 2 reviews and 1 conference paper. Publications are registered in one or more research clusters.

Source: Elsevier Report (2024)

ESM staff, responding to the 2023 staff survey, believe its research and publication output between 2019 and 2023 largely benefitted the institution's analytical system as well as external committee work and collaboration with other institutions (Figure 7.2). In a survey of close to 40 expert and managerial staff working in relevant roles, respondents rated very positively the impact of research on individual and institutional analytical capability and felt that the ESM's output had improved policy and decision-making by external stakeholders, and had also enhanced the ESM's reputation in the wider community (Figure 7.3).⁴³

Figure 7.2
ESM staff views on contribution of research publications to analytical capability, 2019–2023
 (% of respondents)

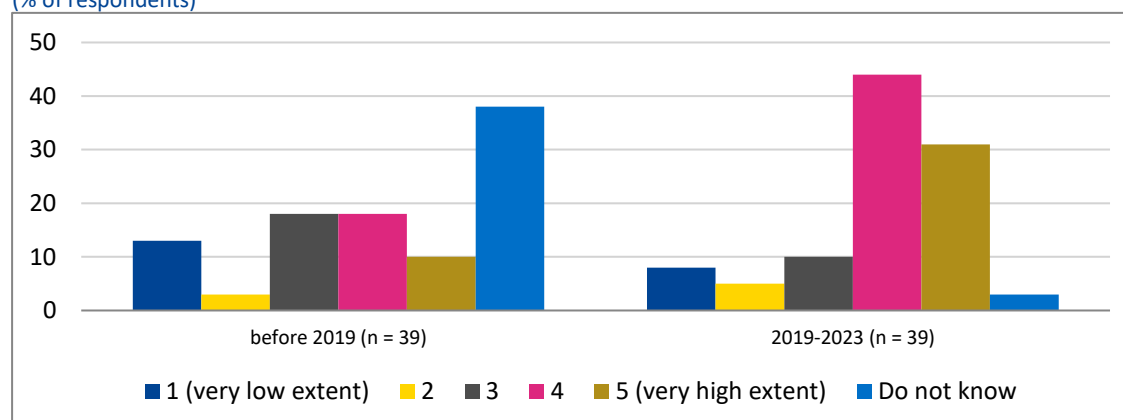


Note: Based on staff members in relevant roles expressing an opinion when asked: "To what extent does ESM staff research and publication output (a) support you developing your analytical capability at the ESM (e.g. expertise, quality of informing management) or (b) boost the ESM's analytical capability as an institution?"

Source: ESM staff survey (2023)

⁴³ ESM staff survey (2023).

Figure 7.3
Contribution of publication output to ESM's reputation
 (% of respondents)



Note: Based on staff responding to the question: "To what extent does ESM staff research and publication output contribute to the ESM's reputation (benefitting e.g. the ESM's influence in future collaboration with EU institutions under the enhanced mandate)?"

Source: ESM staff survey (2023)

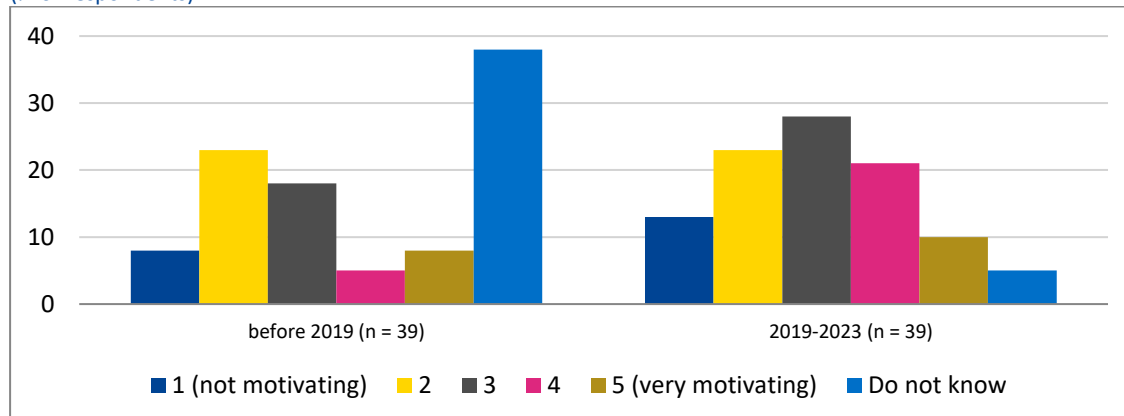
Nearly two in three ESM staff members in relevant roles do not feel greatly motivated by incentives offered by management to conduct research and publish it (Figure 7.4). Opinion is divided on whether publishing research can improve career prospects (Figure 7.5).

The following comments from respondents suggest staff would support more publication, however, if duly incentivised:

- "Set clear targets and remunerate people walking the extra mile."
- "Hand out a bonus for good publications."
- "Systematically integrate research into risk management."
- Research is a "residual" activity for colleagues with less pressing work demands.
- "Gains from research publications for the ESM's credibility and reputation are badly underrated by senior management."
- "Some long-term vision about sequencing research steps can be helpful." ⁴⁴

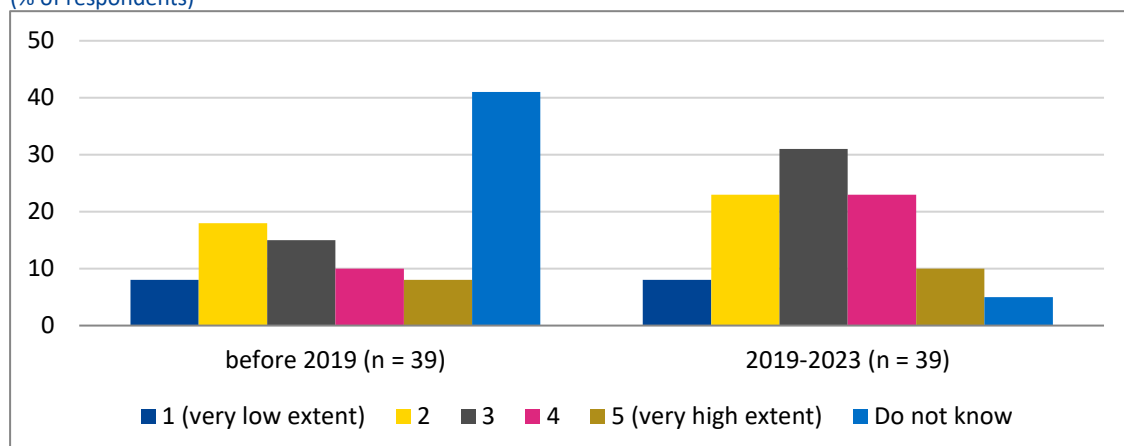
⁴⁴ Direct quotes from the ESM staff survey (2023) and the ESM staff self-evaluation (2023) presented in this study are the individual opinions of anonymous respondents.

Figure 7.4
Staff views on incentives for research and publication
 (% of respondents)



Note: Based on responses to the question: "How do you rate incentives set by ESM Management to do research and publishing? Think e.g. of appraisal by superiors, opportunities to integrate research in regular tasks, opportunities to present research at conferences."
 Source: ESM staff survey (2023)

Figure 7.5
Does research enhance career prospects?
 (% of respondents)



Note: Based on responses to the question: "To what extent does participation in research and publication activity improve individual career perspectives at ESM?"
 Source: ESM staff survey (2023)

Citation analysis: quality of publications

How often a publication is subsequently cited in other research gives a measure of its quality and impact. This study considered results from three sources: Google Scholar, Scopus, and the Social Science Research Network, the latter two being part of the Elsevier group.

Using Google Scholar, which searches citations across a very broad variety of types of online publication, 206 ESM staff publications from 2013 to 2023 accrued 2,290 references (Table 7.3). The average number of citations per publication across the decade was 11. However, this was amplified by a small number of highly regarded papers and articles published up to 2018, and the average number of citations for publications in the 2019–2023 reference period fell to three. In general, the newer a publication, the less it is likely to be cited. More than half of all citations since 2013 have been for working papers and discussion papers (see Annex 7.2 for a detailed breakdown of all citations).

A commonly used method to assess the quality and impact of research is citation analysis. Citation counts refer to the number of times that a given publication has been cited. There are several different citation-tracking databases, each with somewhat different characteristics. Google Scholar uses Google to screen the internet for citations. As the broadest database, Google Scholar analyses all types of publications. Accordingly, Google Scholar usually identifies the highest citation count, however, with citation sources not always being peer reviewed. Other citation databases such as Scopus (by Elsevier) contain only certain types of publications (e.g. journal articles, conference proceedings, or books) and guarantee to peer review the citation sources (only scholars), which limits the research interest to academic audiences. In the following analysis Google Scholar is used, complemented by a Scopus based analysis of articles in peer-reviewed journals, which are usually considered to be of certain scholarly quality.

With a total citation count of 1,200, working papers and discussion papers published by ESM staff between 2015 and 2023 (Table 7.4) have the highest citation count of all publication types followed by “Other publications” – mainly journal articles – with 1,062 counts (see Annex 7.2). In terms of citation counts, the most successful working papers and discussion papers were published between 2015 and 2018. The overall paper output in terms of their number has roughly halved since 2021. The level of attention in terms of citation count, particularly in 2022/23, also decreased significantly – in part certainly because new publications are usually less cited.

Table 7.3

Citation counts for ESM publication output

Year	Publication	Citations
2013	5	117
2014	5	484
2015	14	456
2016	19	515
2017	11	81
2018	15	220
2019	13	109
2020	44	164
2021	23	72
2022	31	60
2023	26	12
Total	206	2,290

Note: Citations counted as of 10 February 2024.

Sources: ESM, Google Scholar

Table 7.4
Citation counts for working papers and discussion papers

Year	Papers published	Citations
2013	0	0
2014	0	0
2015	9	201
2016	14	314
2017	4	81
2018	11	220
2019	10	109
2020	13	151
2021	7	72
2022	7	40
2023	5	12
Total	80	1,200

Note: Citations counted as of 10 February 2024.

Sources: ESM, Google Scholar

Using the Social Science Research Network⁴⁵ to consider views and downloads of ESM publications and to reflect more rapid, social media dissemination of the institution's output, the study found that ESM working papers had been viewed 30,592 times and downloaded 3,927 times, with the three most widely read each receiving more than 1,000 views,⁴⁶ and an average of 566 views. The ESM working papers with the lowest impact received 92, 169, and 198 views.

Citation analysis using Google Scholar generally does not capture blogs, media articles, or op-eds. The study found 34,800 visits to the blog pages of the ESM website in 2023 by users who opted in to accept tracking of their behaviour. Random sampling suggests that for every user who opts in, two opt out, thus indicating a potential total of over 100,000 blog views in 2023.

⁴⁵ Social Science Research Network is a repository for preprints devoted to the rapid dissemination of scholarly research in the social sciences, humanities, life sciences, and health sciences, among others. Elsevier bought Social Science Research Network from Social Science Electronic Publishing Inc. in May 2016. It is not an electronic journal, but rather an e-Library and search engine. See: [Social Science Research Network - Wikipedia](#).

⁴⁶ Counts were taken from Social Science Research Network on 25 January 2024. The top three ESM working papers in terms of views are Baran, J. and Witzany, J., Analysing Cross-Currency Basis Spreads, WSM WP/25/2017; Picarelli, M. O., Vanlaer, W. and Marneffe, W., Does Public Debt Produce a Crowding Out Effect for Public Investment in the EU?, ESM WP36/2019 and Hillebrand, M., Schwendner, P., Schuele, M. and Ott, T., European Government Bond Dynamics and Stability Policies: Taming Contagion Risks, ESM WP/8/2015.

Table 7.5

Top 10 ESM blogs by views in 2023

Headline	Views
Greece is investment grade again – why it matters to keep it	2,866
Commercial real estate and financial stability – this time, it's different	2,075
Financial stability and risks to growth in the euro area: where do we stand?	1,983
Firms' profits: cure or curse?	1,869
Fast and furious ...but tameable: Lessons from the recent banking turmoil for the EU	1,818
Euronomics: A fresh look at Greek debt sustainability	1,472
How a wholesale digital euro can strengthen Europe's capital markets	919
Building resilience in times of inflation-induced inequality	912
Euronomics: Financial buffers and risks during the current credit tightening	900
Mind the gap – how a European risk-sharing scheme could bolster private insurance coverage of natural catastrophes	879

Note: Views by visitors opted in to tracking.

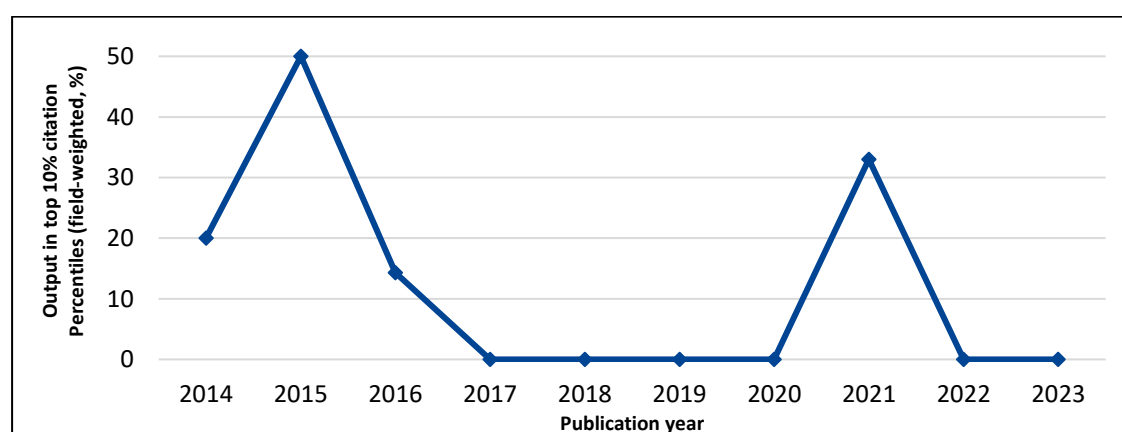
Source: ESM website data

To assess the scientific quality of ESM staff articles, focusing on the 57 works found in the Scopus database, the Elsevier study used Scopus and the SciVal analytical tool to search for citations exclusively in peer-reviewed journals, reviews, and conference papers⁴⁷ (Figure 7.6). The global average, or “world level”, for such citation analysis is set at 10% of output being among the 10% most cited works on the relevant topics. A small sample size for ESM output each year means that the results should be treated with caution. However, the study found that over the period from 2014 to 2023, 7% of ESM output reached that top decile, meaning that ESM output was 30% below world level.⁴⁸ The early years of the ESM, between 2014 and 2016 when the institution was engaged in resolving the euro area sovereign debt crisis, was the period of the most frequent citation in the highest-quality journals (Figure 7.7 and Table 7.6).

Figure 7.6

ESM share of highly cited publications

(field weighted %)



Note: The graph shows the academic citation impact of ESM publications as measured by the proportion of publications in the aggregate falling within the top decile of most-cited publications in a subfield, year, and document type. See Elsevier Report (2024).⁴⁹

Source: Elsevier Report (2024)

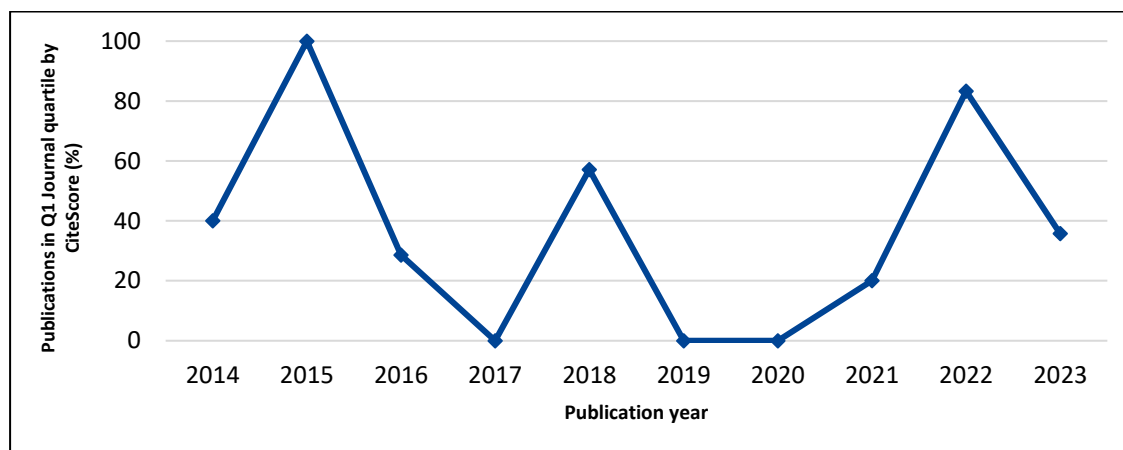
⁴⁷ See Elsevier Report (2024). The analysis is based on overall 57 publications by ESM staff registered in the Scopus database, including 54 articles in peer-reviewed journals, two reviews and one conference paper.

⁴⁸ World levels are set at 1.00, or 10%, by definition for normalised indicators.

⁴⁹ Outputs in Top Views Percentiles in SciVal indicate the extent to which an entity's publications are present in the most-cited percentiles of a data universe, i.e. how many publications are in the top 1%, 5%, 10%, or 25% of the most-cited publications. See Elsevier Research Metrics Guidebook (2024).

On average, 38% of ESM staff articles were published in Q1 journals – that is journals among the 25% most cited in the SCImago Journal Ranking (SJR) (Figure 7.7).⁵⁰ On a more granular level, the Elsevier Report (2024) also assesses the quality of individual journal articles in terms of their citation count or measured by the ranking of the journals in which they are published.

Figure 7.7
ESM share of articles in Q1 journals
(in %)



Source: Elsevier Report (2024)

The Elsevier Report also assessed the quality of individual ESM journal articles in terms of their citation count or measured by the ranking of the journals in which they are published. Some recorded a very strong citation performance (Table 7.6). The most successful was a 2014 article in the Journal of Monetary Economics which recorded 124 citations, for a score of 6.55 in SciVal's Field-Weighted Citation Impact (FWCI) or more than 6.5 times the average impact for such a contribution. An article in the Journal of International Money and Finance has been cited 50 times since it appeared in 2015, for an FWCI of 3.86.

Internal quality control

As an example of how the ESM aims to ensure the quality of its published research outlook, the guidelines for authors aiming to publish in the working papers series are as follows:

1. Discuss: Present the work in a seminar. Gather as much feedback as possible from the audience, to correct shortcomings and consider ways to improve the quality of the paper.
2. Submit: Submit the paper for review to line manager and Head of EMA. A final green light for publication will be given by a Management Board member.
3. Edit: Liaise with Communications division on the editorial process ahead of publication.

In the original note from 2015, step 2 of the process foresees that “the Working Papers Committee (WPC) will review the paper, with the possible collaboration of external advisors”.

⁵⁰ For comparison, two-thirds of the research publications of Bank of Spain over the period 2010 to 2021 have appeared in outlets that are below those ranked second tier. For more detail see Bank of Spain (2023), [External Evaluation of Banca de Espana Research Activities](#), No. 8, p. 14.

As requirements for the WPC, the note lists: “to allow the series to reach the highest standards of quality, relevance and impact (distribution, reach), the team running the series should have a sound academic basis and provide the required connection with the academic audience it aims for”, “an economic background and experience in research is a requirement for being part of the Committee”, and “the senior researchers in the Chief Economist department should form the core of the committee running the series. If possible, we might consider adding some external academics at a later stage. Occasionally, some member of the Communications division could also be invited to help with the dissemination strategy”.⁵¹

Table 7.6

Most cited ESM journal articles by impact, 2014–2023

Headline	FWCI	Citations	CiteScore percentile	SJR percentile
Broner, F., Erce, A., Martin, A. and Ventura, J. (2014). Sovereign debt markets in turbulent times: Creditor discrimination and crowding-out effects. <i>Journal of Monetary Economics</i> , 61(1) 114-142	6.55	124	12	3
Bussière, M., Cheng, G., Chinn, M.D. and Lisack, N. (2015). For a few dollars more: Reserves and growth in times of crises. <i>Journal of International Money and Finance</i> , 52 127-145	3.86	50	12	17
Zigraiova, D., Havranek, T., Irsova, Z. and Novak, J. (2021). How puzzling is the forward premium puzzle? A meta-analysis. <i>European Economic Review</i> , 134	3.61	35	27	12
Alberola, E., Erce, A., and Serena, J.M. (2016). International reserves and gross capital flow dynamics. <i>Journal of International Money and Finance</i> , 60 151-171	2.48	46	12	14
Aerts, J. and Bizarro, P. (2020). The reform of the European Stability Mechanism. <i>Capital Markets Law Journal</i> , 15(2) 159-174	1.94	11	38	33
Balteanu, I. and Erce, A. (2018). Linking Bank Crises and Sovereign Defaults: Evidence from Emerging Markets. <i>IMF Economic Review</i> , 66(4) 617-664	1.71	16	9	3
Bermingham, C. and D'Agostino, A. (2014). Understanding and forecasting aggregate and disaggregate price dynamics. <i>Empirical Economics</i> , 46(2) 765-788	1.64	14	36	20
Clancy, D. and Merola, R. (2017). Countercyclical capital rules for small open economies. <i>Journal of Macroeconomics</i> , 54 1339-1351	1.61	17	36	35
D'Agostino, A. and Ehrmann, M. (2014). The pricing of G7 sovereign bond spreads - The times, they are a-changing. <i>Journal of Banking and Finance</i> , 47(1) 155-176	1.59	34	15	22
Regling, K. (2023). The euro on the global stage. <i>Oxford Review of Economic Policy</i> , 39(2) 219-230	1.47	3	4	4

Notes: SciVal's FWCI is a comparison with the average global number of citations for similar publications, where 1.00 is the average for articles in peer-reviewed journals, conference proceedings, and books registered in the Scopus database. Ebsco's CiteScore ranks journals by annual average number of citations. The SJR ranks the prestige of a journal by reflecting how often it is cited and the prestige of those journals where it is cited.

Source: Elsevier Report (2024)

⁵¹ Source: ESM.

Table 7.7
Most prestigious journals to feature ESM articles

	CiteSource percentile	SJR percentile
Journal of European Public Policy	2	4
World Development	2	2
Oxford Review of Economic Policy	4	4
Journal of Applied Econometrics	6	1
IMF Economic Review	9	3
International Economics	9	9
Journal of Banking and Finance	9	14
Journal of International Money and Finance	12	14
Journal of Monetary Economics	12	3
PLoS ONE	13	12

Notes: Percentile scores relate to years when journals published an ESM article. Each journal has published one ESM article.
Source: Elsevier Report (2024)

Citation counts and other measures are useful ex-post indicators of quality in published work. The ESM has quality control procedures in place ahead of publication, including seminars to ensure feedback from colleagues, an approval process involving management, and liaison with the Communications division on editorial aspects of the articles. The aim is to ensure quality and “the highest possible impact of the work produced”.⁵²

There is no formal outside advisory body to comment on the quality of research produced. ESM staff say they receive broadly positive feedback on ESM publications from the scientific community, peer institutions, and national authorities⁵³ while some report that ESM research is not always seen as “leading” or “positively innovative”⁵⁴ and that some stakeholders feel the institution could do more to explain its own practices and tools.

Benchmark analysis: ESM and selected peers

The Elsevier Report compared the impact of the 57 ESM articles published from 2014 in peer-reviewed journals with those of the four peer institutions, four national central banks, and the Bruegel think tank. ESM average annual output makes for very small sample sizes, so only limited conclusions may be drawn from the results. The output of the other organisations surveyed for comparison was many times greater.⁵⁵

ESM publications averaged an FWCI of 0.76, in other words 24% below the global norm. In 2014 and 2015, they scored well above the global average of 1.0 and outperformed in 2020 and 2021.

⁵² See ESM Research Pool/Forum – Users Guide (2015), internal note.

⁵³ ESM staff survey (2023). Selected comments from respondents regarding external feedback on ESM research: “Very positive, mainly from economists and opinion leaders with a macrofinancial market background”; “Timely”; “Blogs have been found useful and mostly to the point”; “Number of ESM Working Papers that are published in peer review journals is very high, signalling a high quality”.

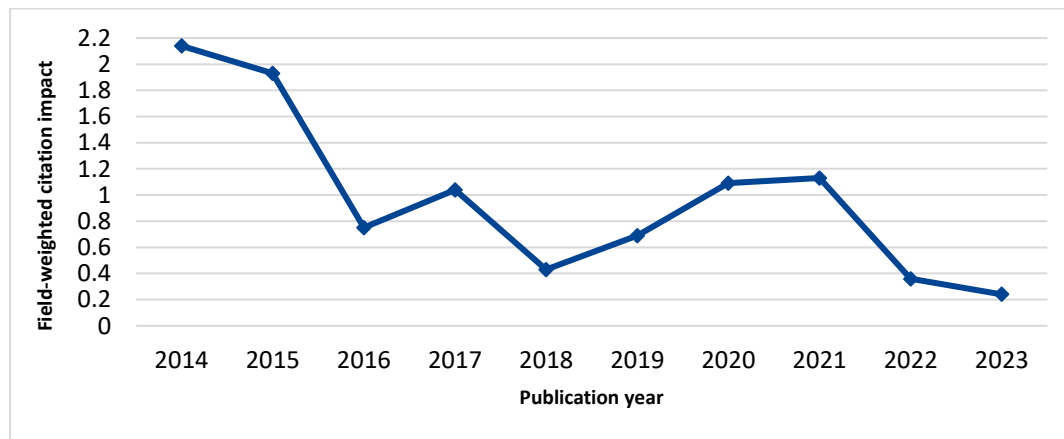
⁵⁴ “The management is supposed to serve as a quality control, but it does not really play an appropriate role.” Respondent to the ESM staff survey (2023).

⁵⁵ For the selected peer institutions, the total score of publications is as follows: IMF (1,806), ECB (1,061), Bank of Spain (423), BIS (422), Bank of Finland (256), Central Bank of Ireland (174), Bruegel (113), EIB (97), and Central Bank of Luxembourg (53). See annex 7.5 for the respective graphs from 2014 to 2023. The IMF and the ECB can certainly not be directly compared with the ESM based on their publication output due to the much larger size of the institutions.

In the most recent period, however, FWCI has been some 70% below average. (Figure 7.8).

A common method for assessing the excellence of an institution's research and publication performance in comparison to peer institutions is a benchmark analysis. The benchmark indicators provided in the following are taken from the Elsevier Report (2024) and are based on the Scopus database of peer-reviewed journal articles, conference proceedings and books. Working and discussion papers, blogs, and other publications by ESM staff considered in the output analysis and citation analysis above do not feed into this benchmark analysis.

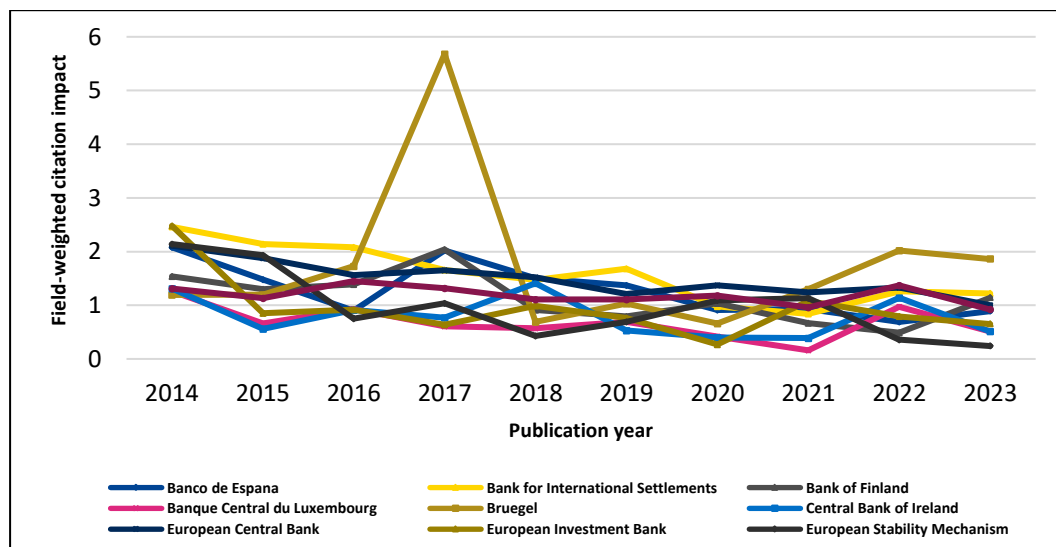
Figure 7.8
FWCI of ESM publications
(SciVal index)



Source: Elsevier Report (2024)

Of the 10 institutions whose publication record was reviewed over the decade from 2014, only Luxembourg's central bank had less impact than the ESM in terms of FWCI. Some individual publications by the ESM have achieved strong citation performances, but the overall research portfolio is, as yet, still small. The ESM is a young institution. As its track record lengthens, it has scope to build its reputation for research and raise its profile within the scientific community.

Figure 7.9
FWCI of ESM publications versus peer institutions
(SciVal index)



Source: Elsevier Report (2024)

With the exception of the finance/banking research cluster, the ESM saw its impact in FWCI terms diminish in the main reference period 2019–2023 compared to the previous five years (Table 7.8). In the two particularly important clusters for the ESM, financial stability/systemic risk and fiscal policy/sovereign debt, FWCI dropped sharply between the two periods, respectively from 1.54 to 0.82 and from 1.42 to 0.68.⁵⁶ While stressing the limited data underlying these results, they tend to confirm a trend where the ESM's publication output has shifted from articles for peer-reviewed journal towards other forms such as blogs.

Table 7.8

FWCI of publications in selected research areas, 2019–2023

(SciVal index)

	ESM	IMF	ECB	BIS	EIB	Central Bank of Ireland	Bank of Finland	Central Bank of Luxembourg	Bank of Spain	Bruegel
EU/regional integration	0.48	0.98	0.85	0.67	2.14	0.35	0.18	0.06	0.47	0.40
Finance/banking	1.20	1.07	1.22	1.12	0.70	0.94	0.80	0.09	0.87	0.53
Financial markets regulation		0.88	0.89	1.48	0.38	0.77	0.81	0.44	0.78	0.14
Financial stability/systemic risks	0.82	0.99	1.00	0.99	0.17	0.53	0.64	0.93	0.55	0.40
Fiscal policy/sovereign debt	0.68	0.87	1.26	1.04	0.27	0.31	0.47	0.11	0.32	0.17
Monetary policy		0.80	1.15	1.11	0.54	0.59	0.53	0.66	0.95	0.67
Other economics/economic policy	0.07	0.93	0.88	0.96	0.56	0.30	0.49	0.27	0.99	1.02
Statistics/econometrics		1.80	1.25	0.99	0.00	0.23	1.02	-	1.00	0.41

Note: Blank indicates no publications in the relevant cluster.

Source: Elsevier Report (2024)

Impact analysis: policy and media

Half of all ESM publications appearing in the Scopus database were cited at least once in policy-related documents between 2014 and 2023, according to the Overton database of such documents (Figure 7.10). The ECB, along with economic research institutes Ifo in Germany and the US National Bureau of Economic Research (NBER), were notable among those citing ESM works in their policy output (Tables 7.9 and 7.10).

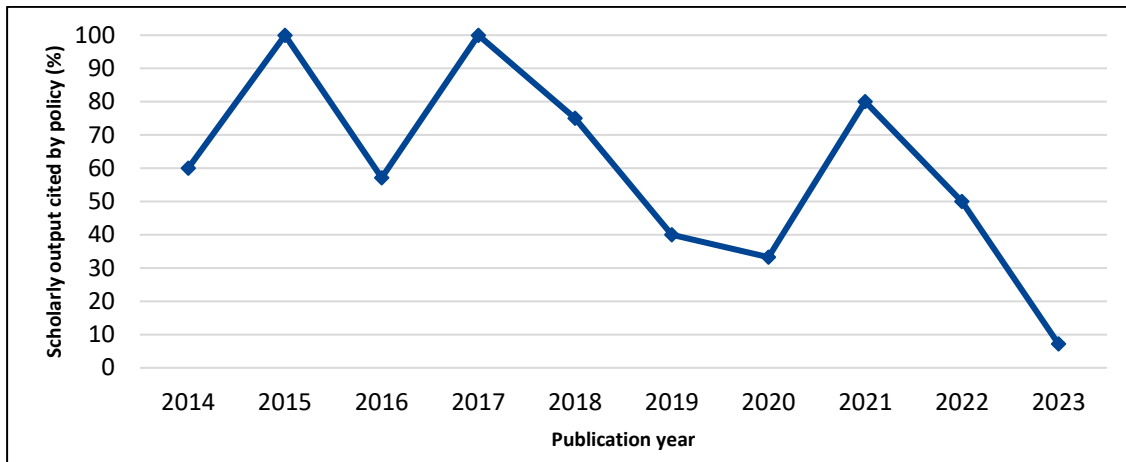
With an overall score of 49.1% of articles cited in policy documents, the ESM ranked seventh among the 10 selected peer institutions, behind Bruegel (70.2%), the ECB (68.1%) and the Bank of Spain (67.2%) for example, but ahead of the EIB (34.0%) and others.⁵⁷ These scores relate to very different volumes of output. A total of 310 unique policy-related citations were made to ESM articles since 2014 (see Figure 7.11), compared to nearly 20,000 for the IMF and more than 12,000 for the ECB.⁵⁸ Once again, the low volume of ESM output makes it important not to over-interpret the results, while a bias in the Overton database towards US and UK publications should also be borne in mind. Annex 7.6 shows the top 10 ESM publications by policy-related citation impact.

⁵⁶ See Elsevier Report (2024) for full results of ESM and the selected peer institutions in the period 2014–2018.

⁵⁷ See Elsevier Report (2024).

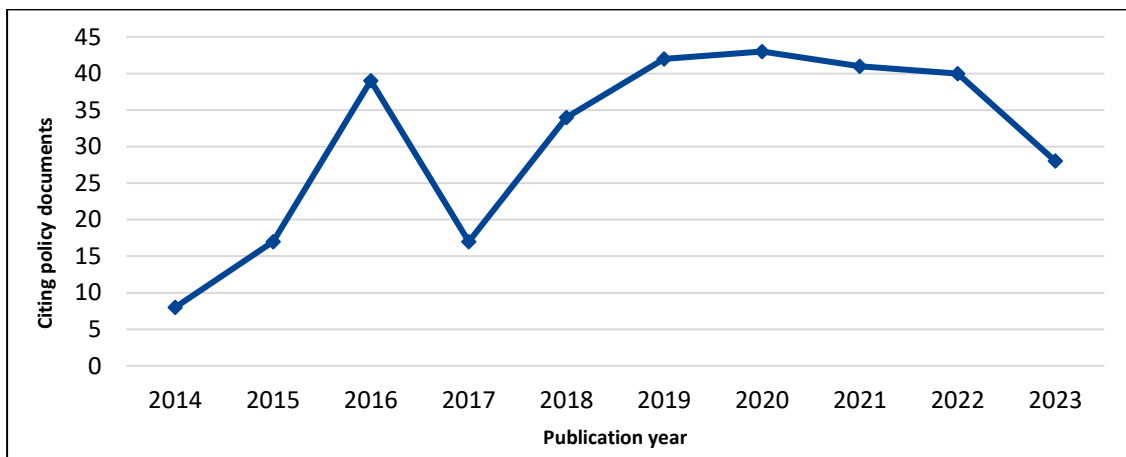
⁵⁸ For the publications of the selected peer institutions, the number of citations in policy-related documents is as follows: IMF (19,817), ECB (12,419), BIS (4,387), Bank of Spain (3,759), Bank of Finland (1,062), Central Bank of Ireland (960), Bruegel (743), EIB (421), Central Bank of Luxembourg (397), and ESM (310). See Elsevier Report (2024).

Figure 7.10
ESM publications cited in policy documents
 (in %)



Source: Elsevier Report (2024) based on Overton and Scopus databases and SciVal tool

Figure 7.11
Policy documents citing ESM publications
 (number of documents)



Note: Number of policy-related documents in Overton database citing at least one ESM publication in a given ESM publication year.
 Source: Elsevier Report (2024)

Table 7.9
Policy documents citing at least two ESM publications, 2014–2023

Documents	Author(s)
Towards more feasible sovereign debt restructurings in the euro area	Ifo Institute
The Seniority Structure of Sovereign Debt	Federal Reserve Bank of Minneapolis Ifo Institute
Sovereign Debt in the 21 st Century: Looking Backward, Looking Forward	NBER Ifo Institute
Review of macroeconomic modelling in the Eurosystem: current practices and scope for improvement	ECB
Monetary fiscal policy interactions in the euro area.	ECB
The Causal Effects of Global Supply Chain Disruptions on Macroeconomic Outcomes: Evidence and Theory	Ifo Institute
Costs of Sovereign Defaults: Restructuring Strategies, Bank Distress and the Capital Inflow-Credit Channel	IMF ESM
Nowcasting with large Bayesian vector autoregressions	ECB
What do we know about the global financial safety net? Rationale, data and possible evolution	ECB
The great moderation in international capital flows: a global phenomenon?	ECB
A Model of Fickle Capital Flows and Retrenchment	MIT NBER
Combining time-variation and mixed-frequencies: an analysis of government spending multipliers in Italy	ESM Central Bank of Ireland ECB
International Reserves, Credit Constraints, and Systemic Sudden Stops	Federal Reserve
The State Dependent Impact of Bank Exposure on Sovereign Risk	DIW Berlin
Debt Transparency in Developing Economies	World Bank

Source: Elsevier Report (2024)

Table 7.10

Share of publications cited in policy-related documents by research cluster, 2019–2023

(average percentage share of publications)

	ESM	IMF	ECB	BIS	EIB	Central Bank of Ireland	Bank of Finland	Central Bank of Luxembourg	Bank of Spain	Bruegel
EU/regional integration	50.0%	40.0%	66.7%	75.0%	0.0%	25.0%	50.0%	33.3%	58.3%	87.5%
Finance/banking	50.0%	55.3%	65.7%	65.8%	46.2%	70.6%	30.6%	50.0%	81.1%	66.7%
Financial markets regulation	-	50.0%	61.1%	70.3%	20.0%	50.0%	60.0%	20.0%	84.6%	66.7%
Financial stability/systemic risks	0.0%	52.3%	62.4%	59.1%	50.0%	61.1%	31.3%	33.3%	71.4%	80.0%
Fiscal policy/sovereign debt	53.8%	53.5%	76.4%	67.9%	50.0%	64.7%	13.3%	40.0%	64.0%	75.0%
Monetary policy	-	51.8%	72.4%	65.4%	100.0%	66.7%	57.9%	27.3%	87.9%	-
Other economics/economic policy	0.0%	59.2%	68.0%	60.7%	54.5%	61.5%	36.7%	30.0%	79.8%	88.2%
Statistics/econometrics	-	62.5%	63.3%	71.4%	50.0%	80.0%	25.0%	-	85.7%	100.0%

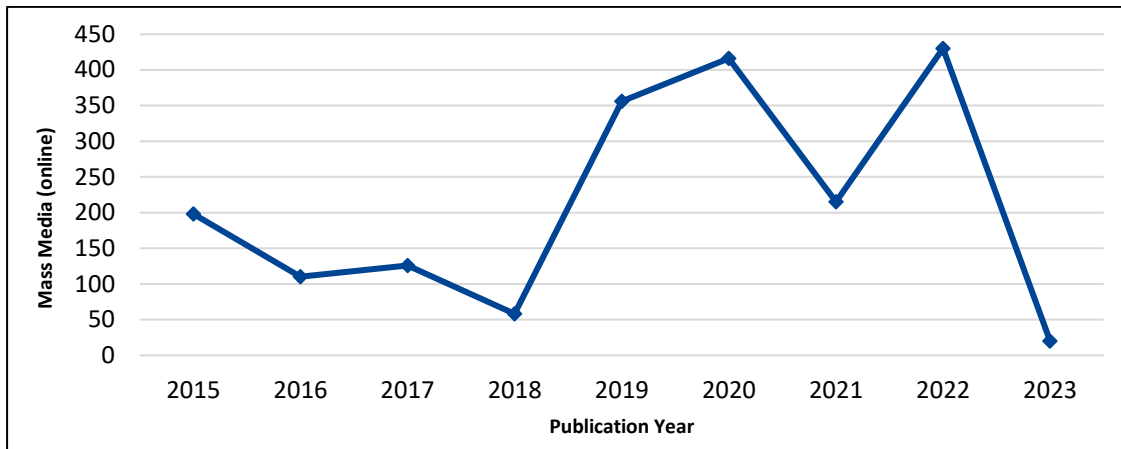
Note: For institutions without publications in the respective research cluster and period the share is not shown.

Source: Elsevier Report (2024).

ESM publications have not yet received media mentions that are registered in the Elsevier database – unlike most ESM peer institutions. For the selected peers the share of publications mentioned in online media is as follows: Bruegel (19.6%), IMF (6.2%), ECB (6.1%), Bank of Finland (6.0%), BIS (5.3%), Bank of Spain (3.9%), Central Bank of Ireland (3.4%), Central Bank of Luxembourg (1.9%), ESM (0.0%), and EIB (0.0%). However, 1,929 online media mentions were made to the ESM as an institution (see Figure 7.12), including by EurActiv, Politico, Reuters UK, or Bloomberg (see Table 7.13).⁵⁹

⁵⁹ For the selected peer institutions, the number of online media mentions of the institutions as such is as follows: IMF (201,133), ECB (56,009), BIS (15,820), Bank of Spain (10,839), Bank of Finland (4,517), Bruegel (3,448), Central Bank of Ireland (3,426), EIB (3,301), ESM (1,929), and Central Bank of Luxembourg (57). See Elsevier Report (2024).

Figure 7.12
Number of online media mentions of the ESM as an institution, 2014–2023
 (absolute numbers)



Notes: Data are taken from LexisNexis mass media database, which indexes online and print articles from news outlets (focus here: online media outlets). Coverage is of 45,000 English-language news outlets from over 20 countries, including major European countries, the USA, India, China, and Brazil. Top sources in the economics news sector include Yahoo!, Finance, Reuters, Bloomberg, Nasdaq, or the Washington Post. See Elsevier Report (2024).

Source: Elsevier Report (2024)

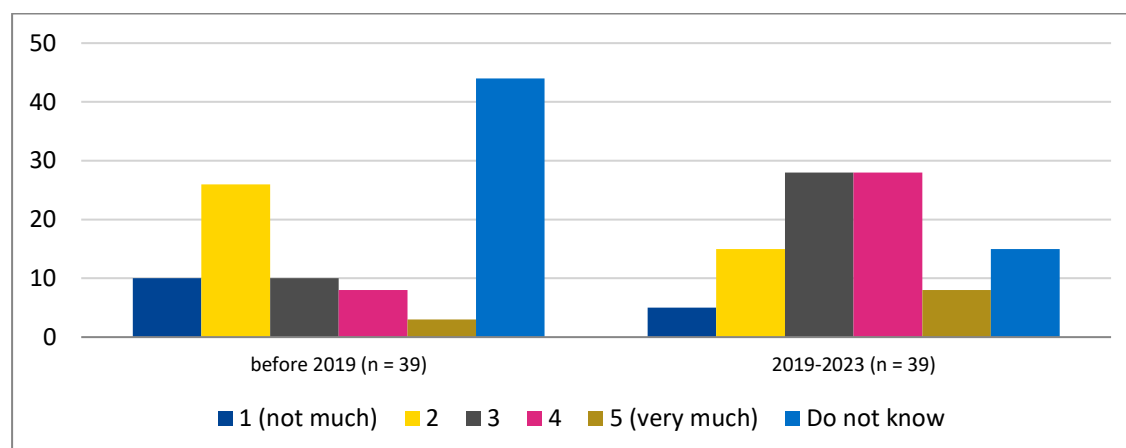
According to the ESM staff survey (2023), the ESM's research and publication output improved policy and decision-making outside the institution (e.g. of ESM stakeholders) as well as the ESM's reputation particularly between 2019 and 2023 (see Figure 7.12).

Table 7.11
Top media sources mentioning the ESM as an institution, 2018–2023

Top mentioning websites	Mentions count	Top mentioning websites (continued)	Mentions count (continued)
EKathimerini.com	77	BNN Bloomberg	14
MarketScreener.com	58	Yahoo! Canada	14
Targeted News Service	44	Nasdaq	13
EurActiv.com	38	TendersInfo – News	13
Luxembourg Times	23	Yahoo! Finance	13
Politico.eu	23	Devdiscourse	12
Yahoo! Finance UK and Ireland	17	Foreign Affairs.co.nz	12
Hellenic Shipping News Worldwide	16	KFGO News	12
Reuters UK	16	National Herald	12
Yahoo! News	16	WKZO-AM	12
GlobalCapital	15	WSAU-AM	12
US News & World Report	15	Xinhua General News Service	12
Total (excluding self-mentions from ESM website)		1,394	

Source: Elsevier Report (2024)

Figure 7.13
Staff views on influence of research
 (in %)



Note: Based on responses to the question: “Does ESM staff research and publication output improve policy and decision-making outside the institution, e.g. of ESM stakeholders?”

Source: ESM staff self-evaluation (2023)

Points for reflection by ESM Management

This analysis of the ESM's institutional framework for research and related publication activity and of the ESM's performance in terms of publication output, quality, and impact, has generated a few points for ESM Management to reflect on:

Offer staff greater incentives to conduct research. According for example to the ESM staff survey (2023), incentives set by ESM Management for staff to research and publish have improved in the main evaluation period (2019-2023) compared to the period before 2019 but could be further strengthened. Research and publication efforts are assumed to improve individual career perspectives at the ESM to only some extent. Incentives could include measures to enhance staff's visibility, e.g. more opportunities to present research at conferences, better opportunities to integrate research into staff's regular tasks under the institution's mandate, or financial incentives, and should promote public disclosure of the ESM's analytical toolkit. Such incentives could trigger further research and publication activity at the ESM and benefit the institution's profile vs. peer institutions and mandate implementation.

Improve the impact of research on analytical capability. Publication output analysis has shown that the ESM had become comparably strong in the research clusters “fiscal policy/sovereign debt”, “monetary policy”, and “financial stability/systemic risk”, which is in line with the institution's mandate. However, benchmark analysis and policy impact analysis indicate that the ESM has lost ground in these research clusters in recent years.

Increase focus of research and publication on mandate-related clusters. Particularly in the institution's core competencies, a stronger focus of research and publication on (enhanced) mandate-related clusters such as “fiscal policy/sovereign debt” and “financial stability/systemic risk” could be considered.

Consider adopting a policy to regularly review the impact of research and define a monitoring framework that allows consistent reviews. The design of the current review incorporated expert-level input but did not benefit from management input for the definition of key research fields or comparison institutions.

Raise the external policy and media impact. The external policy and media impact of the ESM's research and publication output is strong – even though the ESM is still a young institution and a crisis resolution institution rather than a research institution. However, alongside some loss of scientific competitiveness benchmarked vis-a-vis peer institutions, also the policy and media impact of the ESM's research and publication output recently lost some ground.

Invest in capacity building for research. While the ESM has established internal processes to advance the institution's research agenda embedded in research events and a widespread net of research collaborations, an overarching, strategic, and sufficiently staffed research and publication framework integrating the research agenda (research priorities reflecting the ESM's mandate), events, collaborations, and communication (outreach) is not yet effectively in place. If management wants to exert influence through the academic and research community, particularly in non-crisis times, more formal arrangements, including organisational structure (e.g. research entity or unit) could be considered to effectively coordinate and enable a boosting of research and publication activity in future. Such capacity building could help to increase visibility and policy impact, and to further sharpen the ESM's research and publication profile. This could be a beneficial extension of all recent efforts invested in developing monitoring and risk assessment tools.

Annex 7.1 – Elsevier Report

Contracted by the ESM, Elsevier Analytical Services assessed the ESM's research and publication performance through bibliometrics for the period 2014 to 2023 using Elsevier's databases, notably Scopus, and analytical tools, notably SciVal, as outlined in Table 7.11.⁶⁰ The final report was submitted by Elsevier in April 2024.

Table 7.12
Elsevier Report deliverables

Eisveier Report deliverables

Indicator	Description	Breakdown
Indicators citation analysis		
Scholarly output	This indicator includes: <ul style="list-style-type: none">• Absolute numbers of research output• Output growth per year as Compound Annual Growth Rate	For ESM, per defined research fields and all fields, for the period 1996-2023 and, where applicable and relevant, for more recent time windows (last five years, last three years).
Publication types	This indicator includes a breakdown of the output by publication types indexed in Scopus and SciVal, in particular journal articles, reviews, and conference papers	
Top cited papers	This indicator includes the papers that received the highest Citation Count in SciVal	
Output in top journals	This indicator measures the share of the output in top quartile by the following journal metrics: <ul style="list-style-type: none">• Scientific Journal Rankings (SJR indicator)• CiteScore	
Indicators benchmarking analysis		
Scholarly output	This indicator includes: <ul style="list-style-type: none">• Absolute numbers of research output• Output growth per year as Compound Annual Growth Rate	For ESM and comparators, per defined research fields and all fields, for the period 1996–2023

⁶⁰ See Elsevier Services Statement of Work (2024) as agreed with the ESM.

Field-Weighted Citation Impact	This indicator includes: <ul style="list-style-type: none"> • Average FWCI 	and, where applicable and relevant, for more recent time windows (last five years, last three years).
Indicators trend analysis		
Analysis of the top three topic clusters	This indicator includes, for the top three topic clusters identified for ESM: <ul style="list-style-type: none"> • Key terms characterising the topic. • Key institutions in the topic worldwide • Key authors in the topic worldwide 	For ESM and comparators, per defined research fields and all fields, for the period 1996-2023 and, where applicable and relevant, for more recent time windows (last five years, last three years).
Indicators author analysis		
Analysis of the top five authors	This indicator includes, for the top five authors identified for ESM and its comparators based on: <ul style="list-style-type: none"> • Scholarly output • Citation impact (FWCI, output in top 10% citation percentile) 	For ESM and comparators, per defined research fields and all fields, for the period 1996-2023 and, where applicable and relevant, for more recent time windows (last five years, last three years).
Indicators impact analysis		
Policy Cited Scholarly Output	This indicator includes: <ul style="list-style-type: none"> • Scholarly output cited by policy documents, as captured in SciVal • Policy Documents citing ESM's scholarly output 	
Media mentions	This indicator includes: Mass media mentions, i.e., the total number of times that the media referred to research of the selected institution(s). Mass Media considers media articles from 2011 onwards and is currently focused on media articles in the English language only. Mass Media mentions have a different range of coverage depending on the medium: print media sources are covered from 2011 onwards whereas online media sources are covered from 2014 onwards. LexisNexis Metabase will be used as primary source.	For ESM, per defined research fields and all fields, for more recent time windows (last five years, last three years) or, if available, for the entire time period 1996–2023.

Source: Elsevier Services Statement of Work

Annex 7.2 – ESM annual citation counts

Table 7.13
Citation counts by publication type, 2013–2023
 (absolute numbers)

Year	Blogs	Annual reports	Working papers	Discussion papers	Articles/op-eds	Other	Total
2013	0	0	0	0	5	112	117
2014	0	0	0	0	0	484	484
2015	0	0	201	0	0	255	456
2016	0	0	277	37	0	201	515
2017	0	0	81	0	0	0	81
2018	0	0	188	32	0	0	220
2019	0	0	98	11	0	0	109
2020	3	0	109	42	0	10	164
2021	0	0	37	35	0	0	72
2022	0	0	30	10	20	0	60
2023	0	0	8	4	0	0	12
TOTAL	3	0	1,029	171	25	1,062	2,290

Note: The systematisation of publication types reflects the systematisation used by the ESM until the end of 2023 (end of evaluation period) but has been changed in 2/2024. “Other publications” include working papers co-authored by ESM staff but published by other institutions (e.g. by the ECB or the Bank of Spain), journal-articles, books, and reports (e.g. ESM evaluation reports). Articles referred to in “articles and op-eds” are mainly newspaper-articles. See for the underlying numbers of publications Table 7.1. Google Scholar usually does not include blogs, op-eds and newspaper-articles in its citation analysis, which explains the low number of citation counts in these categories.

Sources: ESM, Google Scholar

Annex 7.3 – Distribution of research and publication activity at ESM

Analysis of the internal distribution of research and publication activity at the ESM among departments indicates where the main analytical capabilities lie in terms of research that is made available externally for scientific peer review, contributing to the ESM’s external visibility and raising the institution’s external research profile.⁶¹ This can offer pointers for organisational changes and where and how to build capacity.

The internal distribution of research and publication activity is proxied by the publication citation count of ESM departments based on Google Scholar and Scopus results for individual ESM staff members (Table 7.6). The analysis covers all 120 staff members from the CE, SG, and CFO departments – the main analytical and publishing departments questioned in the staff survey and staff self-evaluation. The analysis covers all citations for the whole range of publication types starting from 1996.⁶² It covers not only the 206 ESM publications since 2013 (Table 7.1), but also work that current ESM staff published before joining the institution or published independently of the ESM.⁶³ Hence, all publications that have influenced the analytical capability of current staff members, and the ESM as a whole, are included in the analysis.

According to Google Scholar, 43% of those staff members relevant to the analysis have had publications cited and 17% have been cited for peer-reviewed journal articles. Two in three employees from the CE department have citations to their name, and 28% of the department’s employees have authored cited journal articles logged in the Scopus database. In the category

⁶¹ Research conducted for internal purposes (e.g. for the ESM’s analytical toolset) is not necessarily published by the ESM.

⁶² Scopus database of Elsevier covers publications from 1996 onwards.

⁶³ The analysis does not cover publication citation counts of former ESM staff members to allow coherence with the ESM staff survey (2023) and the ESM staff self-evaluation (2023) conducted with the same ESM staff pool.

of journal articles, where certain quality standards are usually assured through a peer review process (refereed journals), 17% of the staff members received citations. At 65%, the CE department employs the most staff with cited publications; 28% of CE department staff members have cited journal articles registered in Scopus database.

Table 7.14

ESM staff citation counts by department

		Publications 1996–2018		Publications 2019–2023	
		Scopus	Google Scholar	Scopus	Google Scholar
CE	57	1,873	9,534	215	1,621
SG	39	171	1,124	10	35
CFO	24	56	70	0	50
TOTAL	120	2,100	10,728	225	1,706

Note: Results adjusted for one outlier, whose citations are only for publications unrelated to the ESM.

Sources: ESM; Scopus as at 30 January 2024; Google Scholar as at 6 February 2024

Across both databases, 90% of citations are for work by colleagues in the CE department, which employs nearly half – 47% – of the staff surveyed. For the period after 2019, that citation share rises to 95%, underlying the CE department’s key role in research at the ESM. The vast bulk of work generating citations was, however, done before 2019, indicating that a large amount of individual, research-induced analytical capability was built up before this period.^{64, 65}

The highest citation counts for individual publications are 645 on Google Scholar and 158 on Scopus for a 2007 article in the *European Journal of Political Economy* and 542/159 for a 2012 item in the *Economic Journal*. An IMF working paper from 2012 was the most cited of that category of publication.⁶⁶

⁶⁴ An AI-based analysis of ESM job postings conducted by the evaluation team showed that research work and skills in applied economics, research, statistics, modelling, and quantitative/econometric approaches were important recruitment criteria.

⁶⁵ 2019–2023 was also the building period of tools and exercising the monitoring mandate consuming considerable resources.

⁶⁶ The publications are: Hallerberg, M., Strauch, R. and von Hagen, J., The design of fiscal rules and forms of governance in European Union countries, in: *European Journal of Political Economy* (2007), Volume 23, Issue 2, P. 338-359; Kapetanios, G., Mumtaz, H., Stevens, I. and Theodoridis, K., Assessing the Economy-wide Effects of Quantitative Easing, in: *The Economic Journal*, Volume 122, Issue 564, November 2012, P. F316–F347 and Batini, N., Callegari, G. and Melina, G., Successful austerity in the United States, Europe and Japan, IMF WP 12/190.

Annex 7.4 – Key topics of the ESM working paper series

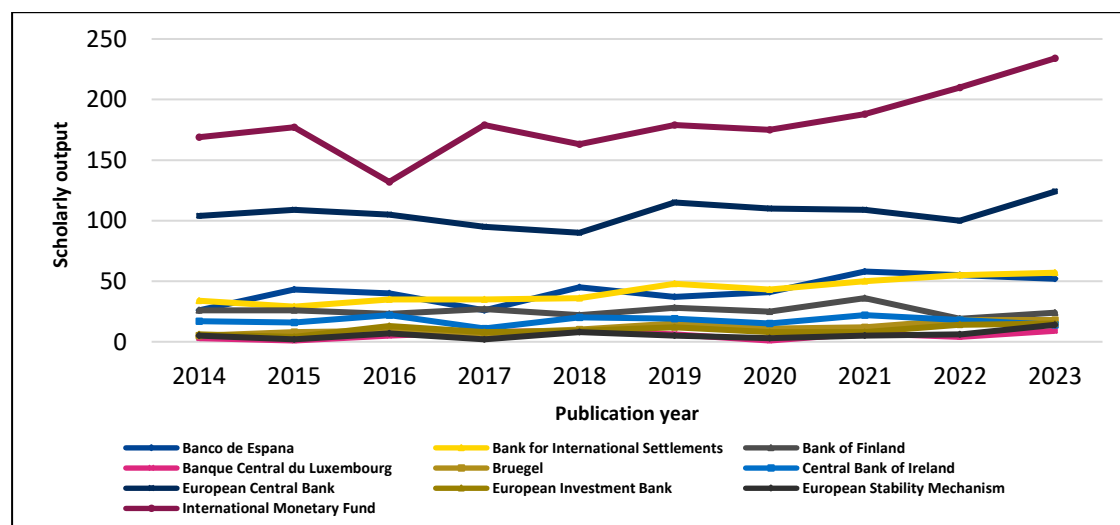
Figure 7.14
Word cloud of ESM working papers



Sources: NVIVO, based on titles, abstracts, and key words of ESM working papers 1 to 59

Annex 7.5 – Output compared to that of selected peer institutions

Figure 7.15
Scholarly output of the ESM and selected peer institutions, 2014-2023
(number of articles)



Source: Elsevier Report

Annex 7.6 – ESM publications with most policy impact

Table 7.15

ESM publications with the greatest policy-related citation impact, 2014–2023

Publication reference	Policy citations (unweighted)
Broner, F., Erce, A., Martin, A. and Ventura, J. (2014). Sovereign debt markets in turbulent times: Creditor discrimination and crowding-out effects. <i>Journal of Monetary Economics</i> , 61(1) 114-142	119
Clancy, D., Jacquinet, P., and Lozej, M. (2016). Government expenditure composition and fiscal policy spillovers in small open economies within a monetary union. <i>Journal of Macroeconomics</i> , 48305-326	45
D'Agostino, A. and Ehrmann, M. (2014). The pricing of G7 sovereign bond spreads - The times, they are a-changin. <i>Journal of Banking and Finance</i> , 47(1) 155-176	26
Alberola, E., Erce, A., and Serena, J.M. (2016). International reserves and gross capital flows dynamics. <i>Journal of International Money and Finance</i> , 60151-171	24
Bussière, M., Cheng, G., Chinn, M.D., and Lisack, N. (2015). For a few dollars more: Reserves and growth in times of crises. <i>Journal of International Money and Finance</i> , 52127-145	18
Regling, K. (2022). EU Fiscal Rules: A Look Back and the Way Forward. <i>Intereconomics</i> , 57(1) 8-10	17
Clancy, D. and Merola, R. (2017). Countercyclical capital rules for small open economies. <i>Journal of Macroeconomics</i> , 541339-1351	15
Cheng, G., Diaz-Cassou, J., and Erce, A. (2019). The macroeconomic effects of official debt restructuring: evidence from the Paris club. <i>Oxford Economic Papers</i> , 71(2) 344-363	12
Cheng, G., Díaz-Cassou, J., and Erce, A. (2018). Official debt restructurings and development. <i>World Development</i> , 111181-195	9
D'Agostino, A., Giannone, D., Lenza, M., and Modugno, M. (2016). Nowcasting business cycles: A Bayesian approach to dynamic heterogeneous factor models. <i>Advances in Econometrics</i> , 35569-594	9

Source: Elsevier Report

Annex 7.7 – Other institutions' recommendations after research evaluations

*Examples of recommendations to management from research evaluations conducted at other institutions⁶⁷***Bank of England****1. Clarify the role of research in delivering the Bank's mission**

- State the importance of research and how it can contribute to the challenges the Bank faces.
- Clarify where responsibility lies for delivering research, both in terms of high-level oversight and individual objectives.
- Align research metrics with the Bank's objectives for research.
- Further develop effective methods of communication between researchers and policymakers.

2. Provide more clarity and structure around career paths for researchers

- Provide a clear definition of a researcher role within the Bank.
- Provide examples of different career paths for researchers within the Bank.
- Provide advice and support for managers of researchers so they understand the different challenges for managing researchers.
- Build more structure around the PhD recruitment and the PhD programme to support researchers in their first few years at the Bank.

3. Ensure that structures and resources support the Bank's research objectives

⁶⁷ Sources: Evaluation of the Bank of England's research, Independent Evaluation Office, Bank of England (2019); External Evaluation of the Research Unit of the Bank of Finland, Bank of Finland (2021); External Evaluation of Banco de España Research Activities, Bank of Spain (2023)

- Review and expand the role of the Research Hub to deliver effectively its part of the research objectives.
- Ensure researchers have appropriate access to data and technology needed to deliver Bank research objectives effectively and efficiently.
- Better exploit relationships with academic institutions and individuals.

Bank of Finland

1. The bank should provide clearer incentives to its researchers to become more ambitious in their research and publication targets, by clarifying expectations for promotion and retention, and by signalling that researchers should strive to publish in good general interest and field journals. At the same time, the bank ought to help its researchers to attain these objectives.

We suggest a number of complementary ways to do so:

- Expand the ranks of active researchers by involving researchers from other units at the bank.
- Reorient the Bank of Finland Institute for Emerging Economics towards international research unit.
- Expand the number of research assistants hired by the Bank, relying not only on PhD students but also on undergraduate and master's students.

2. It would also be advisable to raise its profile in Finnish society and media, as well as in the international media, especially in light of the increasing social relevance of the new challenges faced by central banks. To this purpose, we recommend applying the media strategy so far effectively pursued by the Bank of Finland Institute for Emerging Economics to the research produced by the Research Unit.

Bank of Spain

1. Setting up a professional communications team and infrastructure will liberate research economists' time to focus on the content of the speeches rather than on writing, copy-editing, and fact checking, tasks for which they are not generally trained. Moreover, having a professional communications team will allow for an even more coherent communications strategy.

2. The Bank of Spain needs to construct different career paths for advancement, mostly a management path and a research path. To be clear, a research path does not mean no policy contributions. On the contrary, we expect that as economists become more experienced, they will have a better sense of how research can be integrated into policy. A "senior researcher/policy path" seems to be currently missing.

3. Invest more time and effort into fewer papers with an aim of shifting the balance towards the general interest and top field journals. Allow senior researchers in each team sufficient time to help focus research efforts by junior researchers on fewer and higher quality projects. Also advising juniors on journal submission strategy. Aiming higher will reduce the overall number of publications but should improve impact and levels of citation. Try to make policy work and other services more predictable to schedule blocks of research time around these obligations.

4. Economists are overburdened because they lack sufficient research assistant (RA) support. Be more creative in finding a solution to the one-year contract limitation (perhaps with a scholarship programme meant to train students aspiring to join a prestigious PhD programme). Surely the temporary position of RA and the features of the job deserve special consideration and the design of a contract that favours both the RA and the Bank of Spain. At other institutions, collaboration between RAs (or career economists) with PhD economists can lead to outreach publications. These publications

are read by media, academia, and the financial industry and can be another source of valuable experience for the RA/career economist, a valuable asset when applying to graduate schools, and a great source of belonging and fulfilment.

5. Consider setting up a section of the IT department that can specialise in the needs that economists have. There are more than enough economists (86 research economists as of 2022) to justify setting up an IT subsection focused on providing research computing support.

6. Microdata development and analysis requires RA support at a high level. Here we see a particular role for external PhDs to be based at the BoS to provide longer-term help and development of projects. There are benefits to both sides. Encourage a long-term commitment to the increasing interaction with microdata sources, and researchers using them, from other government institutions and private banks. Encourage internships and exchanges of junior PhD researchers. Particularly with external research groups in Spain and abroad that are at the frontier of the development of new microdata techniques. Collaborations with external experts is of particular value in this area.

7. Establish a policy/research track that does not require management responsibilities or comes with limited management responsibilities. This should allow the BoS to retain talent that makes great contributions in research and policy. Experienced talent is a great resource for younger economists.

[Annex 7.8 – Full Elsevier Report](#)

The full Elsevier Report commissioned by the ESM, including the executive summary and the slide deck submitted by Elsevier in April 2024, is published as a standalone, external background report alongside the evaluation report and this technical annex.

8. Continuity

This chapter complements Chapter 5 of the evaluation report, on continuity, by elaborating on a fact-finding exercise added to the evaluation design as a means to incorporate further background to a staff survey question on the ESM's training offering.

Staff training

Training being a crucial element in developing staff capabilities, it was considered necessary to examine further the analytical staff's access to external training, trends in its use, and to understand the main purpose of the standard training offering.

ESM learning resources are divided in two:

- A standard offering called catalogue training; this is designed to focus on enhancing employees' soft skills (transferable skills) rather than job-specific technical skills.
- Non-catalogue learning opportunities serve to enhance more job-specific individual capabilities through thematic studies, professional conferences and seminars, or external in-depth training, including degree or non-degree certification courses.

The catalogue offering emphasises the objective of a positive work environment and supporting workplace efficiency through flexibility and providing staff with practical tools to manage their roles and meet the needs of a changing work environment. According to an AI-supported analysis, the elements promoted by the catalogue training indicate a perceived value of clear goal-setting and a well-structured environment to enhance productivity; continuous learning as a way to build self-confidence, a cornerstone for personal and professional development; and an emphasis on overcoming challenges to collaboration. Other areas relate to communication and professional image.

Support for developing and maintaining analytical capabilities falls under non-catalogue training opportunities, access to which is managed through annual personal development discussions subject to approval by the Human Resources department. However, some specific training is organised based on line manager requests for divisions – for example, a course on IMF financial programming to support basic skilling in programme design.

The individual external training for the CE and CFO departments focuses on quantitative analytical methods, banking and regulation, as well as professionalisation in capital market techniques. Particularly in the case of economists, methods training has increased considerably (Table 8.1). Our data set includes external training taken or scheduled to be taken by 44 individuals from the two departments between 2020 and 2024 (data input received in July 2024). On average these individuals took 2.4 courses in the five-year reference period, with the most being nine for one person. The course titles have been aggregated into thematic topics with a data conversion.

Table 8.1
External training course topics

Department	Topic	2020	2021	2022	2023	2024	Total
CE totals		7	9	18	15	16	65
	Analysis methods	4	8	5	6	10	33
	Banking & regulation	3		3	5	1	12
	Capital market techniques			1	1		2
	Climate change			3	1	2	6
	Data science			1	1		2
	Digital money & blockchain		1	1			2
	Management & leadership			2			2
	Policy & theory			2	1	3	6
CFO totals		7	1	5	8	8	29
	Analysis methods	1		1	1		3
	Banking & regulation					1	1
	Capital market techniques	3	1	3	5	5	17
	Data science	3			1		4
	Digital money & blockchain			1			1
	Management & leadership					2	2
	Project management				1		1
TOTAL		14	10	23	23	24	94

Source: ESM Human Resources division

A developmental mentoring programme aims to support career planning and retention of high-capacity staff by connecting them with mentors. It also aims to break down silos to allow the exchange of ideas, knowledge, and experiences. Executive coaching is available for managers. No summary of the mentoring or coaching objectives for staff relevant for the scope of this exercise was available from HR.

Box 8.1 provides additional information to Chapter 5 of the evaluation report, showing the basic forms and strategies of institutions for scaling-up. It is based on Uvin and Miller (1996).

Box 8.1 Theoretical strategies for scaling up

Uvin and Miller (1996) systematise the key dimensions of scaling-up in the context of non-governmental organisations, namely, quantitative, functional, political, and organisational scaling-up. They also discuss the strategies organisations can employ to grow in these dimensions and offer value to members and stakeholders.

The findings of this evaluation relate mainly to skilling, tooling, and ability to channel available or complementary resources to the socially most valuable purpose – at any given time but particularly in a crisis. However, a systematic framework may help organise deeper thinking on key aspects of overall organisational capability and encourage appropriate strategising by ESM Management and the governing bodies to ensure an effective use of the organisation.

Quantitative scaling-up refers to expanding the size of an organisation through increasing its membership base, its constituency, its geographic working area, or its budget, drawing an increasing share of the workforce into its realm. Functional scaling up takes place when organisations add new activities to their range. Political scaling up describes the extent to which

organisations move beyond service delivery toward empowerment, usually including active political involvement and the development of community or state relations. Finally, organisational scaling up aims to improve organisations' effectiveness and efficiency by strengthening external collaborations, by improving the capacity of staff through training or personnel development, and by increasing organisational flexibility and sustainability or diversifying financial resourcing.

The paths or strategies to scale up in these key dimensions are systematised as follows:

Quantitative scaling up

- spread: increasing numbers of people spontaneously adhere to the organisation and support its mission.
- replication: a successful modality (methodology and mode of organisation) is repeated elsewhere.
- nurture: support a well-resourced external agency, using a specific incentive-based methodology, to nurture local initiatives on an increasing scale.
- horizontal aggregation: a number of distinct organisations or activities combine resources or merge.
- integration: an activity is integrated into existing structures and systems and in particular government structures after it has demonstrated its potential.

Functional scaling up

- horizontal (sectoral) integration: unrelated new activities are added to the existing ones, or new activities are undertaken by the same organisation.
- vertical (factoral) integration: other components related to the same chain.

Political scaling up

- information and mobilisation: an organisation's members or local communities are stimulated to participate in the body politically.
- networking: non-permanent collaboration is created between various political organisations on policy issues of common interest.
- vertical aggregation: federative structures are created to influence policy making.
- direct entry into politics: grassroots organisations, or their leaders, either create a political party or join an existing one.

Organisational scaling up

- promote skills development.
- develop procedures and structures allowing for organisational learning.
- create institutional variety, both internally and externally.
- maintain participation and accountability.
- diversify funding sources.
- increase the degree of self-financing through consultancy, sub-contracting, service for fee, etc.

9. Survey questionnaires

This section lists the survey questionnaires used for data collection in the evaluation.

Staff self-evaluation

Letter of Introduction

Dear Colleague,

The Management Board commissioned recently an evaluation of the ESM Analytical Capability with an overarching objective to assess the institutional capability to produce timely and relevant analytics and use the output for the benefit of the ESM's enhanced mandate in both normal and crisis times. In the process, the evaluation will identify key achievements, relevant strengths, and remaining gaps. This survey seeks input to the evaluation by collecting information on the extent to which staff members see themselves capable and prepared for the new responsibilities, in particular to

1. follow and analyse pertinent country and euro area economic, macrofinancial, and market developments,
2. flag timely vulnerabilities and risks,
3. suggest prioritised recommendations, and
4. participate in future programme design and negotiation in cooperation with the EC.

The survey will also indirectly help answer questions: What kind of professionals are ESM staff, what are their skills and what can they do? The survey is based on the "**Policy Skills Framework**" developed by the NZ government and has been adjusted to the institutional context of the ESM and the specific objectives of this evaluation (see for the original source: <https://www.dpmc.govt.nz/sites/default/files/2023-07/map-your-policy-skills-profile-2023.pdf> and <https://www.dpmc.govt.nz/publications/policy-quality-framework-full-version>). The following questions will invite you to categorise yourself / your personal skills (not the ESM as an institution or your peers) choosing between "**Developing**", "**Practising**" or "**Expert/Leading**". For each question, a specific qualification of the three categories is given. The qualifiers are nevertheless presented as generic criteria and you are encouraged to keep in mind your own corresponding job specificities when assessing yourself (not your team/division). Each question also foresees the opportunity to add an individual comment or suggestion. This may also include indications regarding your specific understanding of the stance and respective answering of the question.

This survey, as the evaluation, is completely anonymised. Answers are disguised in the survey engine. The evaluation team will not even receive reporting on who answered and who did not. The answers will be used only in aggregated form.

Estimated response time is about 30 minutes.

A focus group discussion will follow the processing of the responses in a portfolio analysis. The discussion will provide further input to the evaluation, which will benefit also from other analyses on perceived staff capabilities.

The evaluation team would like to emphasise that this survey is in no way connected with the ESM's PDS system.

The questionnaire is addressed to all CE and CFO (excl. investment) department and PSIR division experts and managerial employees in service at the end of September 2023, irrespective of their contract type. Also, the relevant evaluation team members are requested to fill in the survey.

Thank you in advance for taking the time! You may interrupt the survey and continue later using your private link.

The deadline for responses is 17 October 2023.

Staff self-evaluation questionnaire

1. How do you assess your expertise in the workstreams assigned to you?

Think about your division or horizontal responsibilities.

Developing

- You are acquiring subject matter knowledge relevant to the work of your Department and Division/Sector, including on problems that typically lead to ESM support, such as inadequate growth, financial policies and inflation.
- You are building technical know-how on the policy, legal, regulatory and service delivery frameworks.

Practising

- You have solid subject matter knowledge of policy issues and the current policy and regulatory settings. You have expertise to assess fiscal stability, financial policies, structural weaknesses, or political stability through relevant indicators.
- You are advancing practical understanding of the domain and sharing knowledge with others.

Expert / Leading

- You are a subject leader for the ESM in the domain.
- You are recognised as a thought leader in a field of knowledge and build ESM credibility by:
 - contributing to the knowledge base
 - sharing, synthesising and influencing thinking
 - forging links with the academic community.

Domain Knowledge:

Developing / Practising / Expert/Leading

Remarks (e.g. on your specific strengths, development needs or other nuanced feedback)

2. How do you assess your understanding of (a) ESM decision-making mechanisms, (b) ESM policy priorities and (c) ESM context?**Developing**

- You are acquiring knowledge relevant to the work of the ESM, its decision-making mechanisms, policy priorities and historical and current context.
- You are building technical know-how on the ESM policy, legal, regulatory frameworks and working procedures.

Practising

- You have solid subject matter knowledge of policy issues and the current policy and regulatory settings relevant for the ESM's decision-making mechanisms, policy priorities and historical and current context.
- You are advancing practical understanding of the Department's domain and practices and sharing knowledge with others.

Expert / Leading

- You are well-informed of the decision-making mechanisms, policy priorities and historical and current context and can provide knowledge and guidance to others.
- You are recognised as a thought leader in a field of knowledge and build Department's credibility by:
 - contributing to the knowledge base,
 - sharing, synthesising and influencing thinking
 - preventing risks when respecting the appropriate decision-making sequence
 - forging links with the academic community.

ESM Mechanisms and Priorities:

Developing / Practising / Expert/Leading

(a) Understanding of decision-making mechanisms

(b) Policy priorities

(c) Historical and current context

Remarks (e.g. on your specific strengths, development needs or other nuanced feedback)

3. How do you assess your capability to integrate the following in your work assignments: (a) EU decision-making mechanisms, (b) EU policy priorities and (c) institutional collaboration/coordination?

Developing

- You are acquiring knowledge and understanding of EU decision-making mechanisms, EU policy priorities and institutional collaboration/coordination.
- You are building technical know-how on the policy, legal, regulatory and service delivery frameworks.

Practising

- You have solid subject matter knowledge of EU policy issues and the current policy and regulatory settings.
- You are advancing practical understanding of the domain and sharing knowledge with others in the ESM.

Expert / Leading

- You are a subject leader for the ESM in the domain.
- You are recognised as a thought leader in a field of knowledge and builds ESM credibility by:
 - contributing to the knowledge base
 - sharing, synthesising and influencing thinking
 - forging links with the EU institutions and academic community.

EU Mechanisms and Priorities:

Developing Practising Expert/Leading

(a) Understanding of EU decision-making mechanisms

(b) EU policy priorities

(c) Institutional collaboration

How relevant are the aspects of this question in your job?

Not at all / Somewhat / Very relevant

Remarks (e.g. on your specific strengths, development needs or other nuanced feedback)

4. In the context of your primary country assignment, how do you assess your understanding of government systems and processes relevant for policy analysis and engagement?

Developing

You are learning the country-specific:

- Roles and division of labour between the ESM's direct or potential counterparties in the country
- Government structures and processes (Cabinet and Ministries, including federal and centralistic features)
- Parliament process (e.g. Country legislation, process of Bills through all legislative stages, including Committee scrutiny)
- Legislative requirements related to submissions of policy proposals (e.g. Impact Assessment Requirements, Better Regulation Requirements).

Practising

- You follow and understand processes of policy proposals (including coordination among Government entities and with the relevant Parliamentary Committees)
- You can assess the potential opportunities and risks related to country frameworks and processes for policy proposals (e.g. Audit, Impact Analysis and Better Regulation Requirements).

Expert / Leading

You understand and lead others in the effective assessment of processes and policy proposals, including on large-scale, complex cross government programmes through:

- Relevant budgetary cycle and funding arrangements
- Governmental processes
- Legislative and Parliamentary processes.

Government Systems and Processes:

Developing / Practising / Expert/Leading

How relevant are the aspects of this question in your job?

Not at all / Somewhat / Very relevant

Remarks (e.g. on your specific strengths, development needs or other nuanced feedback)

5. In the context of your primary country assignment, how do you assess your understanding of the government's priorities?

Developing

- You are becoming aware of the government's agenda and priorities, and where ESM's work fits.
- You are developing knowledge of the ESM's political context (stakeholders, thought leaders and commentators, and current issues in the country).

- You have a growing understanding of the implications of the Treaties for policy-making in your work domain.

Practising

- You understand government priorities, the current political context for and the historical context of their policy area.
- You can clearly articulate how your work area contributes to the ESM's work programme and government priorities.
- You understand the obligations of the Members under the Treaties in your work domain.

Expert / Leading

- You are highly skilled at gaining clarity from ministers and senior leaders on desired outcomes, scope and appetite for risks related to fiscal and financial measures – in order to shape new policy directions and programmes.
- You scan, anticipate and respond to changes in government priorities and pressures throughout the Parliamentary and election cycle, and to trends or significant shifts in context.
- You share information and insights to ensure colleagues are well-informed about issues affecting the ESM, government and wider policy eco-system.

Government Priorities and Context:

Developing / Practising / Expert/Leading

How relevant are the aspects of this question in your job?

Not at all / Somewhat / Very relevant

Remarks (e.g. on your specific strengths, development needs or other nuanced feedback)

6. How do you assess your capability to anticipate the ESM's future policy priorities?

Developing

- You are becoming aware of the ESM's enhanced mandate and priorities, and how this will fit with your primary country assignment's / workstream's political priorities.
- You are developing knowledge of the ESM's enhanced mandate in the political context of your country assignment /workstream (stakeholders' positions and political priorities).
- You are growing understanding of the implications of the new ESM Treaty for policy-making and analysis in your work domain.

Practising

- You understand ESM's future priorities, the developing political context for and the historical context of its policy area.
- You can clearly articulate how your work area will contribute to the ESM's new policy framework and will fit to EU priorities.
- You understand the obligations of the Members under the new ESM Treaty in your work domain.

Expert / Leading

- You are highly skilled at gaining clarity from ministers and senior leaders on desired outcome, scope and appetite for risk related to fiscal and financial measures – in order to shape new policy directions and programmes anticipating the new ESM Treaty.

- You anticipate and respond to upcoming changes in ESM's priorities and political pressures, and to trends or significant shifts in context.
- You share information and insights to ensure colleagues are well-informed about issues affecting the ESM's enhanced mandate, government and wider policy eco-system.

ESM's Enhanced Mandate and Political Context:

Developing / Practising / Expert/Leading

How relevant are the aspects of this question in your job?

Not at all Somewhat Very relevant

Remarks (e.g. on your specific strengths, development needs or other nuanced feedback)

7. How do you assess your capability to anticipate how EU partner institutions' priorities affect your tasks?

Developing

- You are becoming aware of the ESM's enhanced mandate and priorities, and how this will fit in the EU's institutional framework.
- You are developing knowledge of the ESM's enhanced mandate in the EU's institutional context (Treaties, intergovernmental arrangements, institutions positions, political priorities and expertise).
- You are growing understanding of the implications of the new ESM Treaty for policy-making in your work domain in the EU's institutional context.

Practising

- You understand ESM's future priorities in the EU's institutional context, the developing political context for and the historical context of its policy area.
- You can clearly articulate how your work area will contribute to the ESM's new policy framework and will fit into the EU's institutional context.
- You understand the obligations of the Members under the new ESM Treaty in your work domain.

Expert / Leading

- You are highly skilled at gaining clarity from senior leaders (e.g. ministers, commissioners, senior directors) on desired outcome, scope and appetite for risk related to fiscal and financial measures - in order to shape new policy directions and programmes anticipating the new ESM Treaty.
- You anticipate and respond to upcoming changes in ESM's priorities and political or inter-institutional pressures, and to trends or significant shifts in context.
- You share information and insights to ensure colleagues are well-informed about issues affecting the ESM's enhanced mandate, EU institutions, government and wider policy eco-system.

ESM's Enhanced Mandate in the EU's Institutional Context:

Developing / Practising / Expert/Leading

How relevant are the aspects of this question in your job?

Not at all / Somewhat / Very relevant

Remarks (e.g. on your specific strengths, development needs or other nuanced feedback)

8. How do you assess your capability to gather evidence to support analysis that results in insights and assessments?

Think about relevant data.

Developing

- You are becoming familiar with how to use evidence throughout the policy cycle.
- You are growing an understanding of the different kinds of qualitative and quantitative evidence, evidence sources, and their potential uses.
- You are learning how to summarise and synthesise evidence to draw conclusions (e.g. on key issues, their magnitude, root causes and possible solutions).
- You are learning how to incorporate end-user perspectives accurately and empathetically into analysis.

Practising

- You can synthesise diverse information and evidence, distil what is important, and use it to tell a coherent story.
- You can competently assess the quality and limitations of evidence, data and research. You understand empirical methodology, principles of data integrity, and the basics of statistical analysis.
- You understand methodologies for drawing insights from the frontline, and how those insights can inform policy.
- You can identify measurable and meaningful indicators of effectiveness, plan (and possibly execute) fit-for-purpose assessments, and extract lessons learnt to help build an ongoing evidence base.

Expert / Leading

- You apply expert knowledge to lead others in developing strong evidence-informed policy/policy advice.
- You develop and guide others on the right lines of inquiry.
- You draw on the right capabilities to mine data and use 'big data' for insights that can enable better decisions and create value.
- You can commission and/or execute monitoring and assessments, and build their findings into policy development, at early and subsequent stages in the policy cycle.

Evidence, Insights and Assessment:

Developing / Practising / Expert/Leading

How relevant are the aspects of this question in your job?

Not at all / Somewhat / Very relevant

Remarks (e.g. on your specific strengths, development needs or other nuanced feedback)

9. How do you assess your capability to apply analytical frameworks and methods to flag risks and assess their implications?

Developing

- You are learning about the range of analytical frameworks that can be used in policy analysis including:
 - academic disciplines (e. g. various schools of economics, methods of data analysis like statistics or econometrics, political science) and the frameworks they offer for making sense of what is happening and why
 - sectoral and system frameworks (e.g. on debt sustainability, repayment capacity, growth risks, implementation capacity, financial policies)
 - decision-making frameworks (e.g. cost benefit analysis, multi-criteria analysis, risk analysis, regulatory impact analysis, business cases, decision trees).
- You can prepare draft analysis with guidance.

Practising

- You have deeper and broader experience in applying different analytical frameworks, and understand their underlying assumptions and limitations and their appropriateness for different types and complexities of policy challenges.
- You can make sense of evidence and turn it into insightful advice that tells a coherent story – while being transparent about how issues are framed (inherent bias), present uncertainties and gaps in evidence.
- You can guide less experienced staff to undertake specific analysis and identify, direct or commission specialists where particular expertise is required.

Expert / Leading

- You can thoughtfully apply new and emerging methods of analysis and problem solving (e.g. design thinking, behavioural analysis), articulate their advantages and disadvantages, and lead the adaption or development of common frameworks, principles, methodologies, tools and techniques.
- You coach others in standard and emerging methods of analysis.
- You are able to translate complex evidence into insightful analysis that supports advice by continuously:
 - testing underlying assumptions/bias
 - asking questions that encourage critical thinking
 - testing feasibility of policy options and likely benefits, costs and risks for different groups and stakeholders.
- You employ deep critical thinking skills, understand trade-offs, and use breakthrough methods to find solutions to challenging problems.

Analytical frameworks and methods:

Developing / Practising / Expert/Leading

How relevant are the aspects of this question in your job?

Not at all / Somewhat / Very relevant

Remarks (e.g. on your specific strengths, development needs or other nuanced feedback)

10. How do you assess your capability to design policy proposals for (a) country monitoring, (b) Euro area monitoring and (c) programme design and implementation?

Developing

- You are learning how to develop policy options with implementation in mind by becoming familiar with:
 - the range of policy instruments used to deliver policy intent (such as incentives, subsidies, regulation, service delivery and behavioural nudges)
 - the organisational expertise you need to be involved in policy work (e.g. legal, finance), and the importance of involving those and service users in 'end-to-end' and 'outside in' processes.

Practising

- You can confidently include delivery options in policy design, consistently thinking 'end to end'. This means being able to:
 - use implementation-focused decision-making models (e.g. spreadsheets, country macroeconomic analysis tools, drafting policy notes)
 - assess the impact of factors like benefits, costs, and risks, and the assumptions they are based on
 - include frontline staff in early and later stages of policy design
 - engage with other experts to convey or seek advice on implementation requirements.

Expert / Leading

- You lead decisions on the choice of policy instruments using rigorous criteria and proven design frameworks so that options are feasible. This means being able to:
 - constructively challenge traditional delivery mechanisms and actively examine alternative mechanisms (e.g. via new technologies, non-regulatory levers, new partnerships)
 - systematically identify and address internal and external issues, challenges and risks that could affect implementation
 - build relationships with potential partners, inside and outside government, to test option viability, resolve problems and identify inefficiencies
 - develop robust delivery roadmaps that are collaborative, assign accountabilities and enable adjustment if circumstances change.

Design policy proposals for:

Developing / Practising / Expert/Leading

- a) Country monitoring**
- b) Euro area monitoring**
- c) Programme design and implementation**

How relevant are the aspects of this question in your job?

Not at all / Somewhat / Very relevant

Remarks (e.g. on your specific strengths, development needs or other nuanced feedback)

11. How do you assess your capability to deliver advice that is robust, free and frank, compelling?

Think for example about your country work, banking, finance or market analysis.

Developing

- You are learning how to use a range of techniques to inform senior management and other decision-makers.
- You are learning about the constitutional conventions of free and frank advice.

- You are contributing to advice that is clear, accurate, well-reasoned, evidence-based, impartial, politically neutral and targeted to the audience (the decision-maker).

Practising

- You provide free and frank advice to decision-makers that:
 - tells a compelling story
 - has all the relevant information to support the decision
 - puts the decision in context
 - shows what needs to be done to make it happen (through clear, action-oriented and realistic recommendations) including crucial conditionality and financial safeguards and communication.
- Can champion decisions and work with others to ensure they are implemented effectively.

Expert / Leading

- You have credibility and a reputation as a 'trusted' advisor. This means that you are able to:
 - offer pro-active free and frank advice to decision-makers, even when it has not been requested
 - frame advice in the context of sector and collective priorities (beyond institutional boundaries)
 - anticipate and time provision of advice to have the greatest influence
 - influence others, shape policy debates, and build 'coalitions of the willing' to ensure decisions are implemented effectively.

Advice and Influence:

Developing / Practising / Expert/Leading

Remarks (e.g. on your specific strengths, development needs or other nuanced feedback)

12. How do you assess your capability to engage stakeholders and the community, and build relationship capital to understand diverse expectations, co-create solutions and support implementation?

Developing

- You are learning when, how and who to engage with during the policy development process.
- You are sensitive to other frames of reference, and learn how to gain diverse insights about problems and potential solutions.
- You build collaborative relationships with counterparts within and across organisations to facilitate working together.

Practising

- You build and use collaborative networks. You engage with openness and respect for diversity of views, and strive to build consensus.
- You can design communication and engagement processes to support joint objectives.
- You understand and use citizen-centric approaches to identify and develop collectively agreed solutions.

Expert / Leading

- You build and draw on relationship capital.

- You determine what needs to be managed across organisations or the system and can skilfully design the outreach process.
- You encourage and enable a customer-centric ethos – reflecting the diverse needs and views of current and future Europeans.

Engagement and Collaboration:

Developing / Practising / Expert/Leading

How relevant are the aspects of this question in your job?

Not at all / Somewhat / Very relevant

Remarks (e.g. on your specific strengths, development needs or other nuanced feedback)

13. How do you assess your capability to incorporate longer-term thinking and broad system perspectives in your primary work assignment?

Think e.g. about setting vision and strategic direction, or achieving longer-term outcomes

Developing

- You are developing an ability to think conceptually and imaginatively by participating in activities related to setting vision, strategic direction, and achieving outcomes.
- You are becoming familiar with the main drivers of change impacting on the areas in which the institution operates.
- You are becoming familiar with patterns, links, and synergies between policy issues, portfolios, institutions and sectors.
- You are developing an ability to think ahead about next steps. Consider how current action contributes to longer-term policy intent, including underlying growth potential.

Practising

- You contribute to activities related to setting vision, strategic direction, and achieving longer-term outcomes.
- You understand the broad political, economic and strategic context and the assumptions embedded in them. You identify links between and across policy issues, organisations and systems.
- You understand current trends, change drivers, emerging states, critical uncertainties, timing constraints, and strategic issues related to initiatives and can incorporate that future focus into policy analysis and design.
- You can incorporate thinking about a range of future states into analysis/policy design.

Expert / Leading

- You lead activities related to setting vision, strategic direction, sequencing of actions, and achieving longer-term outcomes. Can translate strategic intent into medium-term plans and activities.
- You articulate the broad strategic context, its drivers and its dominant assumptions, and identify where and how to intervene to maintain strategic direction.
- You have broad expertise in strategic foresight, including scanning and exploring future states, and can communicate the implications of this foresight for existing policy direction and investment in policy capability.

Strategic Thinking:

Developing / Practising / Expert/Leading

Remarks (e.g. on your specific strengths, development needs or other nuanced feedback)

14. How do you assess your capability to give and receive constructive feedback to develop the capability of individuals and teams?

Developing

- You actively seek and learn from constructive feedback.
- You learn how to work with your own and others' weaknesses, strengths, preferences and personalities.

Practising

- You invite and offer regular constructive feedback to colleagues.
- You share knowledge and expertise, and review the work of others. You think of the work as 'team products' and are active in supporting quality control.
- You accept responsibility, are self-reflective and can appreciate and work with others.

Expert / Leading

- You model for others effective ways of giving and receiving constructive feedback and challenge. You can facilitate courageous and difficult conversations on quality and performance.
- You provide 'on-the-job' training of team members through supervision, guidance, coaching and mentoring.
- You cultivate a positive team culture of celebrating achievements and learning from mistakes.

Feedback and Coaching:

Developing / Practising / Expert/Leading

Remarks (e.g. on your specific strengths, development needs or other nuanced feedback)

15. How do you assess your capability to deliver clear and compelling messages fit for purpose and audience?

Developing

- You write clear, concise, error-free work.
- You are learning how to produce a range of written outputs (e.g. aides memoire, briefing notes, presentations, speaking notes).
- You are articulate and confident when contributing to discussions.

Practising

- You write high-quality advice in a polished, plain English style that is easy to read and has a clear purpose.
- You confidently present information in the most accessible form, and consistent with the preferences of the audience.

- You can represent their Department's interests at high levels, within boundaries and a clear agenda.

Expert / Leading

- You produce eloquent written communication that persuades and inspires.
- You mentor and develop the communication skills of others.
- You reduce confusion in commissioning.
- You present information in a variety of settings and in a way that captures and inspires audiences.
- You are persuasive and compelling in both internal and external interactions.
- You can reliably represent the interests of the ESM, even in uncertain territory.

Communication:

Developing / Practising / Expert/Leading

Remarks (e.g. on your specific strengths, development needs or other nuanced feedback)

16. How do you assess your capability to advise by using the right mix of resources and best practices in project management?

Particularly relevant for managers and most senior experts

Developing

- You are developing an ability to manage your own workload (e.g. by clarifying priorities, speaking up when at capacity or under-utilised and making thoughtful trade-offs between timeliness and quality).
- You are learning about scope, scope management and accepting commissions.
- You are learning how to break down your work into logical steps, tasks and estimated time to complete them.
- You are becoming reliable and consistent in your output.

Practising

- You understand the commissioning process, and are active in establishing the mandate and define deliverables for their own work.
- You manage risks, issues, conflicts, timelines, resourcing and deliverables. You report on progress as required and know when to escalate to seek clarity.
- You can lead moderate complexity policy projects.
- You identify when commissioned work is project-sized and would benefit from fit-for-purpose project management disciplines.
- You understand a variety of project planning and management techniques and are able to apply these.

Expert / Leading

- You can translate strategies, priorities and issues into policy projects with clear intent and direction of travel, scope, and level of resources.
- You take a leadership role in the policy or programme team (including cross institutions), ensuring the right skills and experience are available when required.

- You can establish and manage clear and meaningful governance and decision-making arrangements (managing information flows effectively), reconciling them with line management accountabilities.
- You can apply best practices in project management to ensure desired outcomes are delivered on time and to the right level of quality, by:
 - adapting the principles agilely in response to uncertainty and change
 - using stakeholder management plans and risk registers appropriately
 - working with stakeholders and functional groups and across related work to ensure plans are realistic, workable and joined up.

Plan and Manage Work:

Developing / Practising / Expert/Leading I am not in a Managerial Position

Remarks (e.g. on your specific strengths, development needs or other nuanced feedback)

17. How do you assess your capability to improve things and add value’?

Think of tasks and work processes.

Developing

- You are driven to enhance your own professional development.
- You view mistakes as an opportunity for learning and improvement.
- You are broadminded, inquisitive, and harnesses new and innovative ways of working and thinking.

Practising

- You pursue a diverse range of experiences to build your knowledge, skills, and competencies.
- You participate in robust discussions on the quality of analytical/policy processes, insights, and lessons learned.
- You challenge yourself to look beyond your immediate areas of expertise for insights on best practice.
- You have the knowledge and experience to shift from a ‘great idea’ to a workable solution.

Expert / Leading

- You seek opportunities to add value. Use evaluation and lessons learned to improve future performance and provide fresh perspectives.
- You can lead the ‘idea-to-innovation’ process. Promote a culture of being receptive to diverse thinking, insights and new information.
- You foster experimentation and positive risk-taking. Guide others in deploying innovation and continuous improvement methodologies.
- You create learning opportunities for other staff.

Improvement and Innovation:

Developing / Practising / Expert/Leading

Remarks (e.g. on your specific strengths, development needs or other nuanced feedback)

18. How do you assess your capability to be responsive to change, and resilient to uncertainty and setbacks?

Developing

- You are quick to grasp and use new concepts and information.
- You adapt to altered instructions and priorities.
- You recover quickly from setbacks.
- You are comfortable with ambiguity and change.

Practising

- You understand the policy process is iterative, and adjust thinking and approach as required.
- You can challenge earlier assumptions or conclusions in light of new information.
- You make sensible trade-offs between time, risk, quality and completeness.
- You are resilient in the face of change and can switch focus to new priorities.

Expert / Leading

- You are a proven and respected consultant and support others in the face of complex and challenging change.
- You are 'strategically opportunistic' – can seize opportunities, integrate new content, collaborate and draw connections that will support policy objectives.
- You are able to manage and prioritise conflicting demands – lead the way in adjusting priorities, redeploying resources and recovering from setbacks.

Agility:

Developing / Practising / Expert/Leading

Remarks (e.g. on your specific strengths, development needs or other nuanced feedback)

19. How do you assess your capability to navigate issues, relationships and situations of sensitivity to the political context?

Developing

- You watch and learn from others considered adept at working with senior authorities and other internal and external stakeholders.

Practising

- You build the trust of decision-makers by being responsive and aware of political priorities.
- You understand the various roles played in the policy process and how decisions are made.
- You are becoming adept at interpreting and navigating sensitive situations, relationships and competing interests, including between different policy portfolios.
- You are able to influence and build alignment between issues and people.

Expert / Leading

- You sustain trust-based relationships with decision-makers and key stakeholders. Can have respectful and sometimes 'uncomfortable' conversations without damaging those relationships.
- You are highly adept at building alignment and alliances between competing interests and agendas.

- You help shape the authorising environment by being able to influence the thinking and behaviour of others.
- You anticipate and time advice for when it can have the most influence and impact.

Political Savvy:

Developing / Practising / Expert/Leading

How relevant are the aspects of this question in your job?

Not at all / Somewhat / Very relevant

Remarks (e.g. on your specific strengths, development needs or other nuanced feedback)

That was the last question!

Many thanks for your participation

Staff survey

Letter of Introduction

Dear Colleague,

As you know the Management Board commissioned recently an evaluation of the **ESM Analytical Capability** with an overarching objective to assess the institutional capability to produce timely and relevant analytics and use the output for the benefit of the ESM's enhanced mandate in both normal and crisis times. ESM Analytical Capability is largely determined by the organisation's staff resources, knowledge and skills, organisational and decision-making structure, established tools, data and processes, internal products and publications and its learning culture.

In the process, the evaluation will identify key achievements, relevant strengths and remaining gaps.

This survey seeks input to the evaluation by collecting information on the extent to which staff respondents see the ESM as an institution capable and prepared for the new responsibilities, in particular to

- 1) follow and analyse pertinent country and euro area economic, fiscal, macro-financial and market developments,
- 2) flag timely vulnerabilities and risks,
- 3) suggest prioritised recommendations, and
- 4) participate in future programme design and negotiation in cooperation with the EC.

This survey will complement the earlier staff self-evaluation. It is structured in 5 sections, each with a different focus. Some questions foresee the opportunity to add an individual comment or suggestion or elaborate how you approached the question.

The first section focuses on the implementation of the Management Plan for the enhanced mandate. These questions invite you to rate the analytical capability of the **ESM as an institution** (not your personal skills) choosing from a **scale** ranging from **1 (no achievement at all)** to **5 (maximum achievement)** for the main evaluation period 2019-2023.

The second section addresses the Analytical System, and the third section more specifically ESM analytical products.

Then questions in section 4 on "Research and Publication Output" require looking back somewhat further to before 2019 (not mandatory, answering depends on your institutional memory).

Section 5 is addressed to respondents from the CE department and includes a few questions related to the preparedness for programme design.

This survey is completely **anonymised** with the respondent identity disguised in the survey engine. The evaluation team will not receive any reporting on who answered and who did not. The answers will be used only in aggregated form.

Thank you in advance for taking the time! You may interrupt the survey and continue later using your private link.

Note for processing: You should complete all matrix-questions and cover the time spans to proceed from one section to next. In case of doubt, please click the "Do not know" option. Section 5 is mainly relevant for CED and the Review Function.

By responding to the questionnaire, you grant the ESM Evaluation Function the right to use all the details for analysis purposes.

Estimated response time is about 45 minutes.

The deadline for responses is 15 December 2023.

Staff survey questionnaire

Please note: Many questions were asked for the two periods “Before 2019” and “2019-2023”.

1. Section: The Management Plan to implement ESM’s enhanced mandate

Question 1: Do you know the core elements of the **ESM Management Plan** initiated in 2019?
Yes / No

Question 2: Do you deem the ESM Management Plan - once completely implemented - sufficient to **meet the challenges of the ESM’s enhanced mandate** regarding (a) **analytical capability** and (b) **headcount** (personnel capacity)?

1 (not sufficient) / 2 / 3 / 4 / 5 (fully sufficient) / Do not know

Question 3: How do you rate **progress made in implementing the ESM Management Plan** regarding (a) overall **Organisational Structure** (e.g. CE department structure, SG department Review Function, EFMC, Macro-Market Discussion Forum, Market Data Working Group), (b) **Analytical Tools and System** (e.g. Monitoring Framework, EWS, DSA, Vulnerability Indicators) and (c) Efficient **processes**, (d) launch of the **Review function** and (e) operation of the **overseeing committee** (EFMC)?

1 (not sufficient) / 2 / 3 / 4 / 5 (fully sufficient) / Do not know

Question 4: How do you rate the **preparedness of the EFMC** to fulfil its mandate under ESM's enhanced mandate in terms of (a) Review staff assessments of euro area / Member specific **macroeconomic and financial risks and policy implications**, (b) Guide **pre-programme, programme and post-programme interactions** with stakeholders and (c) Follow-up relevant **audit and evaluation recommendations**?

1 (not prepared) / 2 / 3 / 4 / 5 (very prepared) / Do not know

Question 5: What are the **key constraints** in completing the ESM Management Plan? Please elaborate: _____

Question 6: What is the **most critical constraint for excellence** in analytical capability under the ESM’s enhanced mandate? What could ESM achieve with this constraint removed? Please elaborate: _____

2. Section: The ESM's Analytical System and Staff Capabilities

This section is about the evolution of the ESM's capabilities in the recent years. To simplify, you are asked to consider the situation in 2019 and at present in 2023.

Question 1: How do you rate the **ESM's capability to produce timely and relevant analytics** (a) outside periods of active financial assistance programmes ("**normal times**") or (b) had a financial assistance request been received ("**crisis times**")? - Think e.g. of policy notes, country notes, working and discussion papers, market analyses, blogs.

1 (very low) / 2 / 3 / 4 / 5 (very high) / Do not know

Question 2: How effectively has the ESM **integrated economic and macro-financial analysis with its market intelligence** in terms of (a) common understanding of objectives and priorities under the enhanced mandate, (b) contribution to flagging financial stability risks? (c) informing the design of funding strategy and balance sheet management (see Finance Committee's tasks) in changing conditions? - Think of the objective to identify relevant risks and policy options.

1 (not effectively) / 2 / 3 / 4 / 5 (very effectively) / Do not know

Question 3: How **robust** (broad-based, operational, tested) is ESM's **analytical system** for country monitoring (a) outside the periods of active financial assistance programmes ("**normal times**") or (b) had a financial assistance request been received ("**crisis times**")? - Think e.g. of monitoring tools, economic models, system for production of notes and papers.

1 (not robust) / 2 / 3 / 4 / 5 (very robust) / Do not know

Question 4: How do you rate the adequacy of the existing plans to **close gaps in the robustness of ESM's analytical system**? - Think e.g. of economic/financial/risk modelling, statistical/econometric data analysis, financial programming, translation of data analysis into policy advice.

1 (not adequate) / 2 / 3 / 4 / 5 (very adequate) / Do not know

Comments on the existing plans to enhance the robustness of ESM's analytical system.

Question 5: Looking back at the development of ESM's **toolset and analytical system**: What do you consider **the most significant changes since 2019**? Please share your view.

Question 6: **How vulnerable** is the ESM's **analytical capability** to disruption in internal job rotations and external careers moves?

1 (not vulnerable) / 2 / 3 / 4 / 5 (very vulnerable) / Do not know

What are the concrete means to sustain analytical capability at ESM?

Question 7: How effectively does the ESM use its analytical outputs to inform decision-making?

1 (not effectively) / 2 / 3 / 4 / 5 (very effectively) / Do not know

Question 8: How confident are you about the ESM flagging acute risks (e.g. risks to financial stability)?

1 (not confident) / 2 / 3 / 4 / 5 (very confident) / Do not know

Question 9: To what extent do ESM's analytical products prepare the ESM for effective collaboration in programme negotiation and design with the European Commission?

1 (very low extent) / 2 / 3 / 4 / 5 (very high extent) / Do not know

Comments on questions 7-9:

Question 10: Analytical products you or your division prepare: To what extent do they build on/incorporate analytical knowledge/output of (a) other divisions (b) other institutions and (c) existing research of the academic community?

1 (very low extent) / 2 / 3 / 4 / 5 (very high extent) / Do not know

Question 11: To what extent do you agree to the following statements. "The analytical products (a) are diagnostically sound (b) equip the decision maker to make fully informed decisions (c) expose the real underlying problem (d) appropriately elaborate on the opportunities (e) take into account the broader context (f) explain key evidence and provide insights (g) provide options that can really be delivered."

1 (very low extent) / 2 / 3 / 4 / 5 (very high extent) / Do not know

Question 12: Analytical agenda of the past years and current projects in the making: How appropriately do they focus on the ESM's strategic objectives /role?

1 (not appropriately) / 2 / 3 / 4 / 5 (very appropriately) / Do not know

Possible comments / examples on questions 10-12:

Question 13: How readily (a) available and (b) useful is the existing guidance for the consistent use of models and other analytical tools? - Think e.g. of manuals, trainings, concept notes, process descriptions or divisions' ex post quality reviews.

1 (not available/not useful) / 2 / 3 / 4 / 5 (fully available/very useful) / Do not know

Question 14: How well does this guidance support the replicability of internally developed analysis?

1 (not good) / 2 / 3 / 4 / 5 (very good) / Do not know

Question 15: How well does management mobilise staffs' analytical talents, skills and capacities to meet the ESM's enhanced mandate?

1 (not good) / 2 / 3 / 4 / 5 (very good) / Do not know

Comments: _____

Question 16: How do you rate your department's **mechanisms for transferring knowledge** e.g. in view of task rotation, training a success? - Think e.g. of onboarding sessions, handover protocols, manuals or trainings.

1 (not good) / 2 / 3 / 4 / 5 (very good) / Do not know

Question 17: How well do internal policies and practices support **staff opportunities to develop over long-term** to directions they prefer? - Think e.g. of self-introduction of departments, feedback interviews, external/internal rotation incentives.

1 (not good) / 2 / 3 / 4 / 5 (very good) / Do not know

Question 18: How well does ESM organise **external knowledge-transfer** from: (a) peer institutions (EC, ECB, IMF et al.), (b) think tanks, (c) universities, (d) private sector (e.g. banks)?

1 (not good) / 2 / 3 / 4 / 5 (very good) / Do not know

Question 19: How well does ESM organise **internal knowledge-transfer** or opportunities to update your knowledge by: (a) knowledge sharing among colleagues, (b) nurturing institutional memory and (c) reserving time for experimentation and reflection?

1 (not good) / 2 / 3 / 4 / 5 (very good) / Do not know

Question 20: How well does the ESM make **effort to avoid silo-thinking** by: (a) making efforts to seize opportunities for challenging status quo, (b) thinking out of the box / challenging one's world view, (c) responding to the Review Function's feedback and (d) actively seeking external review or feedback?

1 (not good) / 2 / 3 / 4 / 5 (very good) / Do not know

Question 21: How effectively is work-related **information shared across teams** from different divisions? Can you provide suggestions on how to improve information-sharing across ESM teams?

1 (not effectively) / 2 / 3 / 4 / 5 (very effectively) / Do not know

Please make suggestions on how to improve information-sharing across ESM teams.

Question 22: How **balanced** is **staff composition** (a) between specialists providing depth and the generalists and (b) between the experienced staff members who provide institutional knowledge and early career experts who typically know the latest tools?

1 (not balanced) / 2 / 3 / 4 / 5 (very balanced) / Do not know

3. Section: ESM's Analytical Products

This section is more specifically about ESM's key analytical products with a view of ESM's enhanced mandate. You are asked to consider the situation now in 2023.

(a) EWS

EWS guidance (2021) defines the purpose as: The objective of the EWS is to determine the ability of the beneficiary Member State to fulfil its payment obligations to the ESM. This requires an assessment of the short-term liquidity position of the sovereign, its market access and the medium- to long-term sustainability of its public debt. It also requires an assessment of banking developments whenever relevant to assess repayment flows. See "EWS Review Guidance Note"

EWS procedure (2022) also specifies: This work is based on the close interaction of ESM departments. Moreover, it takes into account and complements the fiscal and debt sustainability analyses that is provided by the European Commission and the ECB to the ESM during the programme and post-programme period. See "Corporate Governance and Internal Policies - Early Warning System".

Question 1: To what extent is there in practice a common understanding on the objectives and deliverables of the EWS?

1 (no common understanding) / 2 / 3 / 4 / 5 (high common understanding) / Do not know

Question 2: Are you involved in the preparation of EWS reports?

Yes / No

Question 3: How do you rate the capacity of the EWS process to timely identify and report risks in the countries under analysis?

1 (very low capacity) / 2 / 3 / 4 / 5 (very high capacity) / Do not know

Question 4: To what extent do you believe there is duplication between the content of EWS reports and publications from other institutions?

1 (no duplication) / 2 / 3 / 4 / 5 (mainly duplication) / Do not know

Question 5: How well-defined are the scenarios in EWS reports?

1 (not well defined) / 2 / 3 / 4 / 5 (very well defined) / Do not know

Question 6: How effectively are macro-fiscal risks captured in EWS reports?

1 (not effectively) / 2 / 3 / 4 / 5 (very effectively) / Do not know

Question 7: How effectively are financial risks captured in EWS reports?

1 (not effectively) / 2 / 3 / 4 / 5 (very effectively) / Do not know

Question 8: How effectively are liquidity and market risks assessed in EWS reports?

1 (not effectively) / 2 / 3 / 4 / 5 (very effectively) / Do not know

Please provide suggestions with potential areas of analysis and/or analytical tools.

(b) EFRR

The EFRR concept note said it was foreseen as a core instrument in implementing the ESM's new mandate. It aims to integrate macroeconomic, financial sector and market intelligence in the analysis of risks both from a bottom-up (country) and top-down (euro area-wide and topical) approach. It was defined to present staff's analysis and assessment of key macroeconomic and financial risks in the euro area and its member states. The EFRR is meant to be an anchor of work and collaboration among departments on economic and financial risks and operational implications, and the key document for discussion at the Economic and Financial Risk Monitoring Committee. It should also serve as a key reference for internal briefings and policy positions.

Question 9: After three years of production, how well does the EFRR respond to the above tasks?

1 (not well) / 2 / 3 / 4 / 5 (very well) / Do not know

Question 10: To what extent is there a common understanding on its role and purpose?

1 (no common understanding) / 2 / 3 / 4 / 5 (high common understanding) / Do not know

Question 11: Are you involved in the preparation of EFRRs?

Yes / No

Question 12: How do you rate the capacity of the EFRR process in timely identifying and reporting risks in the euro area?

1 (very low capacity) / 2 / 3 / 4 / 5 (very high capacity) / Do not know

Question 13: To what extent do you believe there is duplication between the content of EFRRs and publications from other institutions?

1 (no duplication) / 2 / 3 / 4 / 5 (mainly duplication) / Do not know

Please provide some examples about such duplications, if any.

Question 14: How consistent are the scenarios between the EFRR and the EWS?

1 (not consistent) / 2 / 3 / 4 / 5 (very consistent) / Do not know

Question 15: How do you rate the overall level of analysis of the country sections in the EFRR?

1 (very low) / 2 / 3 / 4 / 5 (very high) / Do not know

Question 16: How effectively are macro-fiscal risks assessed in EFRRs?

1 (not effectively) / 2 / 3 / 4 / 5 (very effectively) / Do not know

Question 17: How effectively are financial risks assessed in EFRRs?

1 (not effectively) / 2 / 3 / 4 / 5 (very effectively) / Do not know

Question 18: How effectively are liquidity and market risks assessed in EFRRs?

1 (not effectively) / 2 / 3 / 4 / 5 (very effectively) / Do not know

(c) Annual report and other descriptive reports

Section 3c covers a number of descriptive reports (annual report, quarterly reports on SVI / BVI / Rating, Bi-Weekly Macro Brief, Monthly EA Inflation Monitor, Issuance Conditions Environment Report and Investment's Weekly Market Report) and asks, how these reports inform your work and how they can possibly be improved.

Question 19: To what extent does the [quarterly report for the SVI](#) inform your work? - SVI indicators comprise (i) government, borrowing needs, conditions and debt structure, (ii) economic strength, (iii) fiscal position, (iv) financial sector and other contingent liabilities, (v) institutional parameters, and (vi) private sector leverage, credit flows and real estate developments. For details on the SVI see "A Comprehensive Scorecard for Assessing Sovereign Vulnerabilities"

1 (very low extent) / 2 / 3 / 4 / 5 (very high extent) / Do not know

Question 20: To what extent does the [quarterly report for the BVI](#) inform your work? - The BVI is a synthetic forward-looking indicator to assess and rank banks within euro area (EA). Its scope is mainly SSM-supervised banks and it takes into account the latest quarterly data available.

1 (very low extent) / 2 / 3 / 4 / 5 (very high extent) / Do not know

Question 21: To what extent does the [quarterly Rating Report Monitor](#) inform your work? - Quarterly monitor on euro area sovereign ratings' developments, ESM and EFSF ratings and peers.

1 (very low extent) / 2 / 3 / 4 / 5 (very high extent) / Do not know

Question 22: To what extent does the [bi-weekly Macro brief](#) note inform your work? - Macro brief: Global and European economic and market update for high-level meetings and country teams.

1 (very low extent) / 2 / 3 / 4 / 5 (very high extent) / Do not know

Question 23: To what extent does the [monthly euro area Inflation Monitor](#) inform your work?

1 (very low extent) / 2 / 3 / 4 / 5 (very high extent) / Do not know

Question 24: To what extent do [Issuance Conditions Environment Report](#), [Investment's Weekly Market Report](#) inform your work?

1 (very low extent) / 2 / 3 / 4 / 5 (very high extent) / Do not know

Do you have suggestions for improving the [analysis](#) of the descriptive reports dealt with in section 3c?

Do you have suggestions for improving the [scope](#) of the whole range of analytical products dealt with in section 3a, 3b and 3c?

Question 25: How useful are the ESM's analytical products to help detect risks early with the aim to preserve financial stability? - Think e.g. of the EFRR, Early Warning Exercise Reports, DSA, SVI, BVI or FSMA Monitor.

1 (not useful) / 2 / 3 / 4 / 5 (very useful) / Do not know

Question 26: Do you believe the ESM Annual Report is an useful means to reflect ESM analysis?

1 (not really) / 2 / 3 / 4 / 5 (very useful) / Do not know

4. Section: Research and Publication Output - Contribution to ESM's Analytical Capability and Reach

This section assesses the impact of ESM's research and publication output on the institution's analytical capability and reach during the main evaluation period 2019-2023 and – should your institutional memory reach further back – for the time before 2019.

Question 1: To what extent does ESM staff research done in working papers, discussion papers, or blogs et al. benefit (a) ESM's regular analytical tools/system (e.g. EFR, EWS, DSA), (b) ESM's decision making and (c) ESM's contribution to external Committee work and collaboration with other institutions?

1 (very low extent) / 2 / 3 / 4 / 5 (very high extent) / Do not know

Question 2: Does ESM staff research and publication output improve policy and decision making outside the institution (e.g. of ESM stakeholders)?

1 (not much) / 2 / 3 / 4 / 5 (very much) / Do not know

Question 3: To what extent does ESM staff research and publication output (a) support you developing your analytical capability at ESM (e.g. expertise, quality of informing management) or (b) boost ESM's analytical capability as an institution?

1 (very low extent) / 2 / 3 / 4 / 5 (very high extent) / Do not know

Question 4: Did a research product you were involved in (a) include a model? If yes, was it (b) developed to a tool a colleague can easily reuse?

Yes / No / Do not know

Question 5: To what extent does ESM staff research and publication output contribute to ESM's reputation (benefitting e.g. ESM's influence in future collaboration with EU institutions under the enhanced mandate)?

1 (very low extent) / 2 / 3 / 4 / 5 (very high extent) / Do not know

Question 6: How do you rate incentives set by ESM management to do research and publishing? - Think e.g. of appraisal by superiors, opportunities to integrate research in regular tasks, opportunities to present research at conference.

1 (not motivating) / 2 / 3 / 4 / 5 (very motivating) / Do not know

Question 7: To what extent does participation in research and publication activity improve individual career perspectives at ESM?

1 (very low extent) / 2 / 3 / 4 / 5 (very high extent) / Do not know

Comments/Suggestions:

The following questions deal with research engagement and the use of research:

Question 8: Quality of ESM staff research and publication output: What is the feedback received from scientific community, peer institutions or country authorities?

Please elaborate on potential feedback received:

Question 9: To what extent do you agree with the following statement: “ESM has tools and systems to (a) support research engagement with academics or peer institutions and (b) support our use of external research.”

1 (do not agree) / 2 / 3 / 4 / 5 (do fully agree) / Do not know

Question 10: To what extent do you agree with the following statement: “Staff have knowledge and skills to (a) support research engagement and (b) support the use of external research.”

1 (do not agree) / 2 / 3 / 4 / 5 (do fully agree) / Do not know

Question 11: To what extent do you agree with the following statement: “My department (a) actively interacts with researchers, (b) has access to a reservoir of relevant and reliable research (c) uses research to support agenda setting (d) uses research to support policy development (e) uses research to support policy advice (f) uses research for monitoring (g) appraises external research (h) generates new research or analysis.”

1 (do not agree) / 2 / 3 / 4 / 5 (do fully agree) / Do not know

5. Section: Preparedness for Country Monitoring and Financial Assistance Programmes

As regards your country analysis, we would like to take the opportunity to follow staff commitment to apply quality assurance methodologies such as the procedures offered by the "Donovan" Framework (Q1-Q3) and the Capacity Assessment Tool (Q4-Q7), developed in 2021-2022.

Note: The 2022 “Donovan” conceptual framework for programme design was co-produced in follow-up works to the evaluation of Greek programmes by the CE department with consultant support.

Question 1: Are you familiar with the key elements of the “Donovan-Framework”?

Yes / No

Question 2: How consistently has the ESM: (a) adopted the “Donovan” conceptual framework in its country work and (b) applied the framework in the structuring of country notes in your primary country assignment?

1 (not consistently) / 2 / 3 / 4 / 5 (very consistently) / Do not know

Question 3: The “Donovan” framework further developed a procedure to prioritise policy proposals in programme design using scoring methodologies. (a) To what extent are you aware of this procedure? (b) How much have you or your country teams applied the procedure so far in identifying policy priorities? (c) How prepared is the relevant ESM decision making process to prioritise?

1 (not at all) / 2 / 3 / 4 / 5 (fully) / Do not know

Question 4: Do you know the Capacity Assessment Tool (CAT)?

Yes / No

Please elaborate / provide examples on the use of the CAT procedure:

Question 5: How adequate are the ESM skill sets for the application of the CAT framework?

1 (not adequate) / 2 / 3 / 4 / 5 (very adequate) / Do not know

Question 6. Have you as a member of the country team been involved (a) in the discussion about CAT framework in relation to your country case? If yes, were you involved (b) in the practical work?

Yes / No / Does not apply

Question 7: Does the CAT-Framework add value to the country-work?

Yes / No / Do not know

How could the CAT Framework be further improved for country work's purposes?

Board survey

Letter of Introduction

Dear member of the Board of Directors,

Thank you for your willingness to participate in this survey on the ESM's analytical capabilities. The purpose of the questionnaire is to improve the ESM by benchmarking its activities and products against the stakeholders' expectations.

The survey is anonymous, and the findings are treated fully confidentially. Input will only be used on an aggregate level.

This survey contributes to an evaluation commissioned by the Management Board and which is executed independently from the operational units. It intends to feed into the Managing Director's future strategy reflections. The overarching objective of this evaluation is to assess the ESM's institutional capability to produce timely and relevant analytics and use the output for the benefit of its mandate in both normal and crisis times. In the process, the evaluation will identify key achievements, relevant strengths and remaining gaps. More specifically, the evaluation should:

I. assess how recent efforts have advanced the ESM's capability to integrate economic and macro-financial analysis with market analysis to identify relevant risks and policy options.

II. reflect on the relevance and robustness of the established analytical system in view of the future needs; identify key gaps and assess the adequacy of the existing plans to credibly narrow or close such gaps.

III. assess how effectively the ESM uses the analytical outputs to inform relevant strategy formulation, support decision-making with focused recommendations, and influence relevant EU policymaking.

IV. examine aspects of sustainability: Given the evolving operating environment and the unforeseen, complex nature of crises – with lingering vulnerabilities and sudden triggers – explore to what extent the achievements made in capability development are grounded in the organisation. How adequate are the measures or precautions taken to deploy the capabilities as needed and safeguard them over time?

The ESM evaluation team looks forward to your contribution.

The deadline for responses is 15 December 2023.

Board survey questionnaire

1. Question

From Article 3 of the ESM Treaty:

The purpose of the ESM is to mobilise funding and provide stability support under strict conditionality, appropriate to the financial assistance instrument chosen, to the benefit of ESM Members which are experiencing, or are threatened by, severe financing problems, if indispensable to safeguard the financial stability of the euro area as a whole and of its Member States.

Where relevant in order to internally prepare and enable it to appropriately and in a timely manner pursue the tasks conferred on it by this Treaty, the ESM may follow and assess the macroeconomic and financial situation of its Members including the sustainability of their public debt and carry out analysis of relevant information and data.

How do you assess the ESM's current capability to carry out economic and macro-financial analysis?

Please enter your answer here.

2. Question

In what direction should the ESM's analytical capabilities be developed?

Please insert your answer here

3. Question

What do you consider relevant characteristics of a robust analytical system?

Please insert your answer here

4. Question

On the basis of which criteria does your own organisation follow or assess the macroeconomic and financial situation of EU Member States?

Please insert your answer here

5. Question

How well do you think the ESM's economic and financial and market analysis is integrated?

Please select one of the following options

Not integrated / Somewhat integrated / Well integrated / Very well integrated

Optional: insert any additional comment you may have

6. Question

A. How do you assess the quality and reliability of the ESM's debt sustainability analyses? How could they be further improved?

Please insert your answer here

**B. How do you assess the quality and reliability of the ESM's financial and market analyses?
How could they be further improved?**

Optional: insert any additional comment you may have

7. Question

What do you consider relevant information and data for the ESM to analyse in the context of its mandate (current and/ or enhanced)?

Please insert your answer here

8. Question

Which of the following topics do you deem relevant for monitoring the macroeconomic and financial situation of ESM Members including the sustainability of their public debt?

Level of public debt / Fiscal position / Demographic developments / Financial sustainability of pension system / Composition of public debt / Contingent liabilities / Off-budget financing vehicles / Risks from the banking sector / Risks from the shadow banking sector / Risks from state-owned enterprises (SOEs) / Risks from residential housing / construction sector / Level of exposure to non-Paris Club bilateral creditors / Holdings of public debt (by jurisdiction, investor type etc.) / Effectiveness of fiscal policy (expenditure) / Effectiveness of fiscal policy (revenue) / Degree of euro area financial market integration

Irrelevant / Somewhat relevant / Relevant / Very relevant

Other topic(s) relevant for monitoring ESM Members' macroeconomic and financial situation

9. Question

Which topics should the ESM avoid in its analyses to prevent duplication with other institutions (e.g. European Commission, European Central Bank, International Monetary Fund, OECD, etc.)?

Please insert your answer here

10. Question

Compared to ESM partner institutions (EC, ECB, IMF), in what areas do you see added value for the ESM to monitor and analyse the euro area overall and/ or ESM Members?

Please insert your answer here

11. Question

How effectively does the ESM use its analytical outputs to inform relevant strategy formulation, support decision-making, and inform relevant EU policymaking?

Please insert your answer here

12. Question

What kind of analysis enables the ESM to be best prepared in the context of its crisis resolution mandate?

Please insert your answer here

13. Question

Which national institutions, agencies or think tanks in your country should the ESM follow to be prepared in the context of its crisis mandate?

Can you mention any specific products, analyses or reports that would be of particular merit?

Please insert your answer here

14. Question

What existing analysis by other international institutions should the ESM take into account in its analysis?

Please insert your answer here

15. Question

How likely would your country authorities be willing to share non-publicly available information to deepen ESM analysis?

Please select one of the following options

Very unlikely / Unlikely / Somewhat likely / Very likely

Optional: please insert any additional comment you may have here

If non-publicly available data were used, within what remit should the analytical work based on such data be shared?

ESM management and analytical staff / Selected country authorities from the relevant Member / Board of Directors / Academics / General public

Optional: please insert any additional comment you may have here

16. Question

How easy or difficult do you or your team members find it to get in touch with ESM economic and financial analysts for an exchange of views?

Please select one of the following options

Very difficult / Somewhat difficult / Somewhat easy / Very easy

Optional: please insert any additional comment you may have

How easy or difficult do you/ your team members find it to get in touch with ESM market analysts for an exchange of views?

Please select one of the following options

Very difficult / Somewhat difficult / Somewhat easy / Very easy

Optional: please insert any additional comment you may have

17. Question

How frequently do you or does your team read the ESM's analytic publications (e.g. [working paper series](#), [discussion paper series](#))?

Please select one of the following options

Never / Occasionally / Often / Always

Optional: please insert any additional comment you may have

How frequently do you or does your team use or distribute the ESM's analytic publications (e.g. [working paper series](#), [discussion paper series](#))?

Please select one of the following options

Never / Occasionally / Often / Always

Optional: please insert any additional comment you may have

18. Question

If it were possible, how likely would you be willing to suggest topics for ESM analytical research?

Please select one of the following options

Very unlikely / Unlikely / Likely / Very likely

Optional: please insert any additional comment you may have here

19. Question

How well is the ESM prepared to alert its Members about identified economic and financial vulnerabilities and risks?

Please insert your answer here

To what extent are ESM Members prepared to be alerted about economic and financial vulnerabilities and risks?

Please insert your answer here

20. Question**What communication channels do you consider appropriate for ESM analytical research?****Please insert your answer here**

21. Question**Can you identify concrete past use cases for any ESM analytical work?****Please insert your answer here**

22. Question**Assuming only publicly available data is used, who in your opinion should be target audiences for ...?****ESM analytical work generally**

(Alternate) Governors / (Alternate) Directors / Members' Desk Officers / Partner institutions staff / Academics / General Public

Aggregate euro area analysis

(Alternate) Governors / (Alternate) Directors / Members' Desk Officers / Partner institutions staff / Academics / General Public

ESM Annual Reports

(Alternate) Governors / (Alternate) Directors / Members' Desk Officers / Partner institutions staff / Academics / General Public

ESM Working Papers

(Alternate) Governors / (Alternate) Directors / Members' Desk Officers / Partner institutions staff / Academics / General Public

ESM Discussion Papers

(Alternate) Governors / (Alternate) Directors / Members' Desk Officers / Partner institutions staff / Academics / General Public

ESM Blogs

(Alternate) Governors / (Alternate) Directors / Members' Desk Officers / Partner institutions staff / Academics / General Public

Optional: please insert any comments you have on target audiences for ESM analytical work

23. Final question**Would you have any final comments on the ESM's analytical capabilities overall?**

This concludes the Board survey.

Thank you very much for your participation and support!

10. Coding structure

Final coding structure as of 26 August 2024

Hierarchical name	Description	No of children	No of files coded	Aggregate	No of coding references
Analytical system	Discussion on the ESM's analytical system and its elements or parts	8	11	Yes	883
Analytical system\Adequacy and fidelity	Adequacy compared to excellence under the new mandate; fidelity of implementation to the plan - including timeliness	0	47	No	126
Analytical system\Data	Datatypes, quality, access, data management, data vendors, data science	0	34	No	133
Analytical system\Policy advice		0	27	No	50
Analytical system\Process	Working processes in analytical workstreams.	0	47	No	148
Analytical system\Products	Reports, publications, presentation, speaking	1	50	No	152
Analytical system\Progress	Progress made by and in 2023 from 2019, and the potential of the current plans for 2024 completion.	1	11	No	79
Analytical system\Progress\Most significant change	Replicates staff survey responses S2-Q5	0	2	No	29
Analytical system\Technical independence		1	5	No	5
Analytical system\Technical independence\Modelling unit	References to a central modelling unit	0	6	No	9
Analytical system\Tools	All questions relating to analytical frameworks, models, software, AI, including DSA	6	43	No	155
Analytical system\Tools\Based on dry runs		0	1	No	2
Analytical system\Tools\CAT	Capacity assessment tool references	0	1	No	14
Analytical system\Tools\DSA		0	6	No	11
Analytical system\Tools\DSA references	Query to all documents: for references to DSA, not only coded references.	0	171	No	781

Analytical system\Tools\Model references	Keywords: Model OR modelling OR modelling OR DSGE OR behavioural OR "econometric methods" OR "economic model" OR "quantitative method" OR "quantitative method"	22	156	Yes	2,294
Analytical system\Tools\SVI		0	3	No	5
Collaboration	Internal: including access to information, data, silos in the organisation, common or different priorities, teamwork	4	27	No	103
Collaboration\Among other institutions	Collaboration not directly involving ESM	0	6	No	10
Collaboration\External collaboration		0	38	No	106
Collaboration\Internal collaboration		0	26	No	65
Collaboration\Other collaboration topics		0	22	No	55
Communication	All remarks relating to institutional or person-to-person communication, including publishing and advocacy	8	52	Yes	1,004
Communication\Audience		10	1	Yes	74
Communication\Audience\Academia	Researchers	0	2	No	2
Communication\Audience\Broader audience		0	13	No	17
Communication\Audience\Experts		0	1	No	1
Communication\Audience\For a	Various fora that can work as channels to voice to influence to be visible	0	6	No	11
Communication\Audience\Internal	Internal communication, internal audience	0	5	No	5
Communication\Audience\Investors	Financial market participants	0	1	No	1

Communication\Audience\ Members	Member states or directors but not necessarily a forum as a body but individually.	0	1	No	1
Communication\Audience\ Peers	Peer institutions: European Commission, ECB, ESRB, IMF as institutions	0	8	No	8
Communication\Audience\ Policymakers in confidence	Confidential, bilateral relations especially with Members	0	10	No	10
Communication\Audience\ Reach	Reaching the audience, famed, to be known, to be understood, widely known.	0	11	No	17
Communication\Channels	Discussions on channels of communication for findings, reports, or discussion on dissemination.	17	48	Yes	313
Communication\Channels\ Bilateral	Bilateral, personal engagements	0	10	No	14
Communication\Channels\ Conferences, working groups	Conferences, working groups, committees, fora	0	10	No	18
Communication\Channels\ Domestic		0	2	No	5
Communication\Channels\ Board of Directors and Board of Governors	Including the shareholders' day	0	6	No	10
Communication\Channels\ Formal		0	4	No	4
Communication\Channels\ Indirect	For example, use of peers' officials or fora to communicate to actual audience	0	10	No	11
Communication\Channels\ Informal	Informal meetings and discussions, bilateral contacts, emails, calls	0	4	No	4
Communication\Channels\MD		0	5	No	7
Communication\Channels\ Media	Formal media through journalists	0	5	No	6
Communication\Channels\ Meetings	Meetings, roadshows	0	4	No	4
Communication\Channels\ Network		0	2	No	2
Communication\Channels\ Publishing	Key words like missing publication, research marketing, publishing analysis / research	0	26	No	45
Communication\Channels\ Roadshow		0	0	No	0
Communication\Channels\ Social media		0	4	No	5

Communication\Channels\Stakeholders	Generic stakeholders	0	0	No	0
Communication\Channels\Think tanks	Bruegel, CEPR, SUERFF, OMFIF VoXEU portal by CEPR	0	3	No	4
Communication\Channels\Website		0	7	No	10
Communication\efficient communication	Key words: duplication, complementarity, prioritise, priority, preparedness, focus	0	10	No	16
Communication\good practices	programme design, lessons, prudence	0	9	No	14
Communication\Means or Products		14	3	Yes	80
Communication\Means or Products\annual report		0	5	No	5
Communication\Means or Products\Articles	Media articles, Op-eds	0	1	No	1
Communication\Means or Products\Attractiveness	Key words: boring, dull, dry, usefulness, policy-relevance, strategy-relevance	0	12	No	16
Communication\Means or Products\Blogs		0	4	No	6
Communication\Means or Products\Briefings, speaking points	Briefings, speaking notes, speaking points	0	2	No	2
Communication\Means or Products\discussion papers		0	4	No	4
Communication\Means or Products\DSA or EWS	As communication tool	0	8	No	11
Communication\Means or Products\Explainers	Press releases, Explainers, FAQs etc products on website	0	0	No	0
Communication\Means or Products\high quality	Key words: specificity, clarity, practical value, policy-relevance, realism, coherence, strategic	0	14	No	18
Communication\Means or Products\Journal articles	Different types of Research pieces, including posters	0	1	No	1
Communication\Means or Products\Monitoring reports	References to Country reports, euro area monitoring, unpublished reports, etc.	0	2	No	2
Communication\Means or Products\Presentations	Presentations and speeches, panel interventions	0	3	No	4



Communication\Means or Products\Publishing data		0	4	No	5
Communication\Means or Products\WP		0	2	No	2
Communication\Sensitive	Key words: risk, diplomacy, leak, wake up call, trigger, confidential	0	20	No	35
Communication\Truth-to-power	Cover here strength and frankness of messaging including message dilution or shyness to communicate risks throughout the process in a genuine way. Manager interventions for political correctness, or truly powerful interactions/messaging.	7	39	Yes	223
Communication\Truth-to-power\Active voice		0	13	No	25
Communication\Truth-to-power\Impactful	Influence, crowded market, ally, coalition	0	19	No	32
Communication\Truth-to-power\Integrity	Accountability, censorship, self-censorship, self-restraint, morality, spin, incorruptibility, data manipulation, candour	0	14	No	23
Communication\Truth-to-power\Legitimacy	Key words like accountability, Ally, dialogue, diversity, engage European Commission, inconvenience	0	10	No	14
Communication\Truth-to-power\Policy maker needs		0	5	No	6
Communication\Truth-to-power\Reliability	Key words: uncertainty, false precision, precision, misplaced precision, data uncertainty, overconfidence, model uncertainty, transparency, self-promotion	0	12	No	22
Communication\Truth-to-power\Take lead		0	3	No	3
Communication\Visibility	ESM's visibility or staff visibility	0	13	No	20
Continuity	Sustainability aspects including staff retention, includes means to promote (business) continuity	6	39	Yes	311
Continuity\About programmes		0	4	No	6

Continuity\Business continuity	Measures to ensure business continuity via procedures to maintain knowledge (handover-notes, manuals, trainings, dry runs, capability to internally generate and acquire resources, etc.). e.g. Lenz (1980)	0	18	No	35
Continuity\capacity develop or improve		0	1	No	81
Continuity\Key person risks	Precautions needed in place and best practices, Reputation linked to individual staff	0	9	No	13
Continuity\Passing on the knowledge	Bilateral knowledge transfer or various trainings	0	9	No	27
Continuity\Staff retention	Measures to enhance staff commitment over a longer period of time	0	27	No	48
Effectiveness	Comments on how ESM has had an effect on something to improve or change generally. see Terms of Reference -- meeting objectives; Generic definition: The extent to which an intervention attains its major relevant objectives (US Aid), or are expected to be achieved, taking into account their relative importance.	0	45	No	119
Efficiency	Broad category of efficiency, includes flexibility, adhocery; fidelity of plan implementation, timeliness of implementation of development work. Have they met those initial deadlines? Synergy is an increase in efficiency. A measure of how economically resources/inputs (funds, expertise, time etc.) are used to achieve results. It subsumes an assessment of the ESM's agility in responding to the financing needs and managing processes; covers issues such as organisational set-up, and timeliness of activities	11	30	Yes	305
Efficiency\Ability to react	Agility, ability to reach to changes, to indications or risks etc. Timeliness, being in time.	0	13	No	23
Efficiency\Coordination		0	11	No	12
Efficiency\Duplication or overlap	Duplication of peer output /analysis in ESM products	0	11	No	33

Efficiency\Engagement		0	3	No	3
Efficiency\EU structures		0	6	No	14
Efficiency\Focus	Focus on core issues or missing of it, diffused objectives, adhocery	0	12	No	32
Efficiency\information sharing	transparency, information sharing	0	12	No	20
Efficiency\Innovation	Using technology and innovation	0	5	No	8
Efficiency\Other	Other or still uncoded to subs	0	11	No	26
Efficiency\Process-efficiency		0	9	No	14
Efficiency\Resource use		0	15	No	31
External framework	This node captures the Institutional framework, inter-institutional relations, arrangements and cooperation. It covers discussions on mandates, competences and jurisdictions.	4	30	Yes	1,160
External framework\Barriers	Barriers for excellence in the institutional framework or external constraints, such as politics.	9	41	Yes	312
External framework\Barriers\Competition	Institutional competition and relations with the European Commission	0	26	No	79
External framework\Barriers\Confidentiality	Barriers or constraints related to different forms of confidentiality in regulation (e.g. data sharing, or accessibility) or (disproportional) biases in culture and practices (often related to ESM not being or recognised under EU Law).	0	10	No	15
External framework\Barriers\Country-specificity	Requirement of deep country knowledge	0	5	No	7
External framework\Barriers\Fame	Is the ESM known? Does it engage enough, do outreach? Is it understood? Is the ESM credible as an operator?	0	3	No	6
External framework\Barriers\Location		0	6	No	6
External framework\Barriers\Org culture		0	8	No	11

External framework\Barriers\Political economy	Political economy and governance issues (excluding institutional competition) including lack of independence (comparable to IMF); support by Members, understanding decisionmakers' or policymakers' constraints.	0	16	No	31
External framework\Barriers\Size or capacity	Capacity constraints and other institutional constraints including location	0	17	No	29
External framework\Barriers\Varia	Other issues raised	0	10	No	12
External framework\Best practice	Best practices and benchmarking to external institutions, keeping to professional practices/standards	0	53	No	196
External framework\Facilitators	Success factors, external support, facilitators for ESM's analytical role and success	2	30	No	60
External framework\Facilitators\ Complementarity	Institutional setting, degree of complementarity with peer institutions	0	37	No	122
External framework\Facilitators\ Knowledge insourcing	Knowledge acquisition, insourcing, collaboration	4	27	No	93
External framework\Roles	This node contains discussions, opinions, on the Roles of institutions, all institutions of direct relevance for the field of study (ESM, European Commission, ECB, IMF, BIS, European Supervisory Authorities etc) and those providing external benchmarks, and reflections points e.g. for text boxes (WHO, NATO, EURescue, World Bank etc.).	0	68	No	504
Formality	Institutionalisation, formality and informality in relations and communication, including data access, knowledge insourcing, research collaboration and reporting to members or the broader set of stakeholders.	7	4	Yes	88
Formality\Authority		0	5	No	5
Formality\Discipline		0	7	No	9
Formality\Informal	Informality, unsettled, unofficial, colloquial, simple, natural, back-door.	0	15	No	21
Formality\Institutionalisation	Strong formality, persistent, grounded	0	18	No	36
Formality\Making public		0	5	No	7



Formality\Modelled	Turned into a tool.	0	3	No	3
Formality\Political bias	being driven by politics	0	1	No	1
Functions	Key functions in scope	11	10	Yes	1,235
Functions\Backstop	All issues related to the Single Resolution	0	25	No	97
Functions\Fiscal	Views on fiscal analysis, policies or risks	0	33	No	122
Functions\Funding	Views on funding, funding strategy	0	9	No	39
Functions\Integration	Progress made in integrating analyses to produce a cutting edge	0	12	No	25
Functions\Lending	the lending function	0	8	No	11
Functions\Macrofinancial	Facts and remarks on macro financial analysis which includes banking analysis, macroprudential policy and more broadly financial stability approach	0	47	No	114
Functions\Macroeconomic monitoring	Facts and remarks on macroeconomic analysis	0	36	No	115
Functions\Market analysis	Market analysis and intelligence	0	30	No	68
Functions\Programme	Programme design, oversight, including post-programme monitoring (programme management is done by member states)	0	27	No	65
Functions\Quality assurance	Quality assurance including horizontal review and the Review function or relevant management practices, advisory groups, arrangements and practices to that end.	0	37	No	132
Functions\Research	Research work, academic exercises, collaboration with academia	6	48	Yes	429
Functions\Research\Perception of ESM's research and publication output	How is ESM research rated? Quality, Timeliness, Usefulness, etc.	0	14	No	22
Functions\Research\Research capacity building	Organisational framework including systems, tools and staff (and best practices); enable staff to support research engagement (building up knowledge and skills). Source: Makkar et al. (2016)	0	29	No	61
Functions\Research\Research engagement	Access to external research and interaction with researchers, generate own research. Source: Makkar et al. (2016)	0	20	No	36

Functions\Research\Research fields and priorities	In which fields should the ESM do research and publish?	0	19	No	42
Functions\Research\Research Outreach (Communication)	External communication of research to enhance visibility and sharpen ESM's profile	0	34	No	53
Functions\Research\Use of research	Agenda setting, policy making and implementation, monitoring and evaluation. Source: Makkar et al. (2016)	0	17	No	24
Image	Image of and perceptions of the ESM, realistic or not	0	60	No	252
Leadership	Leadership and management roles [potentially governance]	6	15	Yes	491
Leadership\Decision-making	ESM decision-making - this covers both MB and below and also the Board of Director/Board of Governor level	0	21	No	43
Leadership\Feedback	Feedback from managers and task leaders to staff	0	18	No	73
Leadership\Guidance	All forms of guidance, manuals, procedural frameworks	0	24	No	51
Leadership\Incentives	Remarks on existing or lacking incentives and motivation	0	29	No	68
Leadership\Management systems	Other management systems including recruitment, PDS and other HR policies	1	28	No	107
Leadership\Management systems\Organisational culture	References to organisational or corporate culture and values	0	10	No	20
Leadership\Prioritisation	All types of remarks on prioritisation or lack of it in tasks, among short- and medium-term objectives, and time management. About keeping people busy	0	33	No	126
Planning	Planning of activities	4	13	Yes	306
Planning\Adapting	Adapting the ESM approach	0	38	No	113
Planning\Implementation constraints	For management implementation plan both external and internal	0	13	No	22
Planning\Other		0	8	No	13
Planning\Strategy	This node captures issues related to the selected strategy to move forward with the monitoring mandate to guide its implementation. "the Management Plan"	0	39	No	132

Preparedness	State of readiness and capability of human and material means, structures, communities and organisations enabling them to ensure an effective rapid response to a disaster, obtained as a result of action taken in advance; ready for use or action. -- means to exercise preparedness; requires systematic approach.	4	34	Yes	470
Preparedness\Gear	Accoutrements on which preparedness rests or draws on: early warning systems, developing contingency plans, tools, equipment, kits	0	27	No	53
Preparedness\To design programme	Preparedness needed for programme design participation	0	28	No	76
Preparedness\To identify risks	Preparedness needed for alerting management / members of emerging risks	0	46	No	176
Preparedness\Upkeep	Training, rehearsing, dry runs, fire drills etc to develop and maintain preparedness. Readiness is a mental stage to use preparedness capability.	2	36	Yes	85
Preparedness\Upkeep\Organisation's willingness	Organisational willingness in terms of a) institutional culture and b) incentives for risk taking and innovation. In other words, this is about Readiness (World Bank evaluation, 2021)]	0	2	No	2
Preparedness\Upkeep\Organisation's ability	Organisational ability in terms of a. staff skills and mindsets, as well as b. internal processes and procedures such as collaboration and procurement;	0	3	No	3
Recommendations	Recommendations by interlocutors	10	66	Yes	732
Recommendations\Analysis topics	Suggestions for future analysis topics from the interlocutors	0	16	No	34
Recommendations\Changing the approaches	Changing mandate, scope of business	0	11	No	22
Recommendations\Data & analysis	Importance of data in understanding and addressing financial risks. vulnerabilities	0	13	No	21
Recommendations\Independent view on risks and vulnerabilities	ESM's role in financial stability and providing perspectives independently	0	7	No	12
Recommendations\Needed		0	2	No	6
Recommendations\Other		0	6	No	7

Recommendations\Peer collaboration & coordination		0	8	No	11
Recommendations\Promoting Staff engagement & motivation		0	6	No	11
Recommendations\Role in debt management		0	10	No	21
Recommendations\Stay in reality	Communication and outreach in keeping touch with reality	0	9	No	18
Relevance	Broad category of remarks on ESM's or analyses relevance and focus including adequacy of the analytical system; about "doing the right thing".	0	46	No	137
Staffing	Generic node for anything concerning staff of the ESM in its different forms	9	2	Yes	547
Staffing\Exit	Reasons for people to leave the ESM according to their own words, or other thoughts about ESM after their departure.	0	18	No	66
Staffing\Needs or gaps	This node would be forward looking to record skills needs, missing capabilities, gaps in capability	0	54	No	169
Staffing\Quality	Qualifications of Staff skills and education and experience; strengths and weaknesses	1	48	No	121
Staffing\Quality\Mix	Staff composition, diversity, assessments of the adequacy of mix	0	21	No	41
Staffing\Quantity	Discussion, remarks on staffing size, numbers, large or small, excessive, in different categories (managerial, experts, support).	0	33	No	62
Staffing\Retention and attractiveness		0	19	No	21
Staffing\Secondment	Staff mobility including secondment	0	22	No	48
Staffing\Skills neutral	This node attempts to capture information on the existing skills among ESM staff mostly in terms of type of skill	0	21	No	39
Staffing\Staff visibility		0	8	No	13
Staffing\Training	Training and capacity building	0	4	No	5
X Interesting	A dumpster node for all kinds of interesting remarks that lie outside our scope but might be somehow useful even later on.	0	42	No	166

X Substance	A dumpster node for substance discussion that goes deeper or otherwise beyond our reporting scope, for example on country policy detail or history, or a details of a study, research approach etc.	2	27	No	76
X Substance\Covid	Key word search for Covid OR pandemic	0	313	No	2,387
X Substance\Market intelligence	query results on all documents with key work Market intelligence	0	59	No	191
Shock events\\BREXIT	References to Brexit	0	1	No	1
Shock events\\Covid	Case Covid-19	0	2	No	9
Shock events\\CS	Case Studies case	10	1	Yes	54
Shock events\\CS\Contagion		0	1	No	1
Shock events\\CS\Financial Stability risks		0	1	No	3
Shock events\\CS\Lessons		0	1	No	16
Shock events\\CS\Market impact		0	1	No	6
Shock events\\CS\Measures taken		0	1	No	6
Shock events\\CS\Metrics	Indicators	0	1	No	3
Shock events\\CS\Politics	Political interventions, preferences or differences	0	1	No	5
Shock events\\CS\Reasons	Comments on reasons for failure	0	1	No	6
Shock events\\CS\Regulatory implications	References to regulation changes	0	1	No	5
Shock events\\CS\Timeline	The storyline of the case. the key events in this crisis.	0	1	No	2
Shock events\\Energy	Findings related to the energy crisis and potentially feeding into a box or a note	0	7	No	18
Shock events\\Monetary policy	Monetary policy, interest rates and inflation	1	1	No	4
Shock events\\Monetary policy\Interest rate hike		0	20	No	80
Shock events\\Potential use		0	1	No	1

Note: Some codes contained a third level of subcodes, which have been omitted in the Table for brevity.

References

- Andrews, M., Pritchett, L., and Woolcock, M. (2017) Building State Capability: Evidence, Analysis, Action. 2017.
- Escamilla-Solano, S., Plaza-Casado P., and Prado-Román, M. (2017) Organisational Capability. In Encyclopedia of Creativity, Invention, Innovation and Entrepreneurship. 2017.
- Guo, J., Cuib, L., Sunc, S. L., and Zou, B. (2022) How to innovate continuously? Conceptualizing generative capability. Journal of Innovation & Knowledge 7 (2022). <https://doi.org/10.1016/j.jik.2022.100177>.
- Knobbout, J., van der Stappen, E., Versendaal, J., and van de Wetering, R. (2023) Supporting learning analytics adoption: Evaluating the learning analytics capability model in a real-world setting. Applied Sciences 2023, 13. <https://doi.org/10.3390/app13053236>, 3 March 2023.
- Lado, A.A. and Wilson, M.C. (1994) Human Resource Systems and Sustained Competitive Advantage: A Competency-Based Perspective. The Academy of Management Review, October 1994, Vol. 19, No. 4. Accessible at <https://doi.org/10.2307/258742>
- Laaksonen, S-M., Matikainen, J., and Tikka, M. (2013) Otteita verkosta: verkon ja sosiaalisen median tutkimusmenetelmät. (In Finnish – Excerpts from the web: web and social media research methods).
- Policy Profession Standards (2021). A framework for professional development. UK Government. <https://www.gov.uk/government/publications/policy-profession-standards>.
- Puttick, R. (2024) The landscape of public sector capacity and capability frameworks, toolkits and indexes: What they do and what we can learn. UCL Institute for Innovation and Public Purpose. Policy Report 2024/02. March 2024. https://www.ucl.ac.uk/bartlett/public-purpose/sites/bartlett_public_purpose/files/the_landscape_of_public_sector_capacity_iipp_p_r_2024.02.pdf.
- Robeyns, I. (2017) Wellbeing, Freedom and Social Justice: The Capability Approach Re-Examined. Open Book Publishers. <https://www.jstor.org/stable/j.ctt1zkjxgc>.
- Rogers, P.J. and Woolcock, M. (2023) Process and Implementation Evaluations: A Primer. CID Faculty working paper no. 433. Center for International Development. Harvard University. May 2023.
- Washington, S. and Mintrom, M. (2018) Strengthening policy capability: New Zealand's Policy Project. <https://doi.org/10.1080/25741292.2018.1425086>.
- Wu, X., Ramesh, M., and Howlett, M. (2015) Policy capacity: A conceptual framework for understanding policy competences and capabilities. Policy and Society, 34:3-4, 165-171, DOI: 10.1016/j.polsoc.2015.09.001.

Acronyms and abbreviations

AMRO	ASEAN+3 Macroeconomic Research Office
BRC	ESM Board Risk Committee
BVI	Bank Viability Indicator
CAT	Capacity Assessment Tool
CBRCAM	Common Backstop Repayment Capacity Assessment Methodology
CDS	Credit default swap
CE	Chief Economist
CEPR	The Centre for Economic Policy Research
CFO	Chief Financial Officer
CoF	Cost of funding
DSA	Debt Sustainability Analysis
DSGE	Dynamic stochastic general equilibrium
ECB	European Central Bank
EFMC	Economic and Financial Monitoring Committee
EFRR	Economic and Financial Risk Report
EIB	European Investment Bank
EMA	Economic and Market Analysis
ERA	Economic Risk Analysis
ESRB	European Systemic Risk Board
EWS	Early Warning System
Finco	Finance Committee
FSM	Financial Sector and Market Analysis
FTE	Full-time equivalent
GDP	Gross Domestic Product
HR	Human Resources
HRF	Harmonised reporting format
IMC	Investment Management Committee

IMF	International Monetary Fund
IRC	Internal Risk Committee
IRS	Interest rate swap
LNG	Liquefied natural gas
MOBO	Middle and Back Office division
NPL	Non-performing loan
RFA	Regional Financing Arrangement
SG	Secretary General
SRF	Single Resolution Fund
SSA	Supranational, sovereigns and agencies
SSRN	Social Science Research Network
SUERF	Société Universitaire Européenne de Recherches Financières
SVI	Sovereign Vulnerability Indicator
TTF	Title Transfer Facility
VAR	Vector autoregressive model
WPC	Working Papers Committee