

# Explainer: Evaluation of Financial Assistance to Greece

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## **Why is it important to have an evaluation of ESM's financial assistance?**

This follows best practice of other international financial institutions, such as the European Investment Bank, the International Monetary Fund and the World Bank, who also frequently evaluate their activities to promote accountability and learning, and thereby also the credibility and public trust in the institutions.

Drawing lessons from financial assistance provided by the European Financial Stability Facility (EFSF) and ESM will help to improve the effectiveness of programme activities and support the ESM in addressing future crises.

It is also in line with a broader commitment to transparency that supports the accountability of the institution. The ESM has a number of dedicated transparency initiatives for programme-related decision-making to ensure that all stakeholders and the general public have a clear understanding of the ESM mandate and its work.

## **What is the objective of the evaluation?**

The second evaluation aims to assess the financial assistance to Greece in terms of relevance, effectiveness, sustainability, efficiency and cooperation.

It will focus on stability support provided by the EFSF and ESM, including the 2012 private sector involvement and the post-programme monitoring period until the third quarter of 2019.

In 2016, the Chairperson of ESM Board of Governors appointed former ECB Executive Board member Gertrude Tumpel-Gugerell to conduct an independent

evaluation of past EFSF and ESM financial assistance. The first report focused on all five euro area countries that received stability support: Ireland, Portugal, Spain, Cyprus, and the EFSF Greek programme up to its initial expiry in December 2014.

The first [report](#) concluded that the Greek programmes would require further evaluation as the ESM Greek programme was still ongoing at the time. This is a recommendation that the Board of Governors supported in its [statement of 15 June 2017](#). In this sense, the Governors committed to further enhancing the effectiveness and efficiency of the ESM, as well as the resilience of the euro area.

Following the end of the third programme for Greece on 20 August 2018, work on this evaluation exercise has started.

While the first evaluation was a country programme comparison, this evaluation will be an in-depth analysis to assess the relevance, effectiveness, and sustainability of financial assistance provided to one country.

The evaluation will assess the extent to which attention was given to reforms that were growth-enhancing and fostered macroeconomic resilience. While it will not evaluate the first Greek programme as it predates the EFSF, it will assess the programme's implications for the subsequent financial assistance packages. It will not assess the Greek Loan Facility and the private sector involvement in full, but only their implications for the second and third programme.

The exercise will neither examine individual sectoral policies in-depth, nor focus on the actual detailed implementation of conditionality, for which other institutions are responsible. This differentiates this evaluation's approach from that of the partner institutions and other relevant EU institutions.

### **Who is conducting this evaluation?**

To ensure credibility, evaluations require a high degree of independence. The Chairperson of ESM Board of Governors appointed Joaquín Almunia to evaluate the financial assistance to Greece. The responsibility for the main findings and recommendations lies with Mr. Almunia.

To ensure impartiality, Mr Almunia is tasked to work free from influence, supporting

a coherent process and evidence-based conclusions.

The evaluation team drawn from ESM staff members with differing areas of expertise and experience will support Mr Almunia. The evaluation team was not directly involved in the ESM engagement in Greece. The evaluation team may be further strengthened by external technical expertise, if needed. A group of external advisers has been invited for further quality assurance.

### **How will the exercise be conducted?**

The Board of Governors of the ESM approved the terms of reference for the evaluation of the financial assistance to Greece, as defined by Mr. Almunia. In the absence of a specific ESM evaluation policy, these terms of reference and the standard of good practices of the international institutions will guide this evaluation's approach.

The evaluation will focus on stability support provided by the EFSF and ESM, including the 2012 private sector involvement and the post-programme monitoring period until the third quarter of 2019. It will draw on the ESM's long-term engagement with Greece and its role as a lender based on five themes:

- contribution of the Greek programmes to euro area financial stability and the evolving crisis management framework,
- programme's relevance to sustainable and inclusive growth in Greece,
- risk assessments and how programmes were adapted in response to adverse outcomes,
- debt sustainability assessments in light of programme objectives,
- ESM's engagement with the national and international partners over time.

The evaluation will be carried out in the second half of 2019 and the beginning of 2020.

### **How does the ESM implement the evaluator's recommendations?**

By initiating this process, the ESM Board of Governors shows its commitment to the evaluation and considers its findings and recommendations an important input to

promoting learning and transparency, which in turn enhance the credibility of the institution. It is a general practice among international financial institutions to consider the evaluation recommendations and progress made in their implementation periodically, although the governing bodies are not under a strict obligation to implement all of them.

When discussing the first evaluation report, Governors considered that the recommendations raised important issues and noted that ensuring adequate follow-up to the evaluation report would ensure that best practices are systematically applied.

To give an example, in order to address the previous independent evaluator's recommendation on transparency and evaluability, the ESM developed a financial assistance database in cooperation with the European Commission. This database makes available for the first time to the public harmonised data on euro area country programmes. The database will go live in September 2019.

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