

## **The ESM Board of Governors mandates the ESM to follow up on the evaluation report on EFSF/ESM financial assistance**

15 June 2017. Annual Meeting of ESM Board of Governors. Luxembourg

An evaluation report on the role of the EFSF and ESM in beneficiary Member States and euro area crisis resolution was presented today to the ESM Board of Governors, who had approved the scope of the evaluation in June 2016. The ESM Board of Governors discussed the evaluation of EFSF and ESM financial assistance up to mid-2016 by the independent evaluator, Gertrude Tumpel-Gugerell. This is the first evaluation focusing specifically on the role of the EFSF and ESM in financial assistance programmes. It assesses the relevance, effectiveness, and efficiency of EFSF and ESM financial assistance in safeguarding the financial stability of the euro area and of its members. It is complementary to previous evaluations of euro area financial assistance programmes by the IMF's Independent Evaluation Office, the European Court of Auditors, and the European Commission. Independent evaluations are widely acknowledged and welcomed to be best practice in international financial institutions, most of which regularly carry out similar exercises.

The ESM Governors agree that establishing the ESM and EFSF was a key milestone in the euro area response to the economic crisis, which helped stabilise the economies of the beneficiary Member States and contributed to restoring confidence in the euro area. The EFSF and ESM were effective and innovative in providing financial assistance at favourable conditions. This supported four beneficiary Member States in regaining or maintaining market access and stabilising their financial sectors as well as successfully exiting their programmes. The favourable lending terms helped beneficiary Member States to improve debt sustainability. The ESM strengthened its capacity to advise its Members, along with the other institutions, on issues related to financial market access, banking sector repair, and debt sustainability also as part of its technical assistance activities.

The ESM Governors welcome the evaluation report. In its recommendations, the report raises important issues that require further discussions.

Some of the actions mentioned in the recommendations have already been part of current ESM programme practices. Ensuring adequate follow-up to the independent evaluation report would provide yet another layer of assurance that best practices are systematically applied. In light of the recommendations, the ESM Board of Governors considered appropriate the following work streams.

First, the ESM Governors mandate the ESM management to develop, within the remit of the ESM Treaty and EU law, a concrete work plan and follow-up proposals that would improve ESM's working methods and transparency for consideration by the ESM Board of Directors.

Second, based on an ESM work plan approved by the Board of Directors, the ESM policy framework for financial assistance should be further developed to strengthen the effectiveness of stability support. This work stream will focus on developing measures to support programme credibility with strong ownership by the beneficiary Member States. It will explore how to enhance programme design by setting clear objectives and priorities in consultation with programme partners and other institutions. It will consider common principles ensuring the comprehensiveness, timeliness, and effectiveness of the assistance provided. While following-up on the recommendations, this work stream should observe the EU legal framework, including State aid and BRRD provisions, and take

into account the specific country needs and programme objectives as well the sovereign decision for entering into a programme.

The ESM Governors took note of the recommendation on the possibility to clarify the ESM's role in the euro area institutional development. The ESM Governors concurred that this may be part of a broader debate on the euro area governance and it is not for immediate follow-up by ESM Management.

The ESM Board of Governors commits to considering the first two issues above where appropriate and possibly by the end of 2017 as well as to conducting an evaluation of the Greek programmes after completion as these were not covered by the current report.

The ESM Governors agree that the ESM has successfully evolved over the crisis. They remain committed to further enhance the effectiveness and efficiency of the ESM as well as the resilience of the euro area.