

BANCO DE ESPAÑA EVALUATION PROGRAMME

TERMS OF REFERENCE FOR THE EXTERNAL EVALUATION  
OF BANCO DE ESPAÑA MACROECONOMIC PROJECTIONS

Banco de España



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## 1 Introduction

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The macroeconomic projections for the Spanish economy are prepared each quarter by the Directorate General Economics, Statistics and Research of the Banco de España. They are published and presented to the media by the Director General Economics, Statistics and Research.

The Banco de España prepares the projections: (i) to fulfil its functions as a national central bank, which, in particular, include promoting the smooth functioning and stability of the financial system and advising the Spanish Government; and (ii) as part of the Eurosystem staff macroeconomic projections for the euro area in June and December of each year. The Eurosystem staff macroeconomic projections for the euro area are a key input into the ECB Governing Council's monetary policy decisions.

Therefore, much attention is paid to the Banco de España macroeconomic projections by social partners, economic analysts, the media and the general public. For this reason, proper preparation and dissemination of the projections will have a positive impact on the institution's reputation and credibility. The usefulness and impact of the projections will be boosted by ongoing improvement in the procedures and tools used to prepare them.

In light of this, an evaluation of the projections, above all from the perspective of the processes and methodologies used, but also in terms of their accuracy, is particularly useful. An evaluation of this kind is also consistent with the aim in the Banco de España's Strategic Plan 2024 of strengthening its commitment to transparency, which has led it to establish an external evaluation programme.

The aim of this document is to define the terms of reference for the external evaluation of the Banco de España projection exercises (hereafter, the External Evaluation).

## 2 Terms and conditions

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The External Evaluation will be conducted by an Evaluation Committee comprising three renowned independent economic projection experts: Nikiforos Vidalis, Gian Maria Milesi-Ferretti and Luca Onorante.

The conclusions of the External Evaluation will be set out in an evaluation report to be submitted to the decision-making bodies of the Banco de España. The Evaluation Committee may be asked to appear before the decision-making body to which the conclusions of the External Evaluation are to be submitted, in order to present its main conclusions and clarify any doubts.

The Evaluation Committee will conduct its work on the following terms and conditions:

1. **Independence and impartiality.** The Committee members will carry out their work independently and objectively.
2. **Timetable and deliverables.** The Evaluation Committee will begin its work before the end of 2022 and will deliver its report within nine months of acceptance of these terms of reference.
3. **Cooperation.** The Directorate General Economics, Statistics and Research of the Banco de España will provide the Evaluation Committee with all the necessary support and information. The Committee members may conduct online or face-to-face interviews with all Banco de España senior management and staff members whom they believe may be able to help them perform their tasks. They may also request information from other external sources if they consider it appropriate.
4. **Confidentiality.** The Evaluation Committee members shall treat as confidential all material and information they may obtain in the fulfilment of their duties that is not available to the general public, and shall refrain from making any public statements on the outcome of the External Evaluation without the prior authorisation of the Banco de España. They shall remain bound by this obligation even after the evaluation has concluded.
5. **Publication.** The evaluation will be subject to the publication criteria established in the evaluation programme guidelines. Its prior and/or subsequent dissemination will solely be limited by the confidentiality considerations applicable in each case.

### 3 Goal

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The scope of the External Evaluation shall comprise the critical review of the Banco de España projection exercises, mainly from the perspective of the underlying procedures and methodology, but also in terms of the projections' accuracy.

More specifically, the main goals of the External Evaluation consist in assessing and documenting:

- a) The characteristics of the projection exercises: phases of the different contributions to the process, including the description of the agents involved, the narrative of the factors underlying the projections, the constraints on the preparation of the projections and the implications of such constraints, and the publication and dissemination strategy.
- b) The usefulness of the projections: domestic and international relevance.

- c) The adaptation of the projection processes in a rapidly changing environment (pandemic, war in Ukraine): the use of new indicators and models, the construction of scenarios and the measurement and disclosure of risks.
  
- d) Governance of the projection preparation processes within the Banco de España, including the provision of resources to conduct the exercise and the participants' incentives.
  
- e) The methods and models used to produce the projections, focusing on their theoretical rigour and empirical validation and, insofar as possible, by comparing the Banco de España with other institutions.
  
- f) The quantitative accuracy of the projections, in terms, inter alia, of evaluating forecasting errors and, insofar as possible, by comparing the Banco de España with other institutions.