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Framework Consultation Response

Ladies and Gentlemen,

I am writing to comment on the Proposed Framework for Post-Implementation Evaluation of the Effects of the G20 Financial Regulatory Reforms.

I am writing as former President of the German Economic Association which during my presidency has pushed for a more evidence based policy approach, relying on causal evidence provided by ex post evaluations. I am writing also as Deputy Chair of the Expert Commission on Research and Innovation which consults the Federal Government of Germany on a yearly basis and which has repeatedly demanded policy measures to be evaluated with methods allowing to draw causal conclusions.

Let me start by saying that I very much welcome the Proposed Framework and its effort to lay the ground for a thorough and methodological sound post-implementation evaluation of the effects of the G20 financial regulatory reforms. While there are some margins for improvement, overall the framework achieves very well what it is supposed to do: it provides a framework for how to design and implement the evaluations to provide the necessary evidence for constantly improving regulatory measures.

Potential margins for developing the framework further and for making it more concise so as to better achieve its goals are the following:

1. **Responsibilities and policy evaluation process** (pages 14 and 15): First and foremost, the framework should be clearer about the responsibilities of initiating and carrying out the proposed evaluations (pages 14 and 15). While the framework describes the FSB and the relevant SSB's as the institutions taking prime responsibility for evaluations in reform area, the framework is rather vague on who is to carry out the actual evaluation. I consider it imperative that such an evaluation is carried out by an independent research institute, that the results of this evaluation are made transparent to the public and that access to the data relevant for the evaluation is provided to other researchers

so that the findings of this evaluation can be checked via replication studies by alternative research teams. If evaluations are carried out by staff members from the same institution that has initiated and implemented the reforms under evaluation, a conflict of interest cannot be excluded. Thus, commissioning evaluations from outside and independent expert groups and providing the opportunity for checks through replication studies seem to be the best way how to avoid any such conflicts of interest.

2. **Design of the policy evaluation process** (pages 14 and 15): The framework proposes that “the evaluation process should also include means for input from and engagement with stakeholders in the design of evaluations, the collection of relevant information, and the conduct of the analysis” (page 15). While it is advisable to draw on the expertise of stakeholders as best as possible, again special care should be given to the potential problem of conflicts of interest. Thus, the overall responsibility of the design of the evaluation should rest with the research team entrusted with the evaluation, and the framework should be clear about that.
3. **Evaluation tools** (pages 12 and 13): Table 1 lists qualitative analysis and indicators and descriptive statistics as adequate evaluation tools to carry out causal analyses (attribution) of individual reforms. This is not consistent with modern evaluation methodology, as descriptive analyses cannot deal with endogeneity issues.
4. **Prioritisation of evaluations** (page 9): while I see the need to prioritize evaluations, due to budget and time constraints, I do not fully understand the rationale for the prioritization given in Figure 1, and I think Figure 1 does not do a good job to convey its message, whatever it is. More specifically, I do not see how it is possible to evaluate a set of reforms (Topic B) without prior evaluation of single reforms (Topic C). Thus, I do not see how in practice it is possible to choose Topic B over Topic C. More importantly still, it has to be made clear whose responsibility it is to prioritize, in order to avoid that important evaluations are postponed under the pretext of budgetary issues. Overall, it seems advisable to decide on the timeframe for the evaluation at the same time and together with the decision about the reform to be implemented.

I am happy to elaborate more on the issues raised above if requested.

Sincerely,



Prof. Dr. Monika Schnitzer