

## BANCO DE ESPAÑA EVALUATION PROGRAMME

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# LETTER FROM THE GOVERNING COUNCIL ON THE EXTERNAL EVALUATION OF BANCO DE ESPAÑA RESEARCH ACTIVITIES

### **Banco de España**

On 18 September 2023 the Banco de España published a report on the external evaluation of its research activities, as part of the programme of independent external evaluations of the Bank's activities.

The evaluation committee was comprised of three renowned independent economic research experts: Richard Blundell, professor of Political Economy at University College London and research director at the Institute for Fiscal Studies in London; Òscar Jordà, professor of Economics at University of California, Davis and senior policy advisor at the Federal Reserve Bank of San Francisco; and H el ene Rey, professor of Economics at London Business School.

Continuing to strengthen research at the Banco de Espa a is key to the decisions it adopts in the areas of its competence and its recommendations regarding other economic policies being the result of quality and rigorous analysis. The evaluation and recommendations of the external evaluators have been interpreted by the Governing Council from this Banco de Espa a research function perspective.

In their report, the evaluators view the Banco de Espa a's research function positively. In particular, they highlight that the research function is well integrated into monetary, economic and financial policy decision-making, and confirm the sound results this integration has been delivering since its implementation. They also underline the Banco de Espa a's competitive edge in analysing large microeconomic databases and in issues relating to the labour market, macroeconomics and financial stability, and the high research quality of its economists.

The report mentions possible areas of improvement, such as the need to establish formal mechanisms, beyond the current management culture, that ensure that the high integration of research findings into the institution's points of view and monetary and macroprudential policy decisions is maintained going forward. In this connection, it proposes strengthening collaboration between the areas related to the Banco de Espa a's research activity to ensure the continuity of the strategies and measures agreed, and to contribute to achieving the long-term goals set. Likewise, it points out that it would be advisable to continue to improve the incentives and (technological and human) resources available to researchers. Adopting a technical career track focusing on research and establishing temporary stays at international bodies are some of the recommendations made. Lastly, it suggests focusing on high-impact and influential research, even if it means reducing the number of publications.

As regards the areas of improvement mentioned above, and as part of the action plan envisaged to address them, the Banco de España will create a Research Committee to decide on the strategies and agree on the measures required for the smooth functioning and promotion of research across the whole institution. It will also draw up a roadmap to try to improve the technological and human resources associated with the research function and to broaden cooperation agreements with prestigious institutions offering PhD studies. As regards the incentives, the Banco de España has already defined a technical professional career track for all the Bank's experts, aside from team management. It also intends to continue with its current policy of encouraging temporary stays outside the institution. Lastly, the Banco de España will analyse the exposure of its analyses with the aim of focusing on high-impact and influential research projects from an internal and external viewpoint.

In short, all the recommendations made are taken into account. Work will continue on those for which measures, whether referring to research or to the Bank's activities as a whole, were already under way. Some of the recommendations have already been addressed by the Banco de España through previous initiatives, such as the introduction of a technical career track focusing on research and the reduction of managers' administrative burden (by creating Corporate Functions Coordination (CFC) positions in 2021). In addition, the Banco de España considers that the Bank's horizontal perspective, with measures and policies common to all its employees, is the right way to address some of the recommendations specifically aimed at the research economists (such as that relating to salary incentives).

**The Governing Council is grateful for the evaluation conducted and views favourably the action plan submitted by management of the Banco de España in response to the evaluation.**