Ref. Ares(2020)1890057 - 02/04/2020

European Commission

# 2019

# Annual Activity Report

# Annexes

Directorate General for Economic and Financial Affairs

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# ANNEX 1: Statement of the Director in charge of Risk Management and Internal Control

***I declare that in accordance with the Commission's communication on the internal control framework[1], I have reported my advice and recommendations on the overall state of internal control in DG ECFIN to the Director-General.***

***I hereby certify that the information provided in the present Annual Activity Report and in its annexes is, to the best of my knowledge, accurate and complete.***

***Brussels, 31 March 2020***

**[e-signed]**

***Michaela Di Bucci***

[1] C(2017)2373 of 19.04.2017.

# ANNEX 2: Reporting – Human Resources, Better Regulation, Information Management and External Communication

This annex is the annex of section 2.2 "Other organisational management dimensions".

## 2.2.1 Human resource management

| **Objective:** The DG deploys effectively its resources in support of the delivery of the Commission priorities and core business, has a competent and engaged workforce, which is driven by an effective and gender-balanced management and which can deploy its full potential within supportive and healthy working conditions | | |
|---|---|---|
| **Indicator 1: Percentage of female representation in middle management**<br>**Source of data: DG HR** | | |
| Baseline (2015) | Target | Latest known results (please indicate the corresponding year) |
| Women as a percentage of HoU workforce: 26,8% (situation at December 2015) | 35% by 2019 as indicated in the targets set for each Directorate-General in the Commission decision (SEC(2015)336 | Despite some progress in previous years, women currently represent just 24% of ECFIN's HoUs, in part due to the departure of several female managers in the context of the new Commission (situation 01/01/2020).<br><br>In 2019, DG ECFIN achieved and surpassed its target of first-time female appointments (4 first-time appointments were made; ECFIN's target for the period 2017-2019 was 3). |
| **Indicator 2: Percentage of staff who feel that the Commission cares about their well-being**<br>**Source of data: DG HR – Commission staff survey** | | |
| Baseline (2014) | Target | Latest known results (please indicate the corresponding year) |
| Only 38% of | 50% by 2019 as determined by DG | The results of the |

| | | | |
|---|---|---|---|
| ECFIN staff believe that the Commission cares about their well-being (compared to 46% in 2013), but the ECFIN result is higher than the Commission average | | | 2018 staff survey indicate that 58% of ECFIN respondents feel that the organisation cares about their wellbeing (up 17 points since 2016 and well above the Commission average of 52%). |
| **Indicator 3: Staff engagement index**<br>**Source of data: DG HR – Commission staff survey** | | | |
| Baseline (2014) | Target | | Latest known results (please indicate the corresponding year) |
| The staff engagement index decreased from 71% in 2013 to 66% in 2014 and is slightly higher than Commission staff engagement index (65%) | 70% by 2019 as determined by DG | | 72 % (Staff survey 2018 – results in 2019), up 5 points from 2016 and higher than the Commission average (69%). |
| **Main outputs in 2019:** | | | |
| Description | Indicator | Target | Latest known results |
| Initiatives to support reflection among female AD staff with regard to management careers | Share of female candidates applying for middle-management positions | >40% | The share of female candidates applying for middle-management positions in ECFIN was 47,3% for middle management positions published in 2019. DG ECFIN strives to ensure gender balance throughout the whole selection process (selection panel, candidates interviewed). |

| | | | |
|---|---|---|---|
| | | | In 2019, DG ECFIN relaunched its Career Development Programme for AD Women with management potential, with a view to extending the pool from which colleagues could be considered for pre-management positions. |
| A dedicated learning programme to support different groups of staff, with a focus on acquiring core business related knowledge | Effective use of the 2019 learning and development budget | 100% | According to HR.AMC1's follow-up table, 204,051€ of a total allocation of 210.062€ was committed to implement learning activities in the context of ECFIN's Learning and Development Framework 2019 identified. The consumption rate stands at 97%. |
| Organisation of physical well-being activities, social events and targeted workshops | Number of activities/events organised | 5 | The ECFIN Health and Well-being week took place from 14-17 May 2019, focusing on the importance of maintaining good mental and physical health. A total of 8 activities were organised locally in DG ECFIN and additional individual consultations were offered by the Medical Service.<br><br>Other well-being and staff engagement initiatives have included: ECFIN's Community Choir; the Giovanni Ravasio table football tournament; picnics in |

| | | | |
|---|---|---|---|
| | | | the park; a photo exhibition and the relaunch of ECFIN RandomMEETer. In addition, weekly sports and relaxation activities are held on in ECFIN's well-being room. |
| Action plan as follow-up to staff survey 2018 | Approval of action plan by Director General | by end of Q2 of 2019 | Submitted to DG HR on the 27 July 2019. |

### 2.2.2. Better regulation

| **Objective: Prepare new policy initiatives and manage the EU's acquis in line with better regulation practices to ensure that EU policy objectives are achieved effectively and efficiently** | | | |
|---|---|---|---|
| **Indicator 1: Percentage of impact assessments submitted by DG ECFIN to the Regulatory Scrutiny Board (RSB)**<br>***Explanation:*** *the opinion of the RSB will take into account the better regulation practices followed for new policy initiatives. Gradual improvement of the percentage of positive opinions on first submission is an indicator of progress made by the DG in applying better regulation practices.*<br>**Source of data: RSB** | | | |
| Baseline (2015) | Interim milestone (2016) | Target 2020 | Latest known results (2019) |
| N/A as ECFIN has not submitted any IA to the RSB | Positive trend compared to DG's 2014 situation | Positive trend compared to DG's 2016 situation | No ECFIN Impact Assessments submitted to RSB in 2019. |
| **Indicator 2: Percentage of DG ECFIN's primary regulatory acquis covered by retrospective evaluation findings and Fitness checks not older than five years**<br>**Source of data: corporate database** | | | |
| Baseline (2015) | Interim milestone (2016) | Target (2020) | Latest known results (2019) |
| 71% | Positive trend compared to baseline | Positive trend compared to milestone | 83% |
| **Main outputs in 2019:** | | | |
| Description | Indicator | Target | Latest known results |
| Evaluations | Percentage of DG ECFIN's acquis covered by evaluations not older than five years | Positive trend compared to baseline | 83% |

## 2.2.3. Information management aspects

| Objective: Information and knowledge in your DG is shared and reusable by other DGs. Important documents are registered, filed and retrievable | | | |
|---|---|---|---|
| **Indicator 1: Percentage of registered documents that are not filed (ratio)<br>Source of data: Hermes-Ares-Nomcom (HAN) statistiscs** | | | |
| Baseline (2015) | Target | | Latest known results (please indicate the corresponding year) |
| 1.94% | <0.5% | | … |
| **Indicator 2: Percentage of HAN files readable/accessible by all units in the DG<br>Source of data: HAN statistics** | | | |
| Baseline (2015) | Target | | Latest known results (please indicate the corresponding year) |
| 83.65% | ≥70% | | … |
| **Indicator 3: Percentage of HAN files shared with other DGs<br>Source of data: HAN statistics** | | | |
| Baseline (2015) | Target | | Latest known results (please indicate the corresponding year) |
| 0.09% | 5-10% | | … |
| **Main outputs in 2019:** | | | |
| Description | Indicator | Target | Latest known results |
| Policy officers increased level of Data, Information, and Knowledge Management tools literacy | Number of training sessions on document management | ≥4 | … |
| Reduce unfiled documents | Percentage registered documents not filed | < 0.5% | |
| Reduce number of empty files | Percentage empty files | < 5% | |
| Reduce number of unused active files | Percentage unused files | < 7.5% | |
| Maintain registration of emails via Areslook/Internal Message | Percentage of documents registered in ARES | > 35 % | |
| Increase use of e-Signatory validation/signature in Ares in 2019 | 2019 percentage of eligible documents preceded by e-Signatory | *>70%* | |

## 2.2.4. External communication activities

**Objective 1: Citizens perceive that the EU is working to improve their lives and engage with the EU. They feel that their concerns are taken into consideration in European decision making and they know about their rights in the EU.**

**Indicator 1 (provided in a ready-to-use form by DG COMM): Percentage of EU citizens having a positive image of the EU**

**Every DG should aim to contribute to it and, considering its area of work, explain how it aims at enhancing the positive image of the EU.**

Definition: Eurobarometer measures the state of public opinion in the EU Member States. This global indicator is influenced by many factors, including the work of other EU institutions and national governments, as well as political and economic factors, not just the communication actions of the Commission. It is relevant as a proxy for the overall perception of the EU citizens. Positive visibility for the EU is the desirable corporate outcome of Commission communication, even if individual DGs' actions may only make a small contribution.

**Source of data:** Standard Eurobarometer (DG COMM budget) [monitored by DG COMM here].

| Baseline (2015) | Target (2020) | 2019 (Standard Eurobarometer 92, autumn 2019) |
|---|---|---|
| Total "Positive": 39%<br>Neutral: 37 %<br>Total "Negative": 22% | Positive image of the EU ≥ 50% | Total "Positive": 42%<br>Neutral: 37 %<br>Total "Negative": 20% |

**Main outputs in 2018:**

| Description | Indicator | Target | 2019 |
|---|---|---|---|
| **Outreach programme for stakeholders and journalists** | Satisfaction rate as measured in questionnaires | 8.0 out of 10 | Stakeholders on average 8.2 (journalists 8.0) |
| | Number of participants stating their likelihood to share the information learnt | 70% very or fairly likely | Stakeholders on average 99% (journalists 98%) |
| | Number of participants who have a better opinion of the EU and/or its institutions as a results of the event | 50% | Stakeholders on average 60% (journalists 50%) |
| **Brussels** | Number of | 800 | 1011 including 73 |

| | | | |
|---|---|---|---|
| **Economic Forum 2019** | participants | | journalists |
| | Satisfaction rate | 7.5 out of 10 | 8.0 |
| | Number of participants who made useful contacts | 50% | 36% |
| **Social media** | Twitter follower growth (average) | 20 new/day | 12.7/day |
| | Facebook follower growth (average) | 16 new/day | 11.4/day |
| | Twitter post engagement rate (average) [1] | 33 | 10.26 |
| | Facebook post engagement rate (average) [1] | 15 | 18.26 |
| | Twitter fan engagement rate [2] | 3% | 0.93% |
| | Facebook fan engagement rate [2] | 1% | 0.57% |
| [1] Post Engagement Rate: calculated by number of likes, comments, replies, retweets, divided by number of posts.<br>[2] Fan Engagement Rate: calculated by number of likes, comments, replies, retweets, divided by number of fans, multiplied by 100. | | | |
| **"European Economy Explained" video series** | Number of total views per video in first quarter | 10,000 | The clip on the international role of the euro reached 38 000 views on Social media within the first weeks;<br>EURO@20 clips: The euro makes it easy to shop: 26 336<br>The euro makes it easy to save and invest: 19 620<br>The euro makes it easier to live abroad: 20 980<br>The euro makes it easy to travel: 13 254<br>The euro makes it easy to do business: 30 955 |
| | Facebook: Fan engagement rate | 1.5% on average | 3.9 paid promotion |

| | | | |
|---|---|---|---|
| | (average) | | |
| **Real Economy *)** | Video on demand streaming performance 2019 – all 2019 *Euronews* episodes combined | 15 000 | 19 439 |
| | Video on demand streaming completion rate – all *Euronews* episodes combined | 65% | 65% |
| | | | |
| **Economic publications **)** | Number of publication page views of the "Publications" website section, for all four 2019 series (Institutional Papers, Economic Briefs, Discussion Papers, Technical Papers) | n.a. | 269 451 |
| | | | |
| | Number of quotations in economic and general press (media coverage) per Institutional Paper/Flagship publication | 10 | As measured for key publications by external and specific internal monitoring, far more quotations for key publications. |
| | Number of new subscriptions to the ECFIN publication mailing list | 10% increase | Increase in the number of subscriptions from 7 157 on 17/1/2019 to 7 554 on 21/1/2020. This is an increase of 5.5%. |
| **ECFIN E-newsletter** | Number of external subscribers | 10% increase (currently 8569) | Increase (by 31/12/2019) to 10 000 subscribers. This is an increase of 16.7%. |
| | Number of people who declare the publication met their expectations/ | 7.5 out of 10 | 7.39 (2019 survey) |

| | | | |
|---|---|---|---|
| | overall satisfaction (annual survey) | | |
| **Website** | Number of visits, monthly average | Piwik 100,000 | Piwik 129 582 |
| | Number of page views, monthly average | Piwik 250, 000 | Piwik 274 661 |

| **Annual communication spending** (based on estimated commitments): | | | |
|---|---|---|---|
| Baseline (2018): | Target (2019): | Total amount committed | Total of FTEs working on external communication |
| € 2 500 000.- | € 2 500 000.- | € 2 377 000.- | 18.2 (of which Inter-Institutional Relations 3.0) |

The difference between the original commitment target and the final amount can be explained by somewhat reduced spending in stakeholder and ESO outreach seminars as well as some savings in HR.

# ANNEX 3: Draft annual accounts and financial reports

**Annex 3 Financial Reports - DG ECFIN - Financial Year 2019**

**Table 1 : Commitments**

**Table 2 : Payments**

**Table 3 : Commitments to be settled**

**Table 4 : Balance Sheet**

**Table 5 : Statement of Financial Performance**

**Table 5 Bis: Off Balance Sheet**

**Table 6 : Average Payment Times**

**Table 7 : Income**

**Table 8 : Recovery of undue Payments**

**Table 9 : Ageing Balance of Recovery Orders**

**Table 10 : Waivers of Recovery Orders**

**Table 11 : Negotiated Procedures**

**Table 12 : Summary of Procedures**

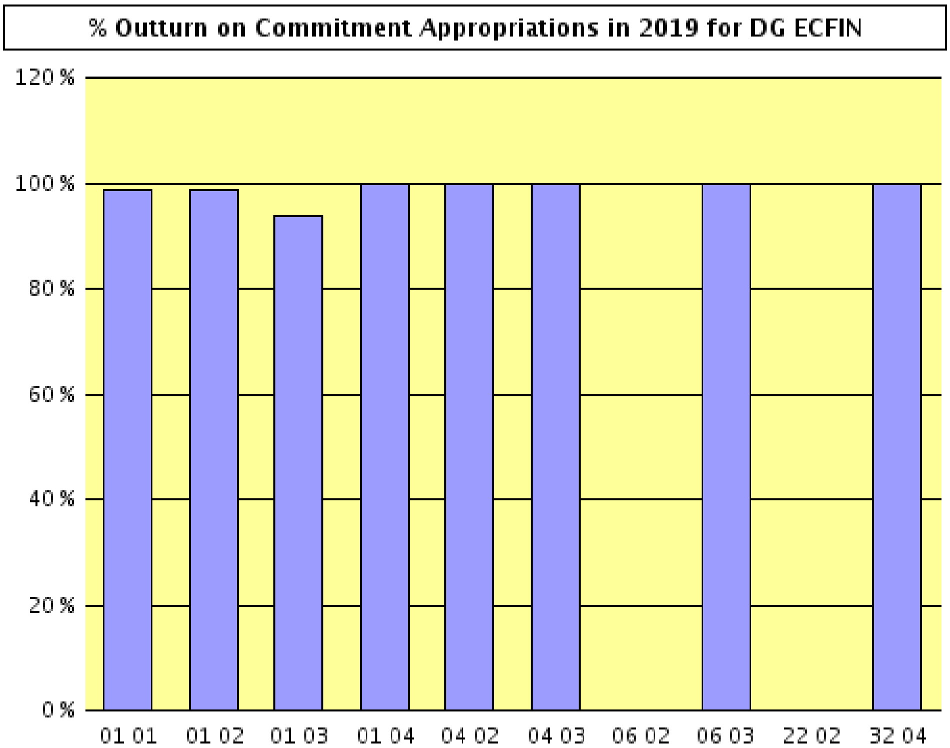
**Table 13 : Building Contracts**

**Table 14 : Contracts declared Secret**

**Table 15 : FPA duration exceeds 4 years**

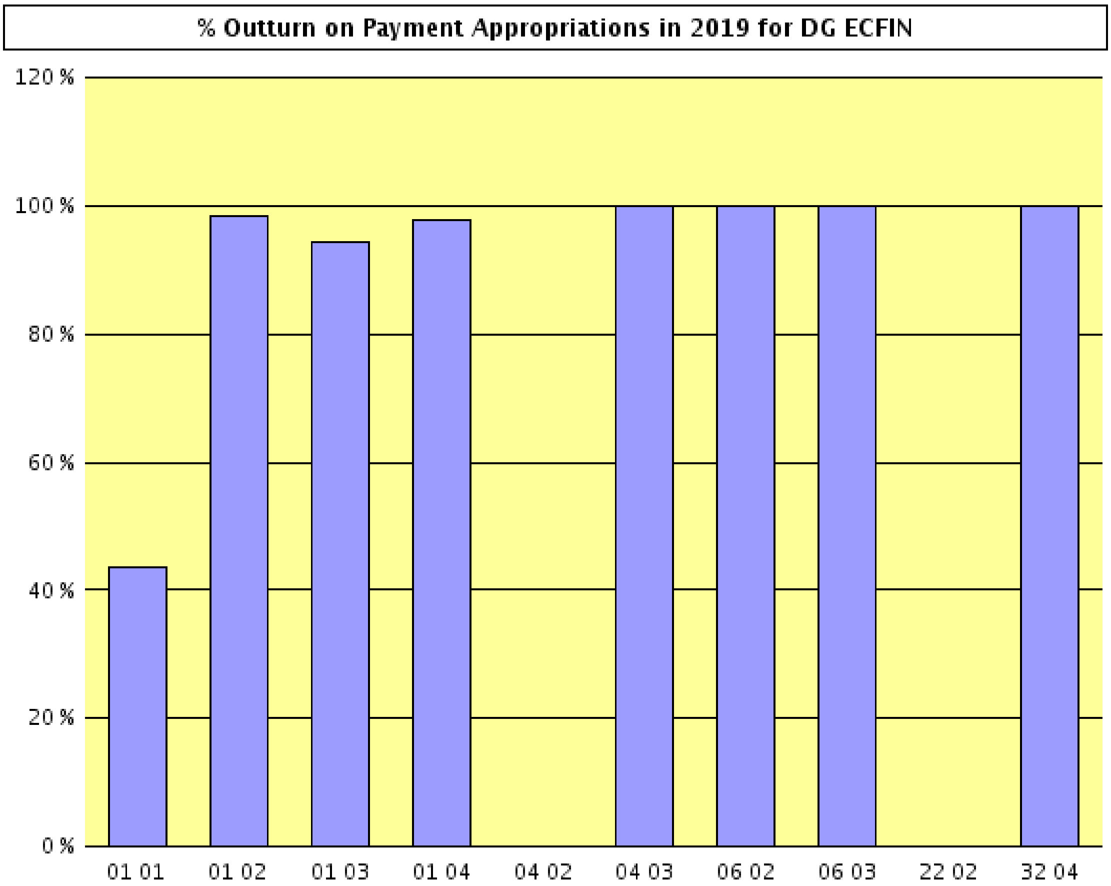
| TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2019 (in Mio €) for DG ECFIN | | | | | |
|---|---|---|---|---|---|
| | | | Commitment appropriations authorised | Commitments made | % |
| | | | 1 | 2 | 3=2/1 |
| **Title 01 Economic and financial affairs** | | | | | |
| 01 | 01 01 | Administrative expenditure of the 'Economic and financial affairs' policy area | 2,09258308 | 2,06498252 | 98,68 % |
| | 01 02 | Economic and monetary union | 40,47544684 | 39,96390763 | 98,74 % |
| | 01 03 | International economic and financial affairs | 110,13 | 103,3488346 | 93,84 % |
| | 01 04 | Financial operations and instruments | 377,2435618 | 377,2353007 | 100,00 % |
| **Total Title 01** | | | 529,9415917 | 522,6130254 | 98,62 % |
| **Title 04 Employment, social affairs and inclusion** | | | | | |
| 04 | 04 02 | European Social Fund (ESF) | 0,1299145 | 0,1299145 | 100,00 % |
| | 04 03 | Employment, Social Affairs and Inclusion | 0,1299145 | 0,1299145 | 100,00 % |
| **Total Title 04** | | | 0,259829 | 0,259829 | 100,00 % |
| **Title 06 Mobility and transport** | | | | | |
| 06 | 06 02 | European transport policy | 0 | 0 | 0,00 % |
| | 06 03 | Horizon 2020 - Research and innovation related to transport | 5 | 5 | 100,00 % |
| **Total Title 06** | | | 5 | 5 | 100,00 % |
| **Title 22 Neighbourhood and enlargement negotiations** | | | | | |
| 22 | 22 02 | Enlargement process and strategy | 0,36423833 | 0 | 0,00 % |
| **Total Title 22** | | | 0,36423833 | 0 | 0,00 % |
| **Title 32 Energy** | | | | | |
| 32 | 32 04 | Horizon 2020 - Research and innovation related to energy | 30 | 30 | 100,00 % |
| **Total Title 32** | | | 30 | 30 | 100,00 % |
| **Total DG ECFIN** | | | 565,5656591 | 557,8728544 | 98,64 % |

** Commitment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous commitment appropriations for the period (e.g. internal and external assigned revenue).*


% Outturn on Commitment Appropriations in 2019 for DG ECFIN
120 %
100 %
80 %
60 %
40 %
20 %
0 %
01 01
01 02
01 03
01 04
04 02
04 03
06 02
06 03
22 02
32 04

| TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS in 2019 (in Mio €) for DG ECFIN | | | | | |
|---|---|---|---|---|---|
| | | | Payment appropriations authorised * | Payments made | % |
| | | | 1 | 2 | 3=2/1 |
| **Title 01 Economic and financial affairs** | | | | | |
| 01 | 01 01 | Administrative expenditure of the 'Economic and financial affairs' policy area | 4,53735242 | 1,97938063 | 43,62 % |
| | 01 02 | Economic and monetary union | 39,85839868 | 39,23459326 | 98,43 % |
| | 01 03 | International economic and financial affairs | 120,3049499 | 113,5278845 | 94,37 % |
| | 01 04 | Financial operations and instruments | 1246,479185 | 1219,109603 | 97,80 % |
| **Total Title 01** | | | 1411,179886 | 1373,851461 | 97,35% |
| **Title 04 Employment, social affairs and inclusion** | | | | | |
| 04 | 04 02 | European Social Fund (ESF) | 0,145828 | 0 | 0,00 % |
| | 04 03 | Employment, Social Affairs and Inclusion | 0,15 | 0,15 | 100,00 % |
| **Total Title 04** | | | 0,295828 | 0,15 | 50,71% |
| **Title 06 Mobility and transport** | | | | | |
| 06 | 06 02 | European transport policy | 2,65376 | 2,65376 | 100,00 % |
| | 06 03 | Horizon 2020 - Research and innovation related to transport | 6,1885331 | 6,1885331 | 100,00 % |
| **Total Title 06** | | | 8,8422931 | 8,8422931 | 100,00% |
| **Title 22 Neighbourhood and enlargement negotiations** | | | | | |
| 22 | 22 02 | Enlargement process and strategy | 0,36423833 | 0 | 0,00 % |
| **Total Title 22** | | | 0,36423833 | 0 | 0,00% |
| **Title 32 Energy** | | | | | |
| 32 | 32 04 | Horizon 2020 - Research and innovation related to energy | 25,39434088 | 25,39434088 | 100,00 % |
| **Total Title 32** | | | 25,39434088 | 25,39434088 | 100,00% |
| **Total DG ECFIN** | | | 1446,076586 | 1408,238095 | 97,38 % |

** Payment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous payment appropriations for the period (e.g. internal and external assigned revenue).*


% Outturn on Payment Appropriations in 2019 for DG ECFIN
120 %
100 %
80 %
60 %
40 %
20 %
0 %
01 01
01 02
01 03
01 04
04 02
04 03
06 02
06 03
22 02
32 04

| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG ECFIN | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Commitments to be settled | | | | Commitments to be settled from financial years previous to 2018 | Total of commitments to be settled at end of financial year 2019 | Total of commitments to be settled at end of financial year 2018 |
| Chapter | | | Commitments | Payments | RAL | % to be settled | | | |
| | | | 1 | 2 | 3=1-2 | 4=1-2/1 | 5 | 6=3+5 | 7 |
| 01 | 01 01 | Administrative expenditure of the 'Economic and financial affairs' policy area | 2,06 | 0,82 | 1,24 | 60,09% | 0,00 | 1,24 | 1,29 |
| | 01 02 | Economic and monetary union | 39,96 | 32,72 | 7,25 | 18,13% | 0,81 | 8,06 | 9,27 |
| | 01 03 | International economic and financial affairs | 103,35 | 103,22 | 0,13 | 0,12% | 35,00 | 35,13 | 45,35 |
| | 01 04 | Financial operations and instruments | 377,24 | 171,02 | 206,21 | 54,66% | 1.827,33 | 2.033,54 | 2.886,13 |
| **Total Title 01** | | | **522,61** | **307,79** | **214,83** | **41,11%** | **1.863,14** | **2.077,97** | **2.942,05** |

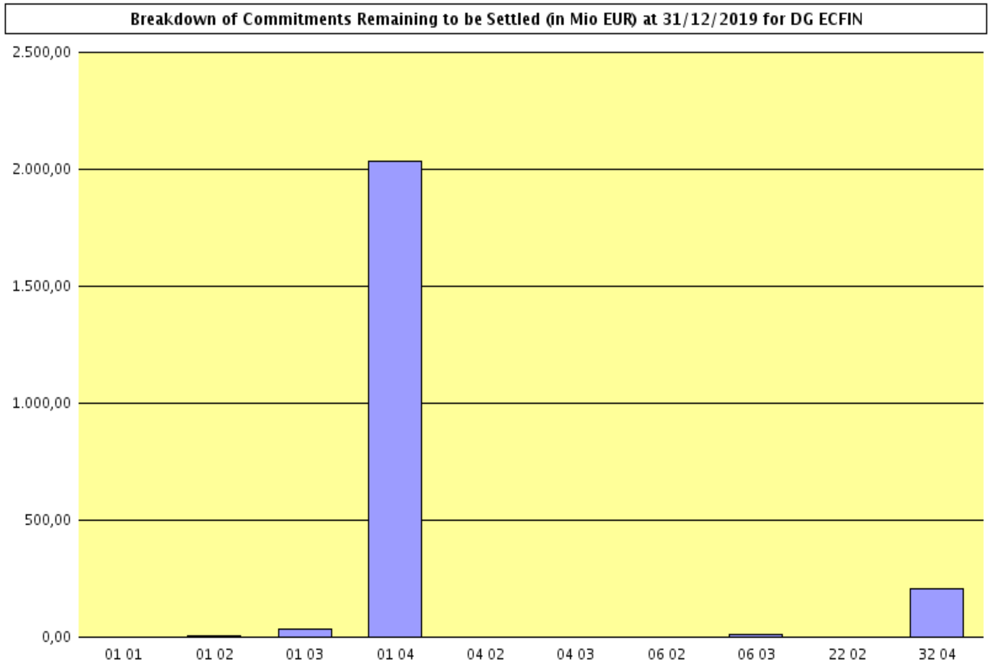
| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG ECFIN | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Commitments to be settled | | | | Commitments to be settled from financial years previous to 2018 | Total of commitments to be settled at end of financial year 2019 | Total of commitments to be settled at end of financial year 2018 |
| Chapter | | | Commitments | Payments | RAL | % to be settled | | | |
| | | | 1 | 2 | 3=1-2 | 4=1-2/1 | 5 | 6=3+5 | 7 |
| 04 | 04 02 | European Social Fund (ESF) | 0,13 | | 0,13 | 100,00% | 0,00 | 0,13 | 0,00 |
| | 04 03 | Employment, Social Affairs and Inclusion | 0,13 | 0,00 | 0,13 | 100,00% | 0,00 | 0,13 | 0,15 |
| **Total Title 04** | | | **0,26** | **0,00** | **0,26** | **100,00%** | **0,00** | **0,26** | **0,15** |

| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG ECFIN | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Commitments to be settled | | | | Commitments to be settled from financial years previous to 2018 | Total of commitments to be settled at end of financial year 2019 | Total of commitments to be settled at end of financial year 2018 |
| Chapter | | | Commitments | Payments | RAL | % to be settled | | | |
| | | | 1 | 2 | 3=1-2 | 4=1-2/1 | 5 | 6=3+5 | 7 |
| 06 | 06 02 | European transport policy | 0,00 | 0,00 | 0,00 | 0,00% | 1,82 | 1,82 | 12,56 |
| | 06 03 | Horizon 2020 - Research and innovation related to transport | 5,00 | 0,00 | 5,00 | 100,00% | 5,76 | 10,76 | 11,95 |
| **Total Title 06** | | | **5,00** | **0,00** | **5,00** | **100,00%** | **7,58** | **12,58** | **24,51** |

| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG ECFIN | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Commitments to be settled | | | | Commitments to be settled from financial years previous to 2018 | Total of commitments to be settled at end of financial year 2019 | Total of commitments to be settled at end of financial year 2018 |
| Chapter | | | Commitments | Payments | RAL | % to be settled | | | |
| | | | 1 | 2 | 3=1-2 | 4=1-2/1 | 5 | 6=3+5 | 7 |
| 22 | 22 02 | Enlargement process and strategy | 0,00 | | 0,00 | 0,00% | 0,45 | 0,45 | 0,45 |
| **Total Title 22** | | | **0,00** | | **0,00** | **0,00%** | **0,45** | **0,45** | **0,45** |

| TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG ECFIN | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Commitments to be settled | | | | Commitments to be settled from financial years previous to 2018 | Total of commitments to be settled at end of financial year 2019 | Total of commitments to be settled at end of financial year 2018 |
| Chapter | | | Commitments | Payments | RAL | % to be settled | | | |
| | | | 1 | 2 | 3=1-2 | 4=1-2/1 | 5 | 6=3+5 | 7 |
| 32 | 32 04 | Horizon 2020 - Research and innovation related to energy | 30,00 | 0,00 | 30,00 | 100,00% | 179,08 | 209,08 | 207,48 |
| **Total Title 32** | | | **30,00** | **0,00** | **30,00** | **100,00%** | **179,08** | **209,08** | **207,48** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Total :** | **557,8728544** | **307,79** | **250,0857467** | **44,83 %** | **2050,285749** | **2300,331496** | **3174,63457** |



| TABLE 4 : BALANCE SHEET for DG ECFIN |
|---|

| BALANCE SHEET | 2019 | 2018 |
|---|---|---|
| A.I. NON CURRENT ASSETS | 62960214535 | 62288785371 |
| 0,00 | 0,00 | 0,00 |
| 0,00 | 0,00 | 0,00 |
| 591.272.221,15 | 587.536.647,91 | 590.647.846,91 |
| 62.360.283.960,10 | 62.278.163.241,28 | 61.697.313.353,79 |
| 8.658.353,48 | 664.996,07 | 824.170,17 |
| A.II. CURRENT ASSETS | 4360488082 | 5101883926 |
| 3.539.564.565,20 | 3.496.273.795,96 | 3.714.275.186,19 |
| 78.032.339,08 | 126.206.659,05 | 75.701.174,71 |
| 52.155.791,87 | -139.570.156,70 | 41.928.150,25 |
| 690.735.385,77 | 738.982.247,94 | 1.269.979.415,04 |
| **ASSETS** | 67320702617 | **67390669297** |
| P.I. NON CURRENT LIABILITIES | -53456365986 | -53879812671 |
| -196.584.466,45 | -186.842.537,40 | -186.842.537,40 |
| -53.259.781.519,76 | -53.259.781.519,76 | -53.692.970.133,83 |
| P.III. NET ASSETS/LIABILITIES | -4637757889 | -4581910701 |
| -4.637.757.888,72 | -4.607.007.754,65 | -4.581.910.701,32 |
| P.II. CURRENT LIABILITIES | -1673155792 | -2779516808 |
| -208.632.204,65 | -206.268.822,69 | -206.268.822,69 |
| -1.293.029.484,65 | -1.273.439.484,65 | -2.365.682.723,01 |
| -130.447.431,34 | -150.701.104,62 | -179.206.244,35 |
| -41.046.670,87 | -12.451.832,20 | -28.359.018,30 |
| **LIABILITIES** | -59767279666 | **-61241240181** |
| | | |
| **NET ASSETS (ASSETS less LIABILITIES)** | **7553422950** | **6.149.429.116,16** |

| | | |
|---|---|---|
| P.III.2. Accumulated Surplus/Deficit | 1.813.629.954,60 | 1911818056 |
| Non-allocated central (surplus)/deficit* | -9.367.052.904,81 | -8061247172 |
| **TOTAL** | **0,00** | **0,00** |

It should be noted that the balance sheet and statement of financial performance presented in Annex 3 to this Annual Activity Report, represent only the assets, liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and statement of financial performance they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

Additionally, the figures included in tables 4 and 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

| TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE for DG ECFIN |
|---|

| STATEMENT OF FINANCIAL PERFORMANCE | 2019 | 2018 |
|---|---|---|
| II.1 REVENUES | -1723853455 | -1791592273 |
| II.1.1. NON-EXCHANGE REVENUES | -101465,16 | -26866179 |
| II.1.1.4. FINES | | -26.820.000,00 |
| II.1.1.5. RECOVERY OF EXPENSES | -101.465,16 | |
| II.1.1.6. OTHER NON-EXCHANGE REVENUES | | -46.179,00 |
| II.1.2. EXCHANGE REVENUES | -1723751990 | -1764726094 |
| II.1.2.1. FINANCIAL INCOME | -1.621.554.495,28 | -1.615.798.472,36 |
| II.1.2.2. OTHER EXCHANGE REVENUE | -102.197.494,52 | -148.927.621,74 |
| II.2. EXPENSES | 1532794476 | 1725040103 |
| II.2. EXPENSES | 1532794476 | 1725040103 |
| II.2.10.OTHER EXPENSES | 205.918.396,07 | 135.965.600,38 |
| II.2.2. EXP IMPLEM BY COMMISS&EX.AGENC. (DM) | 22.027.959,19 | 22.282.671,57 |
| II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM) | 392.547,34 | 2.118.359,00 |
| II.2.5. EXP IMPLEM BY OTHER ENTITIES (IM) | 44.911.318,41 | 2.299.386,00 |
| II.2.6. STAFF AND PENSION COSTS | -369.863,33 | |
| II.2.8. FINANCE COSTS | 1.259.914.118,81 | 1.562.374.085,85 |
| **STATEMENT OF FINANCIAL PERFORMANCE** | **-191.058.978,47** | **-66.552.170,30** |

It should be noted that the balance sheet and statement of financial performance presented in Annex 3 to this Annual Activity Report, represent only the assets, liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and statement of financial performance they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

Additionally, the figures included in tables 4 and 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

| TABLE 5bis : OFF BALANCE SHEET for DG ECFIN | | |
|---|---|---|
| **OFF BALANCE** | **2019** | **2018** |
| OB.1. Contingent Assets | 213622810,5 | 253932671,5 |
| GR for Financial Instruments | 213.622.810,49 | 253.857.847,94 |
| GR for pre-financing | 0,00 | 74.823,60 |
| OB.1.3. CA Other | | 0,00 |
| OB.2. Contingent Liabilities | -37647899151 | -36287240751 |
| OB.2.2. Budgetary Guarantees given | -37.647.899.150,99 | -36.273.360.710,51 |
| OB.2.4. CL Fines | 0,00 | 0,00 |
| OB.2.7. CL Legal cases OTHER | 0,00 | -13.880.040,00 |
| OB.3. Other Significant Disclosures | -66267541071 | -69277633036 |
| OB.3.1. Undrawn commitments | -760.000.000,00 | -1.180.000.000,00 |
| OB.3.3.8.Budgetary Guarantees Ceiling | -63.725.311.070,98 | -66.315.403.036,00 |
| OB.3.4. Contributions to rel. organisations | -1.782.230.000,00 | -1.782.230.000,00 |
| OB.4. Balancing Accounts | 1,03702E+11 | 1,05311E+11 |
| OB.4. Balancing Accounts | 103.701.817.411,48 | 105.310.941.114,97 |
| **OFF BALANCE** | **0,00** | **0,00** |

It should be noted that the balance sheet and statement of financial performance presented in Annex 3 to this Annual Activity Report, represent only the assets, liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and statement of financial performance they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium.

Additionally, the figures included in tables 4 and 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

**TABLE 6: AVERAGE PAYMENT TIMES in 2019 for DG ECFIN**

**Legal Times**

| Maximum Payment Time (Days) | Total Number of Payments | Nr. of Payments within Time Limit | Percentage | Average Payment Times (Days) | Nr. of Late Payments | Percentage | Average Payment Times (Days) |
|---|---|---|---|---|---|---|---|
| 15 | 2 | 2 | 100,00 % | 12,5 | | | |
| 30 | 612 | 597 | 97,55 % | 11,68509213 | 15 | 2,45 % | 45,86666667 |
| 40 | 1 | | | | 1 | 100,00 % | 41 |
| 45 | 21 | 21 | 100,00 % | 25,0952381 | | | |
| 60 | 26 | 26 | 100,00 % | 18,07692308 | | | |
| 90 | 59 | 59 | 100,00 % | 55,11864407 | | | |
| **Total Number of Payments** | **721** | **705** | **97,78 %** | | **16** | **2,22 %** | |
| **Average Net Payment Time** | **16,61442441** | | | **15,95744681** | | | **45,5625** |
| **Average Gross Payment Time** | **18,85298197** | | | **17,92765957** | | | **59,625** |

**Suspensions**

| Average Report Approval Suspension Days | Average Payment Suspension Days | Number of Suspended Payments | % of Total Number | Total Number of Payments | Amount of Suspended Payments | % of Total Amount | Total Paid Amount |
|---|---|---|---|---|---|---|---|
| 0 | 24 | 67 | 9,29 % | 721 | 14059556,88 | 5,81 % | 241839040,09 |

| DG | GL Account | Description | Amount (Eur) |
|---|---|---|---|
| | | | |
| | | | |

| Chapter | | Revenue and income recognized | | | Revenue and income cashed from | | | Outstanding balance |
|---|---|---|---|---|---|---|---|---|
| TABLE 7 : SITUATION ON REVENUE AND INCOME in 2019 for DG ECFIN | | | | | | | | |
| | | Current year RO | Carried over RO | Total | Current Year RO | Carried over RO | Total | |
| | | 1 | 2 | 3=1+2 | 4 | 5 | 6=4+5 | 7=3-6 |
| 55 | REVENUE FROM THE PROCEEDS OF SERVICES SUPPLIED AND WORK CARRIED OUT | 418.190,71 | 0,00 | 418.190,71 | 418.190,71 | 0,00 | 418.190,71 | 0,00 |
| 57 | OTHER CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH THE ADMINISTRATIVE OPERATION OF THE INSTITUTION | -220.092,84 | 321.558,00 | 101.465,16 | -220.092,84 | 321.558,00 | 101.465,16 | 0,00 |
| 63 | CONTRIBUTIONS UNDER SPECIFIC AGREEMENTS | 133.670.000,00 | 0,00 | 133.670.000,00 | 133.670.000,00 | 0,00 | 133.670.000,00 | 0,00 |
| 64 | CONTRIBUTIONS FROM FINANCIAL INSTRUMENTS | 85.951.429,37 | 33.928.007,28 | 119.879.436,65 | 81.331.711,06 | 0,00 | 81.331.711,06 | 38.547.725,59 |
| 66 | OTHER CONTRIBUTIONS AND REFUNDS | 25.200,00 | 24.460,24 | 49.660,24 | 25.200,00 | 6.985,00 | 32.185,00 | 17.475,24 |
| 85 | REVENUE FROM CONTRIBUTIONS BY GUARANTEE BODIES | 3.111.199,00 | 0,00 | 3.111.199,00 | 3.111.199,00 | 0,00 | 3.111.199,00 | 0,00 |
| 90 | MISCELLANEOUS REVENUE | 63.889,46 | 0,00 | 63.889,46 | 63.889,46 | 0,00 | 63.889,46 | 0,00 |
| **Total DG ECFIN** | | **223019815,7** | **34274025,52** | **257293841,2** | **218400097,4** | **328543** | **218728640,4** | **38565200,83** |

**TABLE 8 : RECOVERY OF PAYMENTS in 2019 for DG ECFIN**
**(Number of Recovery Contexts and corresponding Transaction Amount)**

| INCOME BUDGET RECOVERY ORDERS ISSUED IN 2019 | Irregularity | | Total undue payments recovered | | Total transactions in recovery context (incl. non-qualified) | | % Qualified/Total RC | |
|---|---|---|---|---|---|---|---|---|
| Year of Origin (commitment) | Nbr | RO Amount | Nbr | RO Amount | Nbr | RO Amount | Nbr | RO Amount |
| **2002** | | | | | 1 | 15365 | | |
| **2006** | | | | | 9 | 24206902,19 | | |
| **2008** | | | | | 1 | 13802,11 | | |
| **2010** | | | | | 4 | 5863106,24 | | |
| **2013** | | | | | 2 | 33767057,21 | | |
| **2016** | 1 | 46565,53 | **1** | **46565,53** | 1 | 46565,53 | 100,00% | 100,00% |
| **2017** | 1 | 54899,63 | **1** | **54899,63** | 1 | 54899,63 | 100,00% | 100,00% |
| **No Link** | | | | | 3 | 482080,17 | | |
| **Sub-Total** | **2** | **101465,16** | **2** | **101465,16** | **22** | **64449778,08** | **9,09%** | **0,16%** |

| EXPENSES BUDGET | Irregularity | | OLAF Notified | | Total undue payments recovered | | Total transactions in recovery context (incl. non-qualified) | | % Qualified/Total RC | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Nbr | Amount | Nbr | Amount | Nbr | Amount | Nbr | Amount | Nbr | Amount |
| INCOME LINES IN INVOICES | | | | | | | | | | |
| NON ELIGIBLE IN COST CLAIMS | 12 | 20344,55 | | | **12** | **20344,55** | 13 | 20.346,38 | 92,31% | 99,99% |
| CREDIT NOTES | 17 | 140266,87 | | | **17** | **140266,87** | 24 | 551.379,45 | 70,83% | 25,44% |
| **Sub-Total** | **29** | **160611,42** | | | **29** | **160611,42** | **37** | **571725,83** | **78,38%** | **28,09%** |
| **GRAND TOTAL** | **31** | **262076,58** | | | **31** | **262076,58** | **59** | **65021503,9** | **52,54%** | **0,40%** |

| TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2019 for DG ECFIN | | | | | | |
|---|---|---|---|---|---|---|
| | **Number at 1/01/2019** | **Number at 31/12/2019** | **Evolution** | **Open Amount (Eur) at 1/01/2019** | **Open Amount (Eur) at 31/12/2019** | **Evolution** |
| 2012 | 2 | 1 | -50,00 % | 328.110,49 | 6.552,49 | -98,00 % |
| 2014 | 1 | 1 | 0,00 % | 10.922,75 | 10.922,75 | 0,00 % |
| 2018 | 6 | 4 | -33,33 % | 37.534.992,28 | 33.928.007,28 | -9,61 % |
| 2019 | | 3 | | | 4.619.718,31 | |
| | **9** | **9** | **0,00 %** | **37.874.025,52** | **38.565.200,83** | **1,82 %** |

| TABLE 10 :Recovery Order Waivers >= 60 000 € in 2019 for DG ECFIN | | | | | | |
|---|---|---|---|---|---|---|
| | **Waiver Central Key** | **Linked RO Central Key** | **RO Accepted Amount (Eur)** | **LE Account Group** | **Commission Decision** | **Comments** |
| 0 | 3233190063 | 3241202972 | -321.558,00 | Private Companies | | |

| | |
|---|---|
| **Total DG ECFIN** | **-321.558,00** |

| | |
|---|---|
| **Number of RO waivers** | **1** |

*Justifications:*
*Commission Decision C(2019)1788 of 08/03/2019 - The recovery of the outstanding amount receivable should be waived in accordance with Article 101(2)(b) of the Financial Regulation (Regulation (EU,Euratom) 2018/1046 of 18/07/2018.*

| TABLE 11: Negotiated Procedures in 2019 for DG ECFIN |
|---|

## Internal Procedures > € 60,000

| Negotiated Procedure Legal base | Number of Procedures | Amount (€) |
|---|---|---|
| Annex 1 - 11.1 (b) - Artistic/technical reasons or exclusive rights or technical monopoly/captive market | 1 | 127.500,00 |
| **Total** | **1** | **127.500,00** |

| TABLE 12 : Summary of Procedures in 2019 for DG ECFIN |
|---|

**Internal Procedures > € 60,000**

| Procedure Legal base | Number of Procedures | Amount (€) |
|---|---|---|
| Negotiated procedure without prior publication (Annex 1 - 11.1) | 1 | 127.500,00 |
| Open Procedure (Art. 127.2 RAP) | 1 | 740.000,00 |
| Open procedure (FR 164 (1)(a)) | 1 | 1.000.000,00 |
| **Total** | **3** | **1.867.500,00** |

| Additional Comments: |
|---|

| TABLE 13 : BUILDING CONTRACTS in 2019 for DG ECFIN |
|---|

| Legal base | Contract Number | Contractor Name | Description | Amount (€) |
|---|---|---|---|---|
| | | | | |
| | | | | |

| TABLE 14 : CONTRACTS DECLARED SECRET in 2019 for DG ECFIN |
|---|

| LC Responsible Organisation DG Code | LC Contract/Grant Type | LC Date | Legal base | Contract Number | Contractor Name | Description | Amount (€) |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |

| TABLE 15 : FPA duration exceeds 4 years - DG ECFIN |
|---|

| |
|---|
| *None of your FPA (if any) exceeds 4 years* |

# ANNEX 4: Materiality criteria

As from 2019[2], a 'de minimis' threshold for financial reservations is introduced. Quantified AAR reservations related to residual error rates above the 2% materiality threshold, are deemed not substantial for segments representing less than 5% of a DG's total payments and with a financial impact below EUR 5 million. In such cases, quantified reservations are no longer needed.

This annex provides a detailed explanation on how the AOD defined the materiality threshold as a basis for determining whether significant weaknesses should be subject to a formal reservation to his/her declaration.

Materiality criteria have been defined for each significant budget area of DG ECFIN. We apply the same qualitative and quantitative materiality criteria set out in previous years in order to assess whether any error or weakness would be material.

## 1. Qualitative criteria

Significant repetitive errors - Systematic errors caused by weaknesses in key controls and intentional misstatements are likely to entail a greater exposure to potential financial loss than random errors and faulty judgements.

Significant deficiencies in one of the control systems (significant control system weakness) - Identified weaknesses in the design or operation of internal controls at our level and at the level of implementing partners could significantly influence the appreciation of the Director-General's Declaration.

This could be the case notably,

- *if significant conflicts of interest existed;*
- *if personnel were unqualified;*
- *if the systems failed to provide complete and accurate information due to design flaws or misapplication of procedures;*
- *if appropriate verifications, approvals, reviews and audits of transactions and procedures were absent or largely insufficient or inadequate;*
- *if duties were not separated; or*
- *if controls were intentionally overridden and/or wilfully circumvented.*

Insufficient audit coverage and/or inadequate information from internal control systems - Insufficient audit coverage and/or inadequate information from control systems includes situations where the DG may not be aware of certain control weaknesses because it has not performed enough controls in that area to support a definitive conclusion on the system's ability to prevent errors and it does not have compensating evidence from other sources (national authorities, Court of Auditors etc.).

The DG would consider a reservation in this regard if

- *the DG has not performed enough controls in an area to support a definitive conclusion on the system's ability to prevent errors, and*

[2] Agreement of the Corporate Management Board of 30/4/2019.

- *it does not have compensating evidence from other sources (national authorities, Court of Auditors etc.), and*
- *past experience would suggest the probability of control weaknesses in this area.*

Issues outlined by the European Court of Auditors (ECA) or the Internal Audit Service (IAS) or OLAF - A critical observation made by the ECA, the IAS or OLAF could lead to a reservation[3]

- *if the observation is made in an area covered by the Director-General's Declaration, and*
- *if the issue is not solved immediately during the reporting period, and*
- *if the impact is deemed material.*

Significant reputational events/issues - Besides a possible quantitative aspect of the issue, the impact of a reputational event on the declaration of assurance is assessed mainly on the basis of qualitative criteria, such as sensitivity of the policy area concerned, high public interest or serious legislative concerns.

Materiality criteria related to reputation issues: In line with the Commission's instructions, a combined or separate reputational reservation will be made for events that could cause serious damage (in terms of 'duration' + 'scope' of political/press/citizen attention) to the Commission’s image due, for example,

- *to financial fraud inside DG ECFIN, or*
- *serious breaches on provisions of the Treaty, linked to DG ECFIN's activities.*

## 2. Quantitative criteria

As regards the quantitative materiality threshold, the general rule is to apply 2% as a threshold per control system with details in that respect provided under Part 2 of the Annual Activity Report as well as under Annex 10. The error rates are detected and/or estimated on the basis of the inherent risks, on an annual basis and without adjustments for future corrections.

It should be noted that the overall threshold of 2% for the error rate is not the target error rate.

For expenditures under direct management (grants, procurements, expenses of an administrative nature, provisioning of funds) the target error rates are based on the inherent risks, the control procedures and the accompanying documents for a given transaction and range from 0% for administrative expenses or the provisioning of funds based on certified accounts balances to 2% for grants with the reimbursed costs mechanism.

For expenditures under indirect management (entrusted entities) the target error rate is 2% and the third-party assurance mechanism is applied.

For off-budget management (treasury and assets management, borrowing & lending operations) the target is close to 0% (with an absolute maximum of 1%), given the very large amounts involved, the prudential rules and the assets management guidelines.

[3] According to the IAS methodology of rating recommendations, a combined effect of the very important recommendations entails a very high risk and, therefore, should be duly assessed if requiring a reservation in the AAR.

We consider that identified erroneous transactions which expose the DG to an actual financial loss could lead to a reservation to the Director-General's declaration under the following conditions:

- *A significant weakness has been identified that affects at least one the following areas: (i) control systems, (ii) sound financial management, or (iii) legality and regularity of transactions , <u>and</u>*
- *An actual financial loss or reputational issue has already occurred or is very likely to materialise, <u>and</u>*
- *The amounts at risk are significant in case of a (residual) financial loss that has actually exceeded or is very likely to exceed the threshold of the relevant control system.*

Due to the large variety of programmes/actions and the complexity of implementation, involving a large number of external implementing partners at several levels, it is impossible with current control resources to draw and examine a representative sample of transactions for estimating the residual error rate.

# ANNEX 5: Relevant Control System(s) for budget implementation (RCSs)

### *RCS 1*: Treasury and Asset Management, and Borrowing and Lending operations / Non-expenditure items

**Background and purpose:** Annex 10

**Stage 1 a: Selection of counterparties and investment instruments for the Treasury and Asset Management**

**Main control objectives**: Ensuring that the legal framework for the management of the relevant funds complied and sound financial management and principals are coherent (Legality and Regularity / Sound financial management).

| **Main risks**<br>**It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)**[4]<br>Effectiveness<br>Efficiency<br>Economy |
|---|---|---|---|
| Risk of decision making latitude in the initiation of the treasury transactions (the so-called 'front-office' function of the treasury). By their nature, i.e. need for quick decisions by the 'front office', these operations are initiated and authorised in a tight time-frame and, for reasons of timing, they cannot be subject to independent centralised ex-ante verifications as in the case of the budgetary transactions.<br>The activity is also highly dependent on a sophisticated software platform (SAP shared with DG BUDG). | • There are comprehensive rules concerning the type of investments that can be made and the limits of financial risk (e.g. credit risk) that can be assumed in the portfolios under management.<br>• The strategical decisions are supervised by the Treasury Management Board (TMB) chaired by the Director of the responsible Directorate and the Principal Advisor to the DDG. The role of the TMB is to make strategical proposals to the senior management following discussion and input received from the Investment Committee and Risk Committee. The Investment | • The TMB is regularly informed and provides feedback on the design and implementation of the investment strategy. It also approves proposals of strategical nature before submission to the senior management.<br>• A dedicated financial risk management function is placed in a unit independent from the treasury unit. It monitors compliance with internal rules (e.g. manuals of procedures, respect of credit limits with counterparties, limits concerning the credit quality of securities purchased, etc.) and regularly performs sample-based ex-post checks of transactions. Risk management | **Effectiveness:**<br>Control results: Number of incidents. Number of material audit findings. Benefits: Absence of material errors<br><br>**Efficiency:** N/A<br><br>**Economy:**<br>Estimation of cost of staff FTE involved in the controls |

[4] Results are provided under Annex 10

| **Main risks It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)[4]** Effectiveness Efficiency Economy |
|---|---|---|---|
| | Committee is in charge with the Tactical Asset Allocation (TAA) and the Risk Committee is in charge with the Strategical Asset Allocation (SAA).<br>• There is a transparent method for selecting and renewing the list of possible counterparties for deposit placements.<br>• Operations are carried out in line with best execution, good banking practice, in particular there is segregation of duties, four-eye principle, daily cash account reconciliation, monthly securities account reconciliation, avoidance of conflicts of interest by rules implemented by the Compliance Committee, etc.<br>• Exceptions from the procedures are documented, followed and signed off at senior level (usually Director).<br>• For private placements, it is required to have documented competing bids for the treasury transactions to the extent possible under market circumstances.<br>• There are detailed manuals of procedure which are regularly | produces a monthly risk report to the TMB.. | |

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[4] Effectiveness Efficiency Economy |
|---|---|---|---|
| | updated. • Establishment of IT and information security 'culture' and rules. | | |

**Stage 1 b: Selection of counterparties for the Borrowing and Lending operations**

**Main control objectives**: Ensuring that the Commission establishes its assets ownership and liabilities correctly and sets up its management reporting and information security. Ensuring that the legal framework for the management of the relevant funds is fully compliant and regular (legality & regularity), delegated to an appropriate entity (best value for public money, economy, efficiency), without any conflicts of interests (anti-fraud strategy).

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[5] Effectiveness Efficiency Economy |
|---|---|---|---|
| • Counterparty risk of the beneficiary country.<br>• Risk of decision making latitude in the initiation of the borrowings for funding the lending operations. By their nature, i.e. need for quick decisions by the borrowing officers, these operations are initiated and authorised in a tight time-frame and, for reasons of timing, they cannot be subject to independent centralised ex-ante verifications as in the case of the budgetary transactions.<br>The activity is also highly dependent on | • The loans are political loans; the beneficiaries are decided by a Council Decision.<br>• The loan agreements are subject to multiple consultations and scrutiny before their conclusion.<br>• There is a transparent method for selecting the counterparties which provide the funding for on-lending.<br>• Operations are carried out in line with good banking practice, in particular there is segregation of duties, four-eye principle, daily cash account reconciliation, | The dedicated Directorates manage the regular on-site review missions to the beneficiary country.<br>Once a year an impairment analysis is established by the Directorate in charge of the debt sustainability follow-up concerning the respective beneficiary country.<br>A dedicated back-office monitors the debt service of the outstanding EU and Euratom debt. | **Effectiveness**: Control results: Number of findings in the checks on compliance with rules and procedures.<br>Benefits: The (average annual) total value of the significant errors detected/avoided - and thus prevented in terms of borrowing and lending operations.<br><br>**Efficiency**: N/A<br><br>**Economy** : Internal control cost through the 4-eyes-principal (the back office) which monitors the adherence of the debt service of the EU and Euratom debt with internal rules. Estimation of cost of staff in FTE and missions involved in the controls. Cost of contracted (legal, IT, finance) |

[5] Results are provided under Annex 10

| **Main risks It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)**[5] Effectiveness Efficiency Economy |
|---|---|---|---|
| a sophisticated software platform (SAP shared with DG BUDG). | monthly securities account reconciliation etc.<br>• Exceptions from the procedures are documented, followed and signed off at senior level (usually Director).<br>• It is required to have documented competing bids for the borrowing transactions to the extent possible under market circumstances.<br>• There are detailed manuals of procedure which are regularly updated.<br>• Establishment of IT and information security 'culture' and rules. | Application of IT Security Governance rules, via Local Information Security Officer. | services, if any. |

**Stage 2 – Protection: recording, follow-up and accounting of the Commission's rights in terms of Treasury and Asset Management, and Borrowing and Lending operations**

**Main control objectives:** Ensuring that the Commission registers and protects its revenue entitlements, assets ownership and liabilities correctly, reports transparently and protects its information security. (Safeguarding of assets and information / Reliability of financial reporting).

| **Main risks It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)**[6] Effectiveness Efficiency Economy |
|---|---|---|---|

[6] Results are provided under Annex 10

| **Main risks It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)**[6] Effectiveness Efficiency Economy |
|---|---|---|---|
| A/ The implementation of the legal bases or equivalent rules and legal documents entails weaknesses, which lead to the Commission's legal rights in terms of revenue entitlements, assets ownerships, liabilities or information security not being duly protected and/or registered and/or reliably reported.<br>B/ EU accounting rules are not respected. | A/ A dedicated risk management team reports on financial risks and ensures compliance with the principles and limits as defined in the individual investment guidelines and the Risk Management policy and Manual<br>In addition the asset management is supported by accountants, back-office and specialised lawyers<br>B/ a) EU Accounting rules are properly followed. Updates to the EU Accounting rules and accounting instructions are timely communicated by BUDG. Changes are analysed and information is shared among officials concerned.<br>b) Closure accounting instructions are provided by BUDG. Information is shared among the officials concerned, internal and external preparatory meetings take place. Accounting procedures manual is available and regularly updated.<br>c) Accounting revision programme is regularly updated in view of the results of the Accounting quality overview and of the evolution in the accounting | A/ Risk Management maintains and monitors counterparty limits and provides regular risk and performance reporting – monthly to the TMB, quarterly to senior management<br>B/ a) Updates on irregular basis depending on the evolution of the accounting environment.<br>The accounting team produces a monthly balance sheet report and a yearly audited set of financial statements on the outstanding net assets and liabilities to senior management.<br>b) Yearly (October-December)<br>c) Yearly (May) Revision programme followed throughout the year, update sent to the Director General once a year (May)<br>d) Continuous<br>e) Regular debt service carried out by dedicated back-office team | **Effectiveness**: Control results:<br>- Number of control failures.<br>- Number of litigation settlement and court cases lost (e.g. due to lack of evidencing documents); amounts of the items concerned.<br>- Number of internal and external auditors findings about incorrect registration of items.<br>- Number of exceptions (bank reconciliation incidents)<br>Benefits: The value of errors prevented or detected within the treasury activities and borrowing and lending operations.<br><br>**Efficiency**: N/A<br><br>**Economy**: Estimation of cost of staff FTE and missions involved. Cost of the contracted (legal, IT, advisory) services. |

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[6] Effectiveness Efficiency Economy |
|---|---|---|---|
| | environment.<br>d) Segregation of duties and four eyes principle are systematically applied. Formalised supervision and review procedures are in place for all accounting activities.<br>e) Documentation of legal rights of COM reflected in Loan Facility Agreements | | |

**Stage 3: Assurance building on the process and systems of DG ECFIN in terms of Treasury and Asset Management, and Borrowing and Lending operations**

**Main control objectives:** Verification that processes are working as designed / Feedback on adequacy of the system, Reliability of financial reporting; anti-fraud strategy)

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[7] Effectiveness Efficiency Economy |
|---|---|---|---|
| Processes might be weak or not working as designed. The system might provide poor adequacy. | • Supervision by responsible Heads of Unit and senior management.<br>• Oversight by the TMB.<br>• Financial risk management verification includes ex post transactional controls.<br>• Annual financial audits are performed by external audit firm on the financial statements of ECSC i.e., EFSM, BoP, MFA, Euratom, BUFI, H2020, EFSD (from 2018) and EFSI GF (dedicated RCSs chapter).<br>• Other controls are performed by central ex-post control function.<br>• Audit and consultancy work is performed by the | • According to the annual work plans of the IAS, BUDG C3 and the ECA.<br>• Annual ECA audits<br>• Reports are made to the Treasury Management Board (meetings every two months).<br>• Quarterly risk reports to senior management are produced | **Effectiveness:** Control results: - Percentage of sampled non-expenditure operations checked by the financial risk management which are in compliance with internal procedures (e.g. reconciliation items, bank accounts, etc.).<br>- Number of recommendations from the audit bodies (see under Mitigating controls) which have been followed up systematically.<br>Benefits: The benefits of controls are not quantifiable other than through the low number |

[7] Results are provided under Annex 10

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[7]<br>Effectiveness<br>Efficiency<br>Economy |
|---|---|---|---|
| | Commission's Internal Audit Service (IAS), the European Court of Auditors, DG BUDG and in the discharge procedure. Past recommendations made by these bodies have been followed up systematically.<br>Overview of recent audits:<br>• In 2017, the Bloomberg AIM project management system concerning the acquisition and implementation of a "licence" for a new Treasury Portfolio Management System was launched. The AIM system was successfully implemented and is currently used for the portfolio management activities.<br>• In 2019 an independent external Evaluation concluded that the processes in asset management systems utilised by DG ECFIN are in line with best practice in the industry. | by the risk manager.<br>• Annual external audits on ECSC i.e., BOP, EFSM, MFA, Euratom and EFSD (from 2018)<br>• Annual external audits on BUFI and H2020 | of incidents caused in ECFIN and the existing full compliance with internal rules and procedures.<br>Given that the off-budget activities are by nature not following the budgetary ex-ante validation circuit, it is important to have the existing internal control environment in place. The absence of material errors.<br><br>**Efficiency:** N/A<br><br>**Economy:** Estimation of cost of staff FTE and other costs (audit fees, evaluation costs) involved. Cost of the contracted audit services. |

**Stage 4: Sound financial management in terms of Treasury and Asset Management, and Borrowing and Lending operations**

**Main control objectives:** Avoiding errors that may occur during the financial process (Sound financial management).

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[8]<br>Effectiveness<br>Efficiency<br>Economy |
|---|---|---|---|
| Undue or erroneous financial operations or payments<br>Default of | • There is a variety of legal frameworks (ECSC, EU, Euratom) and contractual arrangements (different mandates, etc.).<br>• Specific procedures are | • All non-expenditure/off-budget financial operations are controlled by a dedicated team possessing the required specialized | **Effectiveness:**<br>Control results: Number of errors caused by a counterparty financial institution and detected during the |

[8] Results are provided under Annex 10

| **Main risks It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)[8]** Effectiveness Efficiency Economy |
|---|---|---|---|
| payment from a loan beneficiary | in place creating a clear framework of controls to be performed by the Financial Unit. The various documents to be provided as well as the controls performed by the financial and the verifying agents are detailed in these procedures.<br>• The financial complexity of the instruments used (bonds, short-term deposits, borrowings and loans) is moderate.<br>• Whilst being off-budget, these non-expenditure financial operations can generate budgetary operations, which have to be treated according to the requirements of the Financial Regulation.<br>• In order to ensure the prompt payment to the creditors of the EU/Euratom, if a loan beneficiary fails to reimburse in due time, there is recourse to call on DG BUDG cash resources for temporary cover of the shortfall[9]. A set of procedures, set by DG ECFIN and DG BUDG, further operationalises this temporary budgetary cover.<br>• Although the repayment of all borrowings is ensured in fine by the EU budget, in the case of lending to third countries the Guarantee Fund for external actions acts as | competences (back office and account reconciliation).<br>• Complementary a posteriori controls are carried out by external auditors in the context of their audit of the financial statements for the off-budget activities having been prepared by a dedicated team of accountants in DG ECFIN. | reconciliation of bank accounts.<br>Benefits: The benefits of controls are not quantifiable other than through the low number of incidents caused in ECFIN and the existing full compliance with internal rules and procedures.<br>Given that the non-expenditure activity is not following the budgetary ex-ante validation circuit, it is important for reputational reasons to have the existing internal control environment in place.<br><br>**Efficiency:** N/A<br><br>**Economy:**<br>Estimation of cost of staff FTE dedicated to control-related tasks and external costs (audit fees, evaluation costs). |

[9] Under Article 12 of Council Regulation (EC, Euratom) No 1150/2000 of 22 May 2000 implementing Decision 94/728/EC, Euratom on the system of the Communities' own resources.

| **Main risks It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)[8]** Effectiveness Efficiency Economy |
|---|---|---|---|
| | liquidity buffer protecting the EU budget against the risk of calls resulting from payment defaults. | | |

## *RCS 2:* Grants under the European Investment Advisory Hub / Grants direct management

**Background and purpose:** Annex 10

**Stage 1: Preparation of the Annual Work Programme and signature of the Specific Grant Agreements**

**Main control objectives:**
Ensuring that the Commission selects the proposals for advisory support that contribute the most towards the achievement of the programme objectives and that the actions and funds allocation is optimal (best value for public money; effectiveness, economy, efficiency); Compliance (legality and regularity).

| **Main risks It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)[10]** Effectiveness Efficiency Economy |
|---|---|---|---|
| The Work Programme proposed by the EIB does not adequately reflect the Commission's/ EU's policy objectives, and priorities, and it is incoherent and/or the essential eligibility, selection and award criteria are not adequate to ensure the achievement of the EIAH's objectives. The budget foreseen overestimates the costs necessary to carry out the action | 1. Consultation of Commission services on the draft Work Programme.<br>2. The EIAH Coordination Committee consisting of four members (two members appointed by the Commission and two by the EIB) reviews the work programme before adoption and monitors closely its implementation.<br><br>3. Hierarchical validation within the authorizing department of the draft Work Programme. | For each Specific Grant Agreement (SGA) to be signed with the EIB:<br><br>1. The Commission's EFSI Inter-service Group including all relevant DGs is consulted on the draft work programme before the review of the Coordination Committee.<br><br>2. As set up in the EIAH's Framework Partnership Agreement (FPA), the Coordination Committee shall meet at least twice a year.<br>(a) review and agree strategy and policy relating to the EIAH;<br>(b) review, on a regular basis, progress on and implementation of the Work Programme of the EIAH; | **Effectiveness:** Control results: Avoid overlaps with other existing advisory initiatives Benefits: Fill in the identified gaps.<br><br>**Efficiency:** Average time between the adoption of the Financing Decision and the signature of the Specific Grant Agreement [time to grant].<br><br>**Economy:** Estimation of cost of staff involved in the preparation and validation of the annual Work Programme and in the adoption and contracting processes. |

[10] Results are provided under Annex 10

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[10] Effectiveness Efficiency Economy |
|---|---|---|---|
| | | (c) consider and if appropriate, propose for inclusion in the Work Programme, the extension of existing programmes and/or creation of new services funded by the EIAH Budget or termination of such services.<br>3. The work programme is annexed to the Specific Grant Agreement. | |

**Stage 2: Monitoring the execution**

**Main control objectives:** Ensuring that the operational results (deliverables) from the projects are of good value and meet the objectives and conditions (effectiveness & efficiency); ensuring that the related financial operations comply with regulatory and contractual provisions (legality and regularity); prevention of fraud (anti-fraud strategy); ensuring appropriate accounting of the operations (reliability of reporting, safeguarding of assets and information)

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[11] Effectiveness Efficiency Economy |
|---|---|---|---|
| The actions foreseen are not, totally or partially, carried out in accordance with the technical description and requirements foreseen in the grant agreement and/or the amounts paid exceed the amounts that are due in accordance with the applicable contractual and regulatory provisions. | 1. The EIB has to provide periodically technical reports with detailed information on the EIAH activity and its technical assistance assignments.<br>Moreover, the financial statements to be provided will contain detailed information on EIB's expenses and revenues in a given | 1. As per Article 6 of the FPA, the EIB shall provide the EU with:<br>(a) a half-yearly technical report (its frequency can be reviewed by the Coordination Committee).<br>(b) a financial statement drawn | **Effectiveness**: Control results: - Number of projects that received EIAH's support.<br>- Number of control failures; budget amount of the errors concerned.<br>- Number of projects with cost claim errors; |

[11] Results are provided under Annex 10

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[11] Effectiveness Efficiency Economy |
|---|---|---|---|
| | period.<br>2. Oversight of the Coordination Committee (CC).<br>3. Tracking the EIAH activity by the Commission staff.<br>4. Based on the above reporting, the staff will conduct operational and financial checks before payment is authorised.<br>5. For cases where issues are discovered, the Commission could apply a suspension/ interruption of payments. | up in accordance with the structure of the estimated budget.<br>(c) no later than six months after the end of each year: (i) an annual audited financial statement; and (ii) an annual technical report.<br>2. The CC oversight is mainly exercised during the periodic CC meetings.<br>3. The Commission staff tracks EIAH's activity on an ongoing basis. | budget amount of the cost items rejected.<br>Benefits: Value of the costs claimed by the beneficiary, but rejected by the project officers.<br>**Efficiency**:<br>Time to payment<br>**Economy**:<br>Estimation of cost of staff involved in the actual monitoring of the execution. |

**Stage 3: Review, audits and monitoring**

**Main control objectives:** Detecting and correcting any error or fraud remaining undetected after the implementation of ex-ante controls (legality and regularity; anti-fraud strategy); Addressing systemic weaknesses in the ex-ante controls, based on the analysis of the findings (sound financial management)

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[12] Effectiveness Efficiency Economy |
|---|---|---|---|
| The ex-ante controls fail to prevent, detect and correct erroneous payments or attempted fraud. Processes are | 1. Monitoring strategy: On an annual basis, an ex-ante verification (e.g. monitoring visit) will be conducted at the EIB. An on-site | 1. During the monitoring visits done on an yearly basis for the EIB and, of needed, more often for the TA beneficiaries, the Commission staff will | **Effectiveness**:<br>Control results: -<br>Number of projects with errors.<br>- Number of ex-ante control failures.<br>Amount of budget of errors concerned. |

[12] Results are provided under Annex 10

| **Main risks It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)**[12] Effectiveness Efficiency Economy |
|---|---|---|---|
| weak or not working as designed. Poor adequacy of the system. EU accounting rules are not respected (especially relevant if other institutions, e.g. National Promotional Banks, will be contracted to deliver decentralised advisory services under the EIAH's umbrella). | monitoring visit will also be done at the beneficiaries level annually, if needed. 2. Within three years from entry into force of the EFSI Regulation, the EU will conduct an independent mid-term evaluation of the functioning of EIAH. In 2017 the evaluation of the application of the EFSI Regulation 2015/1017 was launched and its results were published in June 2018[13]. The evaluation assessed the relevance, efficiency and effectiveness of the European Fund for Strategic Investments, the European Investment Project Portal and the European Investment Advisory Hub. | check for a number of projects/ TA assignments chosen randomly the following documentation:<br>• the initial contacts with the beneficiary<br>• the formal document defining the Terms of Reference/ the assignment;<br>• the TA deliverables<br>2. As per Article 6(3) of the FPA. | Action plans established following the ECA/ex-post control recommendations; number of recommendations agreed in the Action Plan, implemented or addressed. Benefits: Budget value of the errors detected by the staff.<br><br>**Efficiency**: N/A<br><br>**Economy**: Estimation of cost of staff involved in the monitoring visits and mission costs. Average annual cost of external evaluation compared with amounts being audited and evaluated. |

### *RCS 3:* Financial Instruments managed via international financial institutions (period 2007-2013) / indirect entrusted management

**Stage 1 (Front-Office) : Identification and selection of International Financial Intermediaries (IFIs) and Financial Intermediaries (FIs) & projects, negotiation of contractual terms, tendering procedures and payments carried out by the IFI (for CIP : EIF).**

NB: For GIF and SMEG07 programmes, Stage 1 (identification and selection) does not apply anymore, as Stage 1 tasks are no longer performed following the end of the signature period of those programmes. Consequently, the list below is presented for purely informative purposes, evidencing the activity that was carried out until 2014.

13 https://ec.europa.eu/info/sites/info/files/economy-finance/efsi_evaluation_-_final_report.pdf

These tasks are outlined in the respective Cooperation/Delegation Agreements or Financial and Management Agreements for the different financial instruments (altogether defined as Cooperation Agreements). Selection at the level of IFIs: the eligible IFIs are determined in the legal bases. The Cooperation Agreements between the EC and the IFIs contain provisions for the implementation of the tasks entrusted to the IFI, including the control and reporting arrangements foreseen. The individual projects/financial intermediaries are proposed by the IFIs utilising their business network and due diligence process. They have to comply with the criteria defined in the guidelines foreseen in the Cooperation Agreements and be approved by the competent governing bodies/services of the IFIs. As regards the CIP Programme, the selection was subsequently approved by the Commission (no further approvals after the end of the MFF). The IFI Facilities were closed in 2016, therefore as from 2017 no standard operational action took place.

Main control objectives: Ensuring eligibility, contractual compliance and process compliance of implementation actors including sound financial management of the IFIs (Legality and regularity).

| **Main risks It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)[14]** Effectiveness Efficiency Economy |
|---|---|---|---|
| IFIs may not be eligible<br>FIs may not be eligible<br>Final Beneficiaries (FBs) may not be eligible<br>Agreements with IFI/FIs do not cover the set of required provisions (eligibility of FBs, of operations, financial parameters, and so on).<br>For TA facilities, consultants may not be selected according to international standards (open tenders, publications, exclusion, selections award criteria, value for money) or contracted according to the | Detective and corrective measures include:<br>1**) Ex-ante controls**: in addition to the detailed appraisal made by the IFIs, individual analysis and approval of each FI proposal by our Front-Offices<br>2) **Due diligence**: The IFI has to check the fulfilment of the eligibility conditions of potential FIs based on agreed procedures and/or the IFI's own procedures. Certain IFIs perform their own on-site verification<br>**3) IFI reporting**: the IFIs draw up regular programme implementation | 1**) Ex-ante controls:** for CIP and IFI Facilities, all proposals for operations to be signed by the EIF or other IFIs (IFI in charge as 'operating body') undergo a preliminary formal approval by DG ECFIN, which is based on a formal template and analysis, as foreseen in DG ECFIN manual of procedures.<br>2) **set-up of a standard framework and underlying contractual documents** to be used by the IFI :<br>- FMA with EIF<br>- SLA with EIF<br>- standard Agreement EIF-FI template<br>- sample check by ECFIN DDG2.02 on agreements between the IFI and the FI/consultant.<br>**3) reporting framework from IFI to DG ECFIN**: quarterly | **1 + 2) Effectiveness:**<br>Control results:<br>- Correct filling-in of the standard check-list<br>- number of missing check-lists<br>- Quality of the selection work, analysis, approval notes, reports, etc. (Implementation status).<br>- Exhaustiveness of approval request coverage<br>Benefits: - Adequate selection of IFI/FIs<br>- Compliance of the FI agreements with the provisions foreseen in the Fiduciary Management Agreements (FMA) with the IFI (CIP: FMA signed with EIF 20/9/2007; EPMF: FMA signed with EIF 1/7/2010)<br>- Full compliance achievement; |

[14] Results are provided under Annex 10

| **Main risks It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)[14]**<br>Effectiveness<br>Efficiency<br>Economy |
|---|---|---|---|
| rules of the relevant facility. | and financial reports and a final report at the end of the facility.<br>The IFIs have to provide annually a financial audit certificate concerning the trust account balances.<br>**4) DG ECFIN reporting framework**<br>**5) ex-ante assessment of IFIs and follow up of their Internal Control System (ICS)** | reports, annual reports, monitoring reports, employment survey report. All of which are checked/analysed by DG ECFIN<br>**4) DG ECFIN reporting framework**; reporting tools include:<br>* the yearly AOSD reports to the Director-General<br>the mid-term assessment of the AMP<br>* bi-annual reports on the follow up of ex-post/audit recommendations<br>* the regular risk management exercise<br>* the AAR yearly report<br>* the yearly Programme Statement<br>* the yearly Entrepreneurship & Innovation Programme (EIP) and CIP implementation reports<br>* the yearly EIP Performance Report<br>* the yearly Reporting Package on Financial Instruments<br>**5) Ex-ante assessments**<br>For the EIF, the ex-ante assessment has been carried out before implementation with respect to the conformity of its procedures in the field of accounting, audit, internal control and procurement with international standards (as prescribed by Article 53d(1) of the Financial Regulation). This has been made on the basis of a methodology and corresponding questionnaire developed | avoidance of discrepancies in the Agreements<br>- Spot check sample compliance verification of Financing Agreements on Monitoring Visits.<br>- Number of discrepancies (Agreements' compliance default towards FMA, Programmes' Legal Basis) in agreements (DG ECFIN)<br>- number of approvals/signed agreements<br><br>**Efficiency:** -<br>Timeliness and quality of the drafting of approval selection notes & briefing<br>- Systematic analysis of each file submitted to DG ECFIN for approval (approval request analysis), with 20 working days processing deadline<br><br>**Economy**:<br>- very low man-months/managed budget cost ratio<br><br>**3) Reporting framework from IFI to DG ECFIN**<br>**Effectiveness:**<br>Control results:- compliance of the reports with FMA provisions (deadline, content, coverage) and SLA signed with the IFI (EIF)<br>- Number of reports not received or incomplete or not in line with template |

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[14]<br>Effectiveness<br>Efficiency<br>Economy |
|---|---|---|---|
| | | by an international audit firm.<br>For the grant/TA facilities managed by IFIs, a monitoring visit to each IFIs checking *inter alia* the evolution in their internal control systems is carried out almost in a yearly basis.<br>6) Meetings and related reports discussed at bilateral meetings. | foreseen in the FMA/ SLA<br>- Number of discrepancies in content<br>- Number of discrepancies in format<br>- Number of discrepancies in timeliness<br>Benefits: - Follow-up of implementation of the Facility (operational, compliance, financial)<br>- Soundness of the implementation (operational, compliance, financial)<br><br>**Efficiency:** Timely follow-up of reports received as regards their exhaustiveness (all reports shall be received), content and format (shall be the same as defined in FMA/SLA with IFI)<br><br>**Economy**: covered by IFI remuneration (CIP, EPMF : EIF)<br><br>**4) ECFIN reporting framework: Effectiveness**<br>Control results:<br>- adequate and satisfactory (in line with provisions foreseen in the FR) content of the reports under 'FR reporting package' to the Budget Authority<br>Benefits: **-** increased visibility of financial instruments at Commission, Parliament, Budgetary Authority levels |

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[14] Effectiveness Efficiency Economy |
|---|---|---|---|
| | | | - sound financial management<br><br>**Efficiency:** - on-time delivery of the reports under 'FR reporting package' to the Budget Authority<br>- timelines, quality of content, coverage of the reports: AAR, MP and AOSD reports delivered on time and with the content required under DG ECFIN and DG BUDG rules and procedures<br>- on-time delivery of the reporting package to the Budget Authority under the relevant provisions of the Financial Regulation with the content and coverage required by these provisions.<br><br>**Economy**: Estimate of cost of staff involved<br><br>**5) Ex-ante assessments and evaluations**<br>**Effectiveness:**<br>Control results:<br>- conduct of the ex-ante assessment for the SME Initiative (2013)<br>- the latest evaluation of the CIP programme reiterated that the financial instruments appeared to be on track to achieve the targets set and confirmed that the effectiveness of the financial instruments has increased over time. |

| **Main risks It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)[14]**<br>Effectiveness<br>Efficiency<br>Economy |
|---|---|---|---|
| | | | Benefits: - ensure the adequacy of EU Programmes to the market needs<br>- enhance the efficiency of EU Programmes<br>- ensure the compliance of the Programmes with EU rules<br><br>**Efficiency:** N/A<br><br>**Economy**: Estimate of cost of staff involved |

**Stage 2 (Back-Office): Monitoring of the implementation**

Main control objectives: Ensuring appropriate information on the implementation of the Facility by the IFIs and the FIs. Ensuring eligibility, contractual compliance and process compliance of the implementation (Safeguarding of assets and information)

| **Main risks It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)[15]**<br>Effectiveness<br>Efficiency<br>Economy |
|---|---|---|---|
| Financial Intermediaries may not be eligible.<br>Agreements with FIs do not cover the set of required provisions (eligibility of Final Recipients of operations, financial parameters, and so on).<br>Guarantee calls/investments/Grant allocations are not in line with contractual provisions.<br>Final Recipients might not be eligible. | **1) Preventive measures:** Each agreement between the Commission and the IFIs and between the IFIs and FIs contains control (e.g. audit rights of the Commission) and reporting obligations. In some programmes, there are certain risk-sharing arrangements built into the | **1) Preventive measures :** for CIP, IFI Facilities all agreements signed by the IFIs (IFI in charge as 'operating body') undergo a preliminary formal approval by DG ECFIN, which is based on a formal template and analysis, as foreseen in DG ECFIN manual | **Effectiveness 1) + 2):**<br>Control results: **-** number of analysis check-lists/set of sample-check-lists/ monitoring reports/letter to the IFIs<br>- number of findings and/or minor observations reported to the IFIs<br>- key indicators (number of Final Recipients; number of jobs created or maintained; total investment/loan |

[15] Results are provided under Annex 10

| **Main risks It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)[15]** Effectiveness Efficiency Economy |
|---|---|---|---|
| | design of the programmes as well as financial incentives to ensure alignment of interest at the IFI level. **2) Monitoring policy of the Commission services**: The designated operational Commission services assess the implementation of the action and the corresponding expenditure on the basis of a Monitoring Policy that has been defined by the Monitoring Policy Group associating DG ECFIN, DG NEAR, and DG GROW. In addition, the Policy DGs have been closely associated to the Delegation Agreements/ FMAs negotiation, including the relevant monitoring provisions. Monitoring instruments include a Steering Committee, checks prior to approval of project proposals, documentary checks, reporting, monitoring visits, audit reports and management letters. | of procedures. **2) Monitoring policy by the Commission services:** the monitoring is based on the provisions foreseen in the Monitoring Manuals complemented by the yearly Monitoring Plan, validated by the management. This defines the types and numbers of monitoring visits and tasks to be performed, and covers the rules for selecting the FIs, the operations samples, etc. **3) Reporting framework from IFI to DG ECFIN**: EIF quarterly reports, annual and semi-annual reports, monitoring reports, employment survey report | volume leveraged) of achievement Benefits: - assuring the compliance of the implementation of the agreements with the provisions foreseen in the Agreement/FMA/Legal Basis, namely with regard to the eligibility criteria of Final Beneficiaries and operations, EU visibility and promotion, policy objectives of the Facility, financial rules, - ensuring legality and regularity of the operations - ensuring sound operational and financial management of the Facility<br><br>**Efficiency 1) + 2):** Monitoring the timely use of budget available within the availability period<br><br>**Economy 1) + 2)**: Estimate of cost of staff involved |

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[15] Effectiveness Efficiency Economy |
|---|---|---|---|
| | Monitoring visits take place at different levels (at IFI level, at FI level and at FB level) and are carried out by the operating unit as well as by the ex-post control function in ECFIN. The findings and results are followed up by the operating unit in different ways, e.g. technical meetings with the IFIs, communications setting out weaknesses to be addressed, etc. | | |

**Stage 3 (Overall assurance building process): Assurance building on the process and systems of DG ECFIN**

**Main control objectives:** Verification that processes are working as designed / Feedback on adequacy of the system (Reliability of financial reporting; Fraud prevention and detection)

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[16] Effectiveness Efficiency Economy |
|---|---|---|---|
| 1) processes are weak or not working as designed 2) poor adequacy of the System | 1) The verification that processes are working as designed is ensured through several information channels: -management's knowledge about the state of the DG's internal control systems, gathered through the day-to-day work and | 1) According to the annual work-plan of the IAS DG ECFIN ex-post control and the ECA. 2) Follow-up of the implementation of OLAF's recommendations in two cases (see more in Annex 10). Several ex-post controls are regularly | **Effectiveness:** Control results: **-** Number of controls and quality; results of the controls listed in column 2 → see ECA/ IAS/OLAF/ex-post controls. - Action plans established following ECA, IAS or ex-post control recommendations; number of recommendations agreed in the Action Plan, |

[16] Results are provided under Annex 10

| **Main risks**<br>**It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)[16]**<br>Effectiveness<br>Efficiency<br>Economy |
|---|---|---|---|
| | experiences;<br>-the DG's formal supervision, follow-up and monitoring arrangements;<br>- the results from the annual ICS review ('full compliance with baseline requirements');<br>- the results of the annual Risk Assessment exercise;<br>- the ex-ante and ex-post controls, including reports of exceptions and/or internal control weaknesses;<br>- the results from the DG's external financial audits;<br>- evaluations of the programmes carried out by external evaluators.<br>- The audited financial statements received from IFIs<br>- The Statements of Assurance received from EIF.<br>- Contractual monitoring obligations for the IFI<br>2) All activities of the DG are audited by the IAS and the ECA. | performed on the projects (for the results, see under Annex 10). | implemented or addressed.<br>- Number of closed findings<br>- Number of OLAF inquiries<br>- Number of open recommendations in action plans established following ECA, IAS or ex-post control recommendations<br>Benefits: - to get reasonable assurance in the implementation of the Programmes<br>- to ensure legality and regularity of the operations<br>- financially speaking, this covers the (average annual) total budget amount entrusted to the entity, possibly at 100% (significant errors would otherwise be detected).<br><br>**Efficiency:** N/A<br><br>**Economy**: Costs for our internal control tasks and follow-up of ex posts controls |

**Stage 4 (Programme financial management): Budget commitments and payments**

**Main control objectives:** to avoid errors that may occur during the financial process (commitments, payments, recoveries, de-commitments, repayments) (Sound financial management)

| **Main risks It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)[17]** Effectiveness Efficiency Economy |
|---|---|---|---|
| Undue or erroneous payments (amount, eligible beneficiaries)) Undue or erroneous recoveries/re-payments | 1) **Ex-ante controls**: The payments from DG ECFIN to the trust accounts and recovery from the trust accounts of the IFIs are subject to the normal financial circuit of the DG, including independent ex-ante verification.<br>2**) Due diligence:** The IFI has to check the project implementation and the fulfilment of the conditions triggering payments out of (or recoveries to) the trust account based on agreed procedures and/or the IFI's own procedures.<br>3**) IFI reporting**: the IFIs draw up regular programme implementation and financial reports and a final report at the end of the facility.<br>The IFIs have to provide annually a financial audit | Ex-ante verification of commitments 100% / Ex-ante verification of payments 100%.<br>Ex-post control reports (recommendations "taken on board")<br>Verification of IFI transactions (sample checks).<br>All fees and eligible expenses are verified before payment against contractual conditions and supporting documentation required under the CA/Delegation Agreement.<br>Reports to DG BUDG on Trust accounts for every financial year, final balance year n-1 equals starting balance year n. | **Effectiveness:** Control results:<br>- improvement on procedures<br>- compliance with budget procedures and financial management procedures & Financial Regulation<br>- number of operations outside official procedures<br>- number of erroneous operations<br>- return to Trust Account linked to errors<br>- results on the checks on the balance of the Trust Account<br>Benefits: - reduce or avoid errors on payments/recoveries/repayments<br>- sound financial management sample checks performed give sufficient assurance that transactions are in-line with rules and regulations<br>- financially speaking, the (average annual) total budget amount entrusted to the entity, possibly at 100% (significant errors would otherwise be detected).<br><br>**Efficiency:** N/A<br><br>**Economy**: Estimate of cost of staff involved. |

[17] Results are provided under Annex 10

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[17] Effectiveness Efficiency Economy |
|---|---|---|---|
| | certificate concerning the trust account balances.<br>4) Approval of management fees and eligible expenses of the IFI | | |

**Stage 5 (Programme financial management): Audit and evaluations**

**Main control objectives**: Ensuring that assurance building information on the entrusted entity's activities is provided through independent sources as well, which may confirm or contradict the management reporting received from the entrusted entity itself (fraud prevention and detection)

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[18] Effectiveness Efficiency Economy |
|---|---|---|---|
| 1) processes are weak or not working as designed<br>2) poor adequacy of the system<br>3) errors in the implementation of the programmes as compared to the provisions foreseen in the legal basis, Cooperation Agreements FMAs and/or financial operations | 1) The verification that processes are working as designed is ensured through several information channels:<br>-management's knowledge about the state of the DG's internal control systems, gathered through the day-to-day work and experiences;<br>-the DG's formal supervision, follow-up and monitoring arrangements;<br>- the results from the annual ICS review ('full compliance with baseline requirements');<br>- the results of the annual Risk Assessment exercise; | See above Stage 3 | **Effectiveness:** Control results:<br>**-** Number of controls and quality**;** results of the controls listed in column 2 (see also stage 3)<br>- Action plans established following ECA, IAS or ex-post control recommendations<br>- Number of recommendations agreed in the Action Plan, implemented or addressed.<br>- Positive DAS for the exercise<br>Benefits: - To get reasonable assurance in the implementation of the Programmes<br>- To ensure legality and regularity of the operations<br>- Sample checks performed give sufficient |

[18] Results are provided under Annex 10

| | | | |
|---|---|---|---|
| | - the ex-ante and ex-post controls, including reports of exceptions and/or internal control weaknesses;<br>- the results from the DG's external financial audits;<br>- evaluations of the programmes carried out by external evaluators.<br>2) All activities of the DG are audited by the IAS and the ECA | | assurance that transactions are in-line with rules and regulations<br>- Financially speaking, this covers the (average annual) total budget amount entrusted to the entity, possibly at 100% (significant errors would otherwise be detected).<br><br>**Efficiency:** N/A<br><br>**Economy**: - Estimate of cost of DG ECFIN staff involved in our internal control tasks and follow-up of ex-post controls.<br>- Estimate of cost of IAS, ECA and other staff involved if applicable |

## *RCS 4:* Grants under the European Local ENergy Assistance (ELENA) / Grants indirect entrusted management

**Background and purpose:** Annex 10

**Stage 1: Preparation of Agreements and negotiation of contractual terms, assessment and approval of project proposals**

**Main control objectives:** Ensuring eligibility, contractual compliance and process compliance of entrusted entities / grant beneficiaries, including sound financial management of the entrusted entities (Legality and regularity). Feedback on adequacy of the ELENA governance structure.

| **Main risks It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)[19]**<br>Effectiveness<br>Efficiency<br>Economy |
|---|---|---|---|
| Contribution Agreements between the EU and entrusted entities (EIB) do not cover the required provisions as set in the H2020 Multiannual Work Programme (e.g. | Consultation and involvement of relevant Commission Services in the drafting and negotiation of the Agreements or Amendments (DG ENER, MOVE, BUDG, and the respective | For each Agreement or Amendment, the relevant Commission services are consulted and formally visa the final documents before | **Effectiveness:** Control results: full respect of provisions set for the ELENA Facility. Respect for the Financial Regulation provisions on grants implemented indirectly.<br>Benefits: effective implementation of the ELENA facility and achievement of the related |

[19] Results are provided under Annex 10

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | **Cost-Effectiveness indicators (three E's)**[19] Effectiveness Efficiency Economy |
|---|---|---|---|
| eligibility of final beneficiaries, of operations, financial parameters, grant conditions).<br><br>Projects proposed are not compliant with the terms set in the Contribution Agreements or H2020 Work Programme (Final Beneficiaries / Project proposals / area of investments may not be eligible). | legal departments).<br><br>Formal assessment and consultation of operational Units in DG ENER and MOVE before the approval of grant allocation to each project (Requests for Approval, RfA). If necessary, the expertise of EASME may be requested to better assess the technical need for grant. The overall project assessment is based on a procedure foreseen in the Agreement and included in the ECFIN.DDG2.03 Unit Manual. | signature.<br><br>For each project (RfA), the relevant Commission services are consulted and formally sign consultation documents with their feedback on the approval. | policy objectives.<br><br>**Efficiency:** correct allocation of the ELENA grant, timely technical assistance support to the targeted investment projects.<br><br>**Economy:** staff cost estimation for the Agreements/Amendments preparation and signature and RfAs approval. |

**Stage 2: Monitoring of the implementation**

**Main control objectives:** Ensuring appropriate information on the implementation of the ELENA Facility. Ensuring eligibility, contractual compliance and process compliance of the implementation. Prevention of fraud. Ensuring that financial operations comply with regulatory and contractual provisions (legality and regularity) and avoiding errors that may occur during the financial process (commitments, payments, recoveries, de-commitments, repayments) (Sound financial management).

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | **Cost-Effectiveness indicators (three E's)**[20] Effectiveness Efficiency Economy |
|---|---|---|---|
| Projects proposed (RfAs) are not totally or partially compliant with | All Agreements between the Commission and the ELENA entrusted entities and between the latter and final beneficiaries contain control measures | All Agreements and Amendments undergo a legal check and formal approval by DG BUDG, DG ECFIN, DG ENER and DG MOVE. All project proposals are assessed and | **Effectiveness**: Control results: errors in the compliance with budgetary procedures; assessments, recommendations from monitoring, key |

[20] Results are provided under Annex 10

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[20] Effectiveness Efficiency Economy |
|---|---|---|---|
| the terms set in the Contribution Agreements or H2020 Work Programme (e.g. Final Beneficiaries (FBs) / RfAs / area of investments may not be eligible, grant conditions are not respected)<br><br>Grant allocations to beneficiaries are not in line with the contractual provisions signed between the EIB (or entrusted entities) and the FBs.<br><br>The financial management of the ELENA Programme is not sound (errors in budgetary and financial operations) | (e.g. audit rights of the Commission) and reporting obligations. ELENA has risk-sharing arrangements (co-financing) and specific conditions to fulfil (minimum leverage) built into the design of the programme to ensure alignment of interest with FBs.<br><br>DG ECFIN together with DG ENER and MOVE assess the implementation of the action and the corresponding expenditure. All involved Commission services cooperate on the assessment of projects and the relevant monitoring provisions. Monitoring instruments include a Steering Committee overseeing the Facility (three members appointed by the Commission and three by the EIB), regular Technical Meetings and weekly conference calls prior to approval of project proposals; in addition, documentary checks, reporting, monitoring visits, audit reports and management letters complement the controls.<br>Monitoring visits take place at different levels (at IFI level and at FB level) and are carried out by ECFIN and ENER | approved/ rejected by the relevant Commission services.<br><br>A monitoring activity to entrusted entities and to FBs is defined yearly in a Monitoring Plan, validated by the management. This defines the types and numbers of monitoring visits (usually 2 to 4) and tasks to be performed.<br><br>Entrusted entities issue monthly and yearly operational and financial reports.<br><br>For each budgetary transaction, the ex-ante verification validates the requests. Where additional funds need to be available for transfers, DG ENER/MOVE SRD performs a control of justification documents. Ex-post control is performed by DG ECFIN on randomly selected projects. | indicators (number of Final Recipients; total energy savings and CO2 reductions generated; total investment volume leveraged).<br><br>Benefits: Assuring compliance of the implementation with the provisions foreseen in the Legal Basis (eligibility criteria of FBs and operations, visibility and promotion, policy objectives of the Facility, financial rules);<br>Ensuring legality and regularity of the operations;<br>Ensuring sound operational and financial management of the Facility.<br><br>**Efficiency**: Timely use of budget available within the availability period.<br><br>**Economy**: Cost of staff involved in the monitoring of the execution of the Facility. |

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | **Cost-Effectiveness indicators (three E's)[20]** Effectiveness Efficiency Economy |
|---|---|---|---|
| | representatives. The ex-post control function in ECFIN also performs controls. The findings and results are followed up by the operational unit through meetings, communications, etc.<br><br>Ex-ante verification and ex-post control of budgetary transactions performed by the ECFIN Financial Unit as well as ENER/MOVE SRD.<br>For cases where issues are discovered, the Commission could apply a suspension/ interruption of payments. | | |

**Stage 3: -Reporting and Audits**

**Main control objectives:** Ensuring that operational results meet the objectives and conditions of the Facility. Ensuring that financial operations comply with regulatory and contractual provisions. Ensuring appropriate accounting of the operations (reliability of financial reporting, safeguarding of assets and information). Assurance building information on the entrusted entity's activities, through independent sources/ audits (fraud prevention and detection).

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | **Cost-Effectiveness indicators (three E's)[21]** Effectiveness Efficiency Economy |
|---|---|---|---|
| The ex-ante controls fail to prevent, detect and correct erroneous | Internal control on processes performed through the daily administration of the Facility; formal supervision, follow- | 2 to 4 monitoring visits per year are organised to projects and entrusted entities. Regular ex-ante | **Effectiveness**: Control results: identification of errors in the implementation of the Facility<br>- Number of projects with errors. |

[21] Results are provided under Annex 10

| Main risks It may happen (again) that... | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[21] Effectiveness Efficiency Economy |
|---|---|---|---|
| payments or attempted fraud.<br><br>Processes are weak or not working as designed<br><br>Errors in the implementation of the programmes as compared to the provisions foreseen in the legal basis and/or financial operations | up of reports and monitoring actions with other DGs involved (ENER/MOVE SRD, accountancy departments);<br>Analysis of operational and financial reporting;<br>Ex-ante verification and ex-post control ;<br><br>Independent evaluations of the programmes carried out by external evaluators.<br><br>DG ECFIN activities are audited by the IAS and the ECA. | verification of all commitments and payments.<br>Ex-post control reports on selected projects.<br>All fees and eligible expenses are verified before payment against contractual conditions and supporting documentation required under the Contribution Agreement.<br>All accounts are audited every year. | - Number of ex-ante control failures.<br>Amount of budget of errors concerned.<br><br>Action plans established following the ECA/ex-post control recommendations; number of recommendations agreed in the Action Plan, implemented or addressed.<br><br>Benefits: corrections/improvement of processes or implementation.<br>Budget value of the errors detected by the staff.<br><br>**Efficiency**: N/A<br><br>**Economy**: Estimation of cost of staff involved in the monitoring visits/ mission costs. Annual cost of external evaluations compared with amounts being audited and evaluated. |

### *RCS 5:* Marguerite Fund / direct management

**Background and purpose:** Annex 10

**Stage 1: Budget commitment and payments**

**Main control objectives:** To avoid errors that may occur during the financial process (commitments, payments, recoveries, de-commitments) (Sound financial management, Legality and regularity, Fraud prevention and detection)

| Main risks It may happen (again) that... | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[22] Effectiveness Efficiency Economy |
|---|---|---|---|

[22] Results are provided under Annex 10

| Main risks<br>It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[22]<br>Effectiveness<br>Efficiency<br>Economy |
|---|---|---|---|
| Undue/erroneous or late payments<br><br>Undue/erroneous or late recoveries of Fund distributions | 1) Payments to and recoveries from the custodian managing funds on behalf of the Marguerite Fund are subject to the normal financial circuit of the DG, including independent ex-ante verification.<br><br>2) An effective information flow to process the payment files within the time limit has been established with the financial circuit | Ex-ante verification of (de)commitments 100% / Ex-ante verification of payments 100%/ Ex-ante verification of recoveries 100%. | **Effectiveness:**<br>Control results:<br>- compliance with budget procedures and financial management procedures for payments and recoveries<br><br>**Efficiency:** Timely use of budget.<br><br>**Economy**:<br>Estimate of cost of staff involved. |

**Stage 2: Monitoring of implementation, audits and evaluation**

**Main control objectives:** Monitoring that the Fund is meeting its objectives and that operations comply with contractual provisions. Monitoring of reporting and appropriate accounting of the operations (reliability of financial reporting, safeguarding of assets and information). Ensuring that assurance building information on the custodian reporting is provided through independent sources (auditors) as well, which may confirm or contradict the management reporting received from the custodian itself (fraud prevention and detection).

| Main risks<br>It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[23]<br>Effectiveness<br>Efficiency<br>Economy |
|---|---|---|---|
| Investment/policy objectives are not achieved compared to the provisions envisaged in the legal | Formal Supervision – EC representative in the Fund's Supervisory Board in its role to monitor the Fund's investments | Annual and ad-hoc Supervisory Board meetings. | **Effectiveness**:<br>Control results: review and identification of possible errors in reporting<br>- Amount of errors |

[23] Results are provided under Annex 10

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[23] Effectiveness Efficiency Economy |
|---|---|---|---|
| basis.<br><br>The Fund provides erroneous data – risk of errors | and performance of eligible projects.<br><br>Review and analysis of operational and financial reporting;<br><br>Independent evaluations and audit carried out by external evaluators, IAS and ECA. | Quarterly reporting – IE Reporting Guidelines (Formerly EVCA).<br><br>Quarterly operational reporting to the Supervisory Board Members.<br><br>Financial accounts are audited every year by an external auditor. | concerned.<br><br>**Efficiency**: N/A<br><br>**Economy**: Estimation of cost of staff involved. Annual cost of external evaluations compared with amounts being audited and evaluated (when applicable). |

### *RCS 7:* Management of the European Fund for Strategic Investments (EFSI) Guarantee Fund / direct management

**Background and purpose:** Annex 10

**Stage 1: Management of the EFSI Guarantee Fund and payments into/from the EFSI Guarantee Fund**

**Main control objectives:** Ensuring that the legal framework for the management of the EFSI Guarantee Fund is complied with and that sound financial management principles are respected; Ensuring that payments into/from the EFSI Guarantee Fund comply with the legal framework; Ensuring that the management of the EFSI Guarantee Fund portfolio is compliant with the asset management guidelines (Legality and regularity; Sound financial management; Fraud prevention and detection).

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[24] Effectiveness Efficiency Economy |
|---|---|---|---|
| Risk of decision making latitude in | • The Asset Management Guidelines as adopted by | • The Treasury Management Board, | **Effectiveness:** Control results: |

[24] Results are provided under Annex 10

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[24] Effectiveness Efficiency Economy |
|---|---|---|---|
| the initiation of the treasury transactions (the so-called 'front-office' function of the treasury). By their nature, i.e. need for quick decisions by the 'front office', these operations are initiated and authorised in a tight time-frame and, for reasons of timing, they cannot be subject to independent centralised ex-ante verifications as in the case of the budgetary transactions.<br>Non availability of the highly sophisticated software platform (SAP shared with DG BUDG).<br>Operational risk: Risk of errors during the ascertaining and calculation of amounts due or during the payment operations from/into the EFSI Guarantee Fund following calls on the EU guarantee. | the Commission on 21/1/2016[25] define the framework for the asset management activity. In particular they define the eligible asset classes, the risk preference, certain limits and the investment horizon.<br>• There are comprehensive rules concerning the type of investments that can be made and the limits of financial risk (e.g. credit risk) that can be assumed in the portfolios under management.<br>• Detailed investment strategies are developed on an annual basis, incorporating short term developments (expected market movements, etc.) effecting the eligible asset classes.<br>• The strategical decisions are supervised by the Treasury Management Board (TMB) chaired by the Director of the responsible Directorate and the Principal Advisor to the DDG. The role of the TMB is to make strategical proposals to the senior management following discussion and input received from the Investment Committee and Risk Committee. The Investment Committee is in charge with the Tactical Asset Allocation (TAA) and the Risk Committee is in charge with the Strategical Asset Allocation (SAA).<br>• There is a transparent method for selecting and approving possible | the Investment Committee, the Compliance Committee and the Risk Committee monitor the implementation of the investment strategy and any deviations from it.<br>• A dedicated financial risk management function is placed in a unit independent from the treasury unit. It sets the various limits (per asset class, currency, ratings, etc.) resulting from the risk tolerance of the EFSI Guarantee Fund and monitors compliance with internal rules (e.g. manuals of procedures, respect of credit limits with counterparties, limits concerning the credit quality of securities purchased, etc.). Risk management produces a quarterly risk report to senior management. The Internal Control function performs sample-based checks of transactions. | - Number of incidents.<br>- Number of material audit findings.<br>Benefits: The absence of material errors<br><br>**Efficiency:** N/A<br><br>**Economy**: Estimate of cost of staff FTE involved in the controls. |

[25] C(2016)165

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[24] Effectiveness Efficiency Economy |
|---|---|---|---|
| | counterparties for deposit placements and establishing limits for the placements.<br>• Operations are carried out in line with good banking practice, in particular there is segregation of duties, four-eye principle, daily cash account reconciliation, monthly securities account reconciliation etc.<br>• Exceptions from the procedures are documented, followed and signed off at senior level (usually Director).<br>• It is required to have documented competing bids for the treasury transactions to the extent possible under market circumstances.<br>• There are detailed manuals of procedure which are regularly updated.<br>• Evaluation of the use of the EU guarantee and the functioning of the guarantee fund.<br>• Establishment of IT and information security 'culture' and rules.<br>• Sufficient availability of consultants for the sophisticated software platform.<br>• Operational risk: Appropriate review and verification procedures are in place. | | |

**Stage 2: Protection: recording, follow-up and accounting of the Commission's rights in terms of management of the EFSI Guarantee Fund**

**Main control objectives:** Ensuring that the Commission registers and protects its revenue entitlements, assets ownership and liabilities correctly, reports transparently and protects its information security (Safeguarding of assets and information; Reliability of financial reporting).

| **Main risks**<br>**It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)[26]**<br>Effectiveness<br>Efficiency<br>Economy |
|---|---|---|---|
| A/ The implementation of the legal bases or equivalent rules and legal documents entails weaknesses, which lead to the Commission's legal rights in terms of revenue entitlements, assets ownerships, liabilities or information security not being duly protected and/or registered and/or reliably reported.<br>B/ EU accounting rules are not respected. | A/ A dedicated risk management function reports on financial risks and ensures compliance with the principles and limits as defined in the individual investment guidelines and the Risk Management Policy and Manual.<br>In addition the asset management is supported by accountants, back-office and specialised lawyers.<br>B/ a) EU Accounting rules are properly followed. Updates to the EU Accounting rules and accounting instructions are timely communicated by BUDG. Changes are analysed and information is shared among officials concerned.<br>b) Closure accounting instructions are provided by BUDG. Information is shared among the officials concerned, internal and external preparatory meetings take place.<br>Accounting procedures manuals are made available and are regularly updated.<br>c) Accounting revision programme is regularly updated in view of the results of the Accounting quality overview and of the evolution in the accounting environment.<br>d) Segregation of duties and four eyes principle are systematically applied. Formalised supervision and review procedures are in place for all accounting activities. | A/ Risk Management maintains and monitors counterparty limits and provides regular risk and performance reporting – monthly to the Treasury Management Board, quarterly to senior management<br>B/ a) Updates on irregular basis depending on the evolution of the accounting environment.<br>The accounting team produces a monthly balance sheet report and a yearly audited set of financial statements on the outstanding net assets and liabilities to senior management.<br>b) Yearly (October-December)<br>c) Yearly (May or earlier)<br>Revision programme followed throughout the year.<br>d) Continuous | **Effectiveness**:<br>Control results:<br>- Number of control failures.<br>- Number of litigation settlement and court cases lost (e.g. due to lack of evidencing documents); amounts of the items concerned.<br>- Number of internal and external auditors findings about incorrect registration of items.<br>- Number of exceptions (bank reconciliation incidents).<br>Benefits: - The value of errors prevented or detected within the activities of the EFSI Guarantee Fund management<br><br>**Efficiency**: N/A<br><br>**Economy**:<br>Estimate of cost of staff FTE. Cost of the contracted (legal, IT, advisory) services. |

[26] Results are provided under Annex 10.

**Stage 3: Assurance building on the process and systems of ECFIN L in terms of management of the EFSI Guarantee Fund**

**Main control objectives:** Verification that processes are working as designed / Feedback on adequacy of the system and avoiding errors that may occur during the financial process (Sound financial management; Fraud prevention and detection).

| **Main risks It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)**[27]<br>Effectiveness<br>Efficiency<br>Economy |
|---|---|---|---|
| Processes might be weak or not working as designed.<br><br>Undue or erroneous financial operations or payments.<br><br>The system might not be adequate. | • Supervision by Heads of Unit and senior management responsible.<br>• Oversight by the Treasury Management Board.<br>• Internal control verification includes ex post transactional controls.<br>• Specific procedures are in place creating a clear framework of controls to be performed by the Financial Unit. The various documents to be provided as well as the controls performed by the financial and the verifying agents are detailed in these procedures.<br>• Procedures are documented in unit manuals of DG ECFIN units concerned.<br>• Annual financial audits are performed by an external audit firm on financial statements of the EFSI Guarantee Fund.<br>• Audit and consultancy work is performed by the Commission's Internal Audit Service (IAS), the European Court of Auditors, DG BUDG and in the discharge procedure and feedback is provided by them.<br>• Recommendations | • In the framework of the regular quarterly checks on compliance with rules and procedures, the financial risk management verifies samples and produces quarterly risk reports to senior management.<br>• All non-expenditure/off-budget financial operations are controlled by a dedicated team possessing the required specialized competences (back office and account reconciliation).<br>• Reports are made to the Treasury Management Board.<br>• Frequency of controls is determined by the annual work plans of the IAS, DG BUDG and the ECA.<br>• IAS audits.<br>• Annual ECA audits.<br>• Complementary a posteriori controls are carried out by external auditors in the context of their audit of the financial statements for the EFSI Guarantee Fund having been prepared by a dedicated team of accountants in DG | **Effectiveness**:<br>Control results: - Percentage of sampled operations checked by the financial risk management which are in compliance with internal procedures (e.g. reconciliation items, bank accounts, etc.).<br>- Number of recommendations from the audit bodies (see under Mitigating controls) which have been followed up systematically.<br>Benefits: - The absence of material errors.<br>- The benefits of controls are not quantifiable other than through the low number of incidents caused in DG ECFIN and the existing full compliance with internal rules and procedures.<br>**Efficiency**: N/A<br><br>**Economy**: Estimate of cost of staff FTE dedicated to control-related tasks and of other costs (audit fees, evaluation costs) involved. |

[27] Results are provided under Annex 10

| Main risks It may happen (again) that… | Mitigating controls | Coverage, frequency and depth of controls | Cost-Effectiveness indicators (three E's)[27] Effectiveness Efficiency Economy |
|---|---|---|---|
| | made by these bodies are followed up systematically. | ECFIN.<br>• Agreed upon procedure review by EIB's external auditors on key figures such as guaranteed amounts outstanding, etc. | |

### *RCS 8: Macro-Financial Assistance*

Macro-Financial Assistance represents support to partner third countries in the form of medium and long term loans and or grants, generally in the context of IMF reform programme, each time based on an ad hoc Legislative Decision (decision by the Council alone until the entry in force of the Lisbon Treaty, then co-decision by the European Parliament and Council under the ordinary legislative procedure). The loan funds are borrowed on the capital markets and paid to the central bank of the beneficiary country, whereas the grants are financed from the EU budget. The funds are not allocated to specific projects or spending categories and their final destination, unless otherwise specified, is left to the national authorities to decide.

Key inherent risks in this environment: Although the funds are not allocated, there is a risk of misuse of funds in case the financial circuits in the relevant institutions (central bank and Ministry of Finance) of the beneficiary country do not comply with the basic principles of sound financial management.

**Stage 1 – Ex-ante (re)assessment of the beneficiary country's financial and control framework**

Main control objectives: Ensuring that the beneficiary country is fully prepared to start/continue implementing the received funds with respect of all 5 Internal control Objectives (ICOs).

| **Main risks It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)[28]**<br>Effectiveness<br>Efficiency<br>Economy |
|---|---|---|---|
| The financial and control framework deployed by the beneficiary country is not fully mature to guarantee achieving all 5 ICOs (legality and regularity, sound financial management, true and fair view reporting, safeguarding assets and information, anti-fraud strategy). | Commission assessment of management and control systems in the beneficiary countries.<br>For each beneficiary country, an ex-ante operational assessment of the financial circuits and control environment is carried out by the Commission with technical support from consultants. An analysis of accounting procedures, segregation of duties and internal/external audit of the Central bank and the Ministry of Finance are carried out to ensure a reasonable level of assurance for sound financial management. Should weaknesses be identified, they are translated into conditions, which have to be implemented before the disbursement of the assistance. Also, when needed, specific arrangements for payments (e.g. ring-fenced accounts) are put in place. | **Coverage:**<br>Verification of information provided in the ex-ante operational assessments.<br>Depth: Desk checks and/or on-the-spot audits based on risk assessment. | **Effectiveness:**<br>- Number, amount and % (with respect to total commitment) of MFA operations stopped or suspended as a result of a negative operational assessment.<br>**Efficiency**:<br>- Cost of operational assessments (% of proposed amounts of MFA operations )<br>**Economy:**<br>- Cost of external ex-ante operational assessments (outsourced to consultants)<br>- Estimation of cost of Commission staff involved in the assessment of management and control systems in beneficiary country, including analysis of operational assessment report, own audit work, and drafting of interruption letters<br>Benefits: errors prevented [unquantifiable] |

[28] Results are provided under Annex 10

**Stage 2 – Adoption of the MFA Decision, negotiation and signature of MFA documents (MoU, Loan/Grant agreements):**

**Main control objectives**: Ensuring that the legal documents include the actions (conditionalities) that contribute the most towards the achievement of the policy objectives (effectiveness).

| **Main risks** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)**[29]<br>Effectiveness<br>Efficiency<br>Economy |
|---|---|---|---|
| The macro-financial assistance does not adequately reflect the EU policy objectives or priorities.<br>Delayed implementation of the MFA operation negatively impacts the effectiveness and efficiency of the assistance. | Internal consultation, hierarchical validation at DG-level of each action.<br>Given the complexity of the instrument, a comprehensive Vademecum has been put in place setting out the procedures and controls to be followed by the competent DG ECFIN services in the preparation of each operation.<br>Inter-service consultation (including all relevant DGs)<br>Inter-institutional agreement required<br>Adoption by Legislative (Council and Parliament) Decision/Commission Decision, where foreseen by EU law. | **Coverage and Frequency:** 100%.<br>**Depth:** Checklist, guidelines and lists of requirements in the relevant regulatory provisions. (cf. Genval criteria) | **Effectiveness:**<br>- Average time between the adoption of the Decision and the signature and ratification of MFA documents (Memorandum of Understanding (MoU), Loan and/or Grant Agreement) *(the shorter the time the more relevant the decision in relation to the country's needs and EU policy objectives)*<br>**Efficiency:**<br>- Average cost of analysis and adoption/approval of an MFA operation<br>- Average time between a proposal by the Commission for a Decision to the adoption of the Decision by the co-legislators *(this measures the efficiency of the inter-institutional process)*<br>**Economy:**<br>Estimation of cost of staff involved in the negotiation and adoption of the MFA proposals.<br>Benefits: MFA operations have a clear intervention logic, allowing the Commission to evaluate their impact. |

[29] Results are provided under Annex 10

**Stage 3 – Monitoring and supervision of the implementation of MFA, including ex-post control**

**Main control objectives**: ensuring that the payments/disbursements are eligible and regular

| **Main risks**<br>**It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)**[30]<br>Effectiveness<br>Efficiency<br>Economy |
|---|---|---|---|
| The management verifications and subsequent audits/controls have failed to detect non-implementation of conditionalities.<br>The Commission services have failed to take appropriate measures to safeguard EU funds, based on the information it received. | Commission checks of periodic beneficiary country declarations.<br>The payment is subject to (1) monitoring by DG ECFIN staff, in close coordination with the EU Delegations and with the external stakeholders, like the IMF, of the implementation of the agreed conditionalities, and (2) the normal control procedure provided for by the financial circuit (model 2) used in DG ECFIN, including the verification by the financial unit of the fulfilment of conditions attached to the disbursement of the assistance mentioned above.<br>The disbursement relating to MFA operations may be subject to additional independent ex-post (documentary and/or on-the-spot) verifications by officials of the ex-post control team of the DG. Such verifications may also be initiated at the request of the responsible AOSD.<br>Interruptions and suspensions of payments<br>Financial corrections (implemented by Commission)<br>Recoveries may be practiced where needed (it has not occurred so far), and are explicitly foreseen in the financing agreements with the beneficiary countries. | **Coverage:** Verification of information provided in the periodic beneficiary country declarations.<br>**Depth:** Desk checks and/or on-the-spot audits based on risk assessment. | **Effectiveness:**<br>- % of MoU conditions successfully implemented<br>- % of financial allocation disbursed*<br>**Efficiency:**<br>- Time-to-payment (time between adoption of decision on disbursement and actual disbursement)<br>**Economy:**<br>- cost of Commission staff checking conditionalities<br>Benefits: errors prevented [unquantifiable] |

* where relevant/if applicable, for 2014-2020

[30] Results are provided under Annex 10

**Stage 4 – Audit and evaluation**

**Main control objectives**: Ensuring that assurance building information on the beneficiary country's activities is being provided through independent sources as well, which may confirm or contradict the management reporting received (on the 5 ICOs).

| **Main risks**<br>**It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)**[31]<br>Effectiveness<br>Efficiency<br>Economy |
|---|---|---|---|
| The Commission has not sufficient information from independent sources on the beneficiary country's achievements, which may reflect negatively on the Commission's governance reputation and quality of reporting. | The verification that processes are working as designed is ensured through several information channels:<br>the ex-ante and ex-post controls, including reports of exceptions and/or internal control weaknesses;<br>the results from the DG's external financial audits;<br>the audit and consultancy work performed by the DG's Internal Audit Capability.<br>Ex-post evaluations of the MFA operations are carried out by external evaluators. | **Coverage:** Verification of information provided in the ex-ante operational assessments.<br>**Depth:** Desk checks and/or on-the-spot audits based on risk assessment. | **Effectiveness:**<br>- Assurance being provided (via management/audit reporting);<br>**Efficiency:**<br>- Total (average) annual cost of own audits and evaluations compared with MFA amounts being audited/evaluated (ratio).<br>**Economy:**<br>- Cost of external ex-post evaluations (outsourced to consultants)<br>- Estimation of cost of Commission staff involved in the ex-post controls and audits.<br>**Benefits:** Confirmation of assurance and of attainment of policy objectives and priorities [unquantifiable] |

[31] Results are provided under Annex 10

### *RCS 6*: Guarantee Fund for external actions / indirect management

**Background and purpose**: Annex 10

**Management of the Fund's assets**
*Roles:* The EIB manages the Fund's portfolio. The Commission services oversee the investment policy, its implementation and agree with the EIB on the main investment guidelines.
The **features of the activity** are the following:

- There is a clear legal framework and contractual relationship with the EIB.
- The GFEA balance sheet is consolidated into the Commission financial statements at year-end.
- The level of financial risk (credit risk, market risk, etc.) that can be accepted is low (rules are similar to those applicable to ECSC in liquidation set out in Council Decision 2003/77/EC, as amended). A key reference document in this respect is the Agreement between the EIB and the Commission which sets out the investment guidelines for managing the assets of the GFEA.

**Stage 1: Management of the Guarantee Fund for external actions ("GFEA") and the payments from/into the GFEA**

**Main control objectives:**
Management of the GFEA portfolio: ensuring that the management of the GFEA is compliant with the investment guidelines and the investment policy. Payments from/into the GFEA: calls on the GFEA require specific procedures in place so that the claim can be established, amounts verified, recovery activities of the EIB followed up. A specific control environment has been defined and put in place within DG ECFIN so as to mitigate the afore-mentioned risks and ensure that the residual risk is low (Legality and regularity ; Safeguarding of assets and information ; Fraud prevention and detection).

| **Main risks**<br>**It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)**[32]<br>Effectiveness<br>Efficiency<br>Economy |
|---|---|---|---|
| The management modes foreseen in the Financial Regulation for the use of budget funds are not directly applicable in the context of the management of the GFEA | As regards the management of the Guarantee Fund's assets by the EIB, the Agreement signed between the EIB and the Commission defines the eligible assets and other prudential | DG ECFIN performs internal control activities based on, and complementing, the internal control systems of the EIB.<br>The risk management of the EIB | **Effectiveness**: Control results: - Compliance with budget procedures and financial management procedures & Financial Regulation. |

[32] Results are provided under Annex 10

| **Main risks**<br>**It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)**[32]<br>Effectiveness<br>Efficiency<br>Economy |
|---|---|---|---|
| portfolio. The legal basis determines that the assets of the Fund shall be managed by the EIB.<br>The main risks are:<br>- Risks commonly associated to the treasury management operations, including delegation of asset management to an external entity (EIB).<br>- Operational risk: risk of errors during the ascertaining and calculation of amounts due or the payment operations from/into the GFEA following calls on defaulting loans | rules. The annual investment strategy is proposed by the EIB to the Commission for approval.<br>Management of the Guarantee Fund's assets by the EIB :<br>There is a policy concerning the type of investments that can be made and the limits of financial risk (e.g. credit risk) that can be assumed in the portfolios under management. The compliance with these rules is ensured by several control mechanisms:<br>- *reporting:* the EIB submits monthly, quarterly and annual data and reports on the management of the portfolio to the Commission;<br>- *compliance review*s: DG ECFIN's financial risk management, by using these data, verifies for the reporting dates the EIB's compliance with the investment guidelines and policy;<br>- *audits:* the EIB provides an audit certificate issued by its external auditor.<br>Operational risk: appropriate review and verification procedures are in place, including checklists. | produces a quarterly report to DG ECFIN.<br>Respect of limits is controlled on a sample basis by the financial risk management in DG ECFIN which is independent from the unit in charge of the GFEA.<br>The implementation by the EIB of the investment policy is supervised by the operational unit in charge and the Treasury Management Committee chaired by the Director concerned, who receives the EIB reports<br>Annual financial audit certificate by EIB's external auditors on the key figures such as guaranteed amounts outstanding, etc. | Benefits: - Achievement of the control objectives, qualitative and quantitative estimations of the errors and irregularities prevented as a result of the control failures detected and reported in the course of the control procedure.<br><br>**Efficiency**: N/A<br><br>**Economy**: - Estimate of cost of staff involved in the process verification<br>- Estimate of the cost implied by the audit fees of the fund, estimate of the part of the management fees corresponding to the internal control of the EIB. |

**Stage 2: Assurance building on the process and systems of DG ECFIN**

**Main control objectives:** Verification that processes are working as designed / Feedback on adequacy of the system (Sound financial management; Reliability of financial reporting; Fraud prevention and detection)

| **Main risks It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)[33]**<br>Effectiveness<br>Efficiency<br>Economy |
|---|---|---|---|
| Processes might be weak or not working as designed.<br>The system might provide poor adequacy. | DG ECFIN financial risk management performs sample checks on compliance with investment guidelines based on the reporting by EIB on their portfolio management activities.<br>DG ECFIN receives quarterly reports from EIB.<br>Supervision by heads of unit and senior management responsible.<br>Procedures documented in unit manuals of DG ECFIN units concerned.<br>IAS audits.<br>Audits are performed by external auditors, the Commission's Internal Audit Service (IAS) and the European Court of Auditors. Recommendations made by these bodies are followed up systematically. | Annual financial audit certificate by EIB's external auditors on the quarterly reporting by EIB.<br>Annual financial audit certificate by EIB's external auditors on the financial statements of the GFEA in compliance with the accounting rules adopted by the Commission's Accounting Officer.<br>Annual audits by ECA of the GFEA related operations.<br>IAS audits.<br>Annual financial audit certificate by EIB's external auditors on the key figures such as guaranteed amounts outstanding, etc.<br>Annual audits by ECA of the GFEA related operations. | **Effectiveness**: Control results:<br>Compliance with budget procedures and financial management procedures & Financial Regulation.<br>Benefits: Achievement of the control objectives, qualitative and quantitative estimates of the errors and irregularities prevented as a result of the control failures detected and reported in the course of the control procedure.<br><br>**Efficiency:** N/A<br><br>**Economy:** - Estimate of cost of staff involved in the process verification<br>- Estimate of the cost implied by the audit fees of the fund, estimate of the part of the management fees corresponding to the internal control of the EIB. |

**Stage 3: Sound financial management**

**Main control objectives:** Avoiding errors that may occur during the financial process

[33] Results are provided under Annex 10

| **Main risks It may happen (again) that…** | **Mitigating controls** | **Coverage, frequency and depth of controls** | **Cost-Effectiveness indicators (three E's)[34]**<br>Effectiveness<br>Efficiency<br>Economy |
|---|---|---|---|
| Undue or erroneous financial operations or payments<br>Default of payment from a beneficiary | DG ECFIN receives quarterly reports from EIB, which contain i.a. reporting on limit breaches.<br>Annual report adopted by the Commission and addressed to the budgetary authority on guarantees covered by the EU budget.<br>Annual report adopted by the Commission and addressed to the budgetary authority on the GFEA and its management.<br>Comprehensive report on the functioning of the GFEA.<br>Inclusion of data in the consolidated EU balance sheet.<br>Evaluation of the GFEA target rate by an external consultant. | Annual financial audit certificate by EIB's external auditors on the key figures such as guaranteed amounts outstanding, etc.<br>Annual audits by ECA of the GFEA related operations. | **Effectiveness**: Control results: Compliance with budget procedures and financial management procedures & Financial Regulation.<br>Benefits: Achievement of the control objectives, qualitative and quantitative estimates of the errors and irregularities prevented as a result of the control failures detected and reported in the course of the control procedure.<br><br>**Efficiency:** N/A<br><br>**Economy:** - Estimate of cost of staff involved in the process verification<br>- Estimate of the cost implied by the audit fees of the fund, estimate of the part of the management fees corresponding to the internal control of the EIB. |

# ANNEX 6: Implementation through national or international public-sector bodies and bodies governed by private law with a public sector mission (if applicable)

Not applicable

[34] Results are provided under Annex 10

## ANNEX 7: EAMR of the Union Delegations (if applicable)

Not applicable

# ANNEX 8: Decentralised agencies and/or EU Trust Funds (if applicable)

Not applicable.

# ANNEX 9: Evaluations and other studies finalised or cancelled during the year

| | Study project ID | Title of the study | Study internal ID | Study overview | Study reason | Associated services | Study Cost | Notes | Reference |
|---|---|---|---|---|---|---|---|---|---|
| **I. Evaluations finalised or cancelled in 2019** | | | | | | | | | |
| ***a. Evaluations finalised in 2019*** | 8035 | Evaluation of the External Lending Mandate of the European Investment Bank | L | The evaluation assessed the EU guarantee to the European Investment Bank against losses under financing operations related to Decision No 466/2014/EU of the European Parliament and of the Council. | Evaluation | SJ, EEAS, BUDG, GROW, CLIMA, DEVCO, NEAR | 156.300,00 € | Evaluation undertaken as planned. | SWD(2019) 333 final<br>SWD(2019) 334 final<br><br>https://ec.europa.eu/info/commission-staff-evaluation-european-investment-banks-external-lending-mandate-2014-18_en |
| | 3333 | Ex-post evaluation of the Cyprus economic adjustment programme (2013 - 2016) | O | The ex-post evaluation assessed the economic objectives, content and results of the economic adjustment programme for Cyprus (2013-2016). | Evaluation | COMP, EMPL, FISMA, SG, SRSS | N/A | Evaluation undertaken as planned by a team of economists from the European Commission. | ISSN 2443-8014 (online)<br>SWD(2019)387<br><br>https://ec.europa.eu/info/sites/info/files/economy-finance/ip114_en.pdf |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 3334 | Evaluation of Macro Financial Assistance to the Kyrgyz Republic | L | The ex-post evaluation assessed the Kyrgyz Republic macro-financial assistance programme related to Decision No 1025/2013/EU of the European Parliament and of the Council. | Evaluation | SG, DEVCO, EEAS | 104.057,00 € | Evaluation undertaken as planned. | SWD(2019) 446 final<br>SWD(2019) 448 final<br><br>https://ec.europa.eu/info/evaluation-reports-economic-and-financial-affairs-policies-and-spending-activities/ex-post-evaluation-macro-financial-assistance-mfa-operation-kyrgyz-republic_en |
| | 3336 | Evaluation of Macro Financial Assistance to Georgia | L | The ex-post evaluation assessed the Georgia macro-financial assistance programme related to Decision No 778/2013/EU of the European Parliament and of the Council. | Evaluation | EEAS, NEAR, SG | 117.132,00 € | Evaluation undertaken as planned. | SWD(2019) 447 final<br>SWD(2019) 449 final<br><br>https://ec.europa.eu/info/evaluation-reports-economic-and-financial-affairs-policies-and-spending-activities/ex-post-evaluation-macro-financial-assistance-mfa-operation-georgia_en |
| | | | | | | | | | |
| ***b. Evaluations cancelled in 2019*** | | N/A | | | | | | | |
| | | | | | | | | | |
| **II. Other studies finalised or cancelled in 2019** | | | | | | | | | |
| ***a. Other studies finalised in 2019*** | 9432 | Study - estimating estate price levels using big data | O | The study provides input to a larger internal project on estimating regional house prices. | General Study | N/A | 13.000,00 € | Study undertaken as planned. | Internal study. Not published. |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 11152 | Study - Industry level growth and productivity data with special focus on intangible assets | O | The EU KLEMS Release 2019 provides a database on measures of economic growth, productivity, employment, capital formation, and technological change at the industry level for all European Union member states, Japan, and the US. In addition, the EU KLEMS Release 2019 provides supplementary indicators on intangible assets. | General Study | N/A | 141.500,00 € | Study undertaken as planned. | https://euklems.eu/ |
| | | | | | | | | | |
| ***b. Other studies cancelled in 2019*** | | | | | | | | | |
| | 9433 | Study - Industry level data with a special focus on the digital economy | O | The study was planned to complement a previous study on EU KLEMS by considering industry level data with a special focus on the digital economy | General Study | N/A | N/A | Study did not proceed. It was originally planned to complement a previous study on EU KLEMS, but was ultimately deemed unnecessary. | N/A |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 9434 | Study - Credit Risk Modelling of Equity Operations and Combined Provisioning | O | The study was aimed at defining a methodology for estimating the credit risk, and consequently the provisioning needs, of equity and equity-type operations, in particular to support the InvestEU programme. | General Study | N/A | N/A | Study was not necessary and did not proceed. The outcome of the InvestEU negotiations between co-legislators resulted in the establishment of a partnership between the Commission and the EIB in order for the Commission to benefit from the EIB expertise in risk management. | N/A |

# ANNEX 10: Specific annexes related to "Financial Management"

**Table Y - Overview of the estimated cost of controls at Commission (EC) level:**

| Title of the Relevant Control System (RCS) | Ex ante controls | | | Ex post controls | | | Total | |
|---|---|---|---|---|---|---|---|---|
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) |
| | EC total costs (in EUR) | funds managed (in EUR)[35] | Ratio (%) *(a)/(b)* | EC total costs (in EUR) | total value verified and/or audited (in EUR)[36] | Ratio (%) *(d)/(e)* | EC total estimated cost of controls (in EUR) *(a)+(d)* | Ratio (%) *(g)/(b)* |
| **RCS 1: Treasury and Asset Management, and Borrowing and Lending operations / Non-expenditure items** | € 4.897.560 | € 56.189.025.624 | 0,0087% | € 77.300 | € 56.189.025.624 | 0,0001% | € 4.974.860 | 0,0089% |
| **RCS 2: Grants under the European Investment Advisory Hub / Grants direct management** | € 369.830 | € 19.181.940 | 1,9280% | € - | € - | N/A | € 369.830 | 1,9280% |
| **RCS 3: Financial Instruments managed via** | € 575.945 | € 1.178.233.222 | 0,0489% | € - | € - | N/A | € 575.945 | 0,0489% |

[35] Funds managed = payments made, revenues and/or other significant non-spending items such as e.g. assets, liabilities, etc.

[36] Funds managed and amount ex-post controlled are equal in those cases where the annual financial accounts are audited by an external auditor. The issued certificates cover the full amount.

| Title of the Relevant Control System (RCS) | Ex ante controls | | | Ex post controls | | | Total | |
|---|---|---|---|---|---|---|---|---|
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) |
| | **EC total costs (in EUR)** | **funds managed (in EUR)**[35] | **Ratio (%)** *(a)/(b)* | **EC total costs (in EUR)** | **total value verified and/or audited (in EUR)**[36] | **Ratio (%)** *(d)/(e)* | **EC total estimated cost of controls (in EUR)** *(a)+(d)* | **Ratio (%)** *(g)/(b)* |
| **international financial institutions (period 2007-2013) / indirect entrusted management** | | | | | | | | |
| **RCS 4: Grants under the European Local ENergy Assistance (ELENA) / Grants indirect entrusted management** | € 2.776.521,16 | € 368.091.975 | 0,7543% | € 64.400 | € - | N/A | € 2.840.921,16 | 0,7718% |
| **RCS 5: Marguerite Fund / direct management** | € 48.538 | € 70.000.000 | 0,0693% | € - | € - | N/A | € 48.538 | 0,0693% |
| **RCS 6: Guarantee Fund for external actions / indirect management** | € 1.330.203 | € 2.587.999.935 | 0,0514% | € 41.325 | € 2.587.999.935 | 0,0016% | € 1.371.528 | 0,0530% |
| **RCS 7: Management of the European Fund for Strategic Investments (EFSI) Guarantee Fund / direct** | € 1.424.245 | € 6.687.883.000 | 0,0213% | € 43.483,33 | € 6.687.883.000 | 0,0007% | € 1.467.728,33 | 0,0219% |

| Title of the Relevant Control System (RCS) | Ex ante controls | | | Ex post controls | | | Total | |
|---|---|---|---|---|---|---|---|---|
| | (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) |
| | **EC total costs (in EUR)** | **funds managed (in EUR)**[35] | **Ratio (%)** *(a)/(b)* | **EC total costs (in EUR)** | **total value verified and/or audited (in EUR)**[36] | **Ratio (%)** *(d)/(e)* | **EC total estimated cost of controls (in EUR)** *(a)+(d)* | **Ratio (%)** *(g)/(b)* |
| **management** | | | | | | | | |
| **RCS 8: Macro-Financial Assistance** | € 117.925,80 | € 10.300.000,00 | 1,1449% | € - | € - | N/A | € 117.925,80 | 1,1449% |
| **OVERALL total estimated cost of control at EC level** | € 11.540.767,96 | € 67.110.715.706 | 0,0172% | € 226.508,33 | € 65.464.908.569 | 0,0003% | € 12.614.266,29[37] | 0,0188% |

[37] Total cost of control also includes FTEs for Budget and Accounting (€129.210); Coordination incl. Strategic, Programming and Planning, internal control, assurance and quality management (€683.600); as well as Anti-fraud (€34.180). Since this is not attributable to a single RCS it was added to the overall value.

## A. Grants, procurements and administrative expenses

### Macro-financial assistance (MFA)

*Short description*: MFA represents support to partner third countries in the form of medium and long term loans and/or grants, generally in the context of an IMF reform programme, each time based on an ad hoc Legislative Decision (usually co-decision by the European Parliament and Council under the ordinary legislative procedure). The grants are financed from the EU budget. The funds are not allocated to specific projects or spending categories and their final destination, unless otherwise specified, is left to the national authorities to decide. What follows is related to MFA grants, which are managed under direct management, whereas MFA loans are managed separately under off-budget operations.

*Control system and conclusion*: We faced no material control issue. We can conclude that there are no material control weaknesses affecting the assurance building in terms of the five internal control objectives – see further down for each objective.

*Control objectives* -

- *Legality and regularity*: The payment of the grant is subject to monitoring by us in close coordination with the EU Delegations and with the external stakeholders, like the IMF, of the implementation of the agreed conditionalities. The main feature of an MFA grant is that it is not a grant in the usual sense of the word with reimbursement of incurred costs. It is somewhat similar to a financial assistance or budget support mechanism, which will form part of the ways and means of the country to finance their expenses. Conditionalities are both political (e.g. the beneficiary respects effective democratic mechanisms, including a multi-party parliamentary system and the rule of law, and the respect of human rights is guaranteed) and economic (e.g. satisfactory track record in respect of the related credit arrangement by the IMF, as well as the implementation, within a certain timeframe, of a series of economic and financial reform measures agreed between the EU and the beneficiary country). Furthermore, the MFA grant amount and how to release it is described in the basic act. Therefore, the target error rate is 0% and the effective error rate for the MFA payment is 0% as well. Amounts may have to be repaid by the beneficiary, but not because of non-eligible costs. These amounts would have to be repaid in case of fraud, corruption or illegal activity but no known cases were reported in the past.

- *Sound financial management*: MFA's decisions and Memoranda of Understanding (MoU) lay down the economic policy and financial conditions agreed with the beneficiary. Guiding principles applied such as IMF programme (where necessary), form of the assistance, level of economic development, debt dynamic, complementarity and others provide an effective framework for the sound financial management of MFA's grants. Furthermore, each MFA operation is dependent on an ex-ante operational assessment providing reassurance on the soundness and reliability of the administrative and financial circuits of the beneficiary country.

- *Reliability of financial reporting*: To ensure a true and fair view of the state of affairs, all payments are subject to a verification of their amounts and accounting classes. Horizontal accounting verification and reporting are also performed. All financial and budgetary statements are automatically generated by ABAC/SAP[38] for MFA's grants.

- *Safeguarding of assets and information*: The MoU and the Grant Agreement foresee detailed provisions regarding 1) regular checks by the beneficiary's authorities to prevent irregular use of financing provided by the EU as well as appropriate measures to prevent

[38] Accrual Based Accounting (ABAC)

fraud, corruption or any other irregularities; 2) the authorisation to the Commission, including the OLAF, to carry out appropriate checks and inspections; and 3) early repayment clauses in case the borrower has engaged in any act of fraud, corruption or any other illegal activity detrimental to the financial interests of the EU.

- *Cost-effectiveness indicators*: The overall cost effectiveness of controls in 2018 on MFA expenses as measured by the proportion of overall costs of controls over the payments lead us to consider that the controls are sufficiently efficient and cost-effective.

It should be kept in mind that the costs of all stages are included but compared only to the payment stage amounts. The approach taken for MFA is to consider that transactions were subject at a given point in time to co-decision, a MoU and a grant agreement and that, rather than comparing the costs associated to each stage, an aggregate indicator will be used. This aggregate indicator will therefore be the costs of controls irrespective as to whether these controls applied to the MoU, the grant agreement, commitments or payments; these costs would then be divided by the total payments made, as shown in table Y. Efficiency indicators in the form of legal time-limits consider the average time to sign MFA grant agreements.

| DIRECT MANAGEMENT – MFA GRANTS- TIME-BASED EFFICIENCY INDICATORS | | | | |
|---|---|---|---|---|
| **Nº** | **Type of expenditure or management mode or RCS** | **Stage** | **Efficiency indicators** | **Description** |
| 2 | MFA grants | up to legal commitment | Average time to grant (Art. 194.2FR) 5 days[39] | average time to sign agreements or to notify grant decisions (Art. 194.2FR) |

*Relevant Control System (RCS): 6*

**Business Consumer Surveys (BCS)**

*Short description*: BCS grants are meant to collect harmonised data and information on the state of the economies in the Member States and Candidate Countries.

*Control system and conclusion*: We faced no material control issue. We can conclude that there are no material control weaknesses affecting the assurance building in terms of the five internal control objectives – see further down for each objective.

*Control objectives -*

- *Legality and regularity*: The control approach has strengthened ex-ante checks with:
- Reinforced ex ante controls of the budget estimates of the grants. At the budget submission stage, staff costs are standardised using pre-defined staff categories and instructions on how to calculate the daily rates. Staff costs deemed excessive or deviating from past figures for the related profiles are investigated further. This also shows that in respect of cost-effectiveness these controls are more cost-effective.
- Partners are requested to provide and explain their method to calculate staff costs (staff in a broad sense i.e. including human resources which are possibly listed under another heading than staff costs) and to calculate the apportionment of costs to the BCS action during the ex-ante verification of the estimated budgets. This ex-ante analysis is complemented on a case-by-case basis by on-the-spot visits to partners where (except

[39] Delay between the dates of the signature by the agreements' parties. The grant agreement entered into force following its ratification.

possible operational issues) questions about costs documentation and apportionment to the BCS action remain and cannot be clarified through email/telephone contacts.

This approach has contributed to fairly significant savings in 2019 for some grants. These savings were generated both at the budget estimates stage as well as the final payment stage. The target residual error rate is 2% of the payments. The ex-ante checks when processing the requests or final payments for grants were applied to all grants and showed that the applied methodology by partners for recognising eligible costs, the staff costs structures and other relevant items were acceptable and that corrections brought (an indicator of potential error rate) were within the 2%. In addition, almost half of the amounts paid are pre-financing payments where the error rate is zero. On this basis and even if the 2% threshold cannot be fully demonstrated through a representative sample of audited transactions, a maximum of 2% is nevertheless the best estimate of the error rate.

- \- *Sound financial management:* The 3E's (effectiveness, efficiency and economy) are largely included in the calls for proposals, not only at the level of the award criteria (e.g. the methodology and the efficient use of resources), but also by deciding to cap expenses in the grant agreements (the 2% increase rule); to include new reporting requirements from the partners to assess achieved results and performance. Since 2014/15 depreciation costs (it falls under the flat rate for indirect costs, costs connected with the purchase of new or second-hand equipment recorded as an asset in the beneficiary's accounting system, financial leasing of equipment and travel costs linked to the annual business and consumer survey workshop are no longer eligible as direct costs .

  \- *Reliability of financial reporting*: To ensure a true and fair view of the state of affairs, all payments are subject to a verification of their amounts and accounting classes. Horizontal accounting verification and reporting are also performed. All financial and budgetary statements are automatically generated by ABAC/SAP.
- \- *Safeguarding of assets and information*: The pre-financing payments which remain to be cleared show as assets on our balance sheet. Safeguarding is achieved through two main means: the financial capacity of the partner is assessed before entering into a framework partnership with them and throughout the year the operational unit regularly monitors whether data is delivered on time. Since 2016, a final technical report has to be filled in by the beneficiaries at the end of the action period. This report has to be accompanied by copies of the questionnaire(s) used during the grant period together with any written instructions to the respondents and an overview of the sample size (effective, i.e. in terms of completed interviews) over the action's duration.

  \- *Fraud prevention and detection*: In line with the established charter of ex-post control activities and the 2019, risk-analysis based, ex-post control work programme a number of controls were initiated. In respect of the grant expenditure (€5 million) on the Business and Consumer Surveys, two partners from two different Member State were audited and the reported recommendations followed-up by the managing AOSD (ECFIN A.3). There were findings requiring recovery action in one of the two partners.

*Cost-efficiency indicators*

The overall cost effectiveness of controls in 2019 on BCS expenses as measured by the proportion of overall costs of controls over the payments lead us to consider that the controls are sufficiently efficient and cost-effective. Compared to 2018, the (ex-ante) cost ratio declined slightly from 3,55 to 2,65 FTE (+0,38 FTE ex-post).

It should be kept in mind that the costs of all stages are included (even filing and archiving) but compared only to the payment stage amounts. The approach taken for direct management is to consider that transactions were subject at a given point in time to a procurement or grant procedure and that rather than comparing the costs associated to the call for tenders/proposals with the amount of these calls, an aggregate indicator will be used. This aggregate indicator will therefore be the costs of controls irrespective as to whether for a call, a contract, a commitment, a payment; these costs are then divided by the total payments made as shown in the table below. Furthermore efficiency indicators show that legal time-limits were complied with.

| **Direct Management - BCS** | | | | |
|---|---|---|---|---|
| **N°** | **Type of expenditure or management mode or RCS** | **Stage** | **Indicators (annual indicators) per type of entrusted entity (FI, executive agency…)** | **Description** |
| 1 | BCS | overall indicator | Full cost<br>7,6% (0,380M€/5M€) | 2,65 FTE (FIA/FVA/OVA/OIA and deliverables quality control) + 0,38 FTE ex-post control |

| Direct Management - BCS | | | | |
|---|---|---|---|---|
| No | Type of expenditure or management mode or RCS | Stage | Efficiency indicators | Description |
| 1 | BCS grants | up to legal commitment | average time to inform applicants of the outcome of the evaluation of the application (Art. 128.2FR)<br>SGA's 12 days<br>FPA's N/A | average time to inform applicants of the outcome of the evaluation of the application (Art. 194.2 FR) |
| 2 | BCS grants | up to legal commitment | Average time to grant (Art. 128.2FR)<br>SGA's 12 days<br>FPA's N/A | average time to sign agreements or to notify grant decisions (Art. 194.2FR) |

*RCS: N/A*

**Pericles Programme**

*Short description*: Pericles grants provide funds to prevent currency counterfeiting through staff exchanges, seminars, trainings and studies for professionals involved in preventing and combating euro counterfeiting.

*Control system and conclusion*: We faced no material control issue. We can conclude that there are no material control weaknesses affecting the assurance building in terms of the five internal control objectives – see further down for each objective.

*Control objectives -*

- *Legality and regularity*: An efficient control approach is applied including ex-ante and ex-post checks:

- In 2017, the method of calculation of subsistence costs was simplified by introducing a unit daily allowance cost that corresponds to the daily subsistence allowance (per diem) fixed by the Commission.

- Reinforced ex-ante controls of the grant application budget estimates are in place. At the budget submission stage, staff costs are standardised using pre-defined staff categories and instructions on how to calculate the daily rates. Staff costs and sub-contracting costs as well as travel costs deemed excessive or deviating from past figures for similar projects are queried.

- Beneficiaries are requested to provide the apportionment of costs to the Pericles action during the ex-ante verification of the estimated budgets. Also explanations regarding staff cost calculations, ex-post, is complemented on a case-by-case basis clarification through email/telephone contacts. The target residual error rate is below 1% of the payments. The ex-ante checks when processing the requests or final payments for grants were applied to all grants and showed that the applied methodology by partners for recognising eligible costs, the staff costs structures and other relevant items were acceptable and that corrections were within the 1%. Hence, a maximum of 1% is the best estimate of the error rate.

- *Sound financial management*: The 3E's (effectiveness, efficiency and economy) are largely included in the calls for proposals, not only at the level of the award criteria (e.g. the methodology and the efficient use of resources), reporting requirements from the beneficiaries allow a streamlined assessment of the achieved results; participation by Commission staff in the conference/trainings and workshops attests to project implementation and performance of the beneficiaries; exclusion of depreciation costs as direct eligible costs (it falls under the flat rate for indirect costs).

- *Reliability of financial reporting*: To ensure a true and fair view of the state of affairs, all payments are subject to a verification of their amounts. Horizontal accounting verification and reporting are also performed.

- *Safeguarding of assets and information*: The pre-financing payments which remain to be cleared show as assets on our balance sheet. Safeguarding is achieved through two main means: the financial capacity of the potential beneficiary is assured since all applicants are selected from a closed group of public bodies and throughout the year the operational unit regularly monitors whether deliverables are received on time.

- *Fraud prevention and detection:* The participation of Commission representatives in the events carried out by beneficiaries as well as in those directly organised by ECFIN ensures a proper implementation of the actions.

- *Cost-effectiveness indicators*: The overall cost effectiveness of controls in 2019 on Pericles expenses is measured by the proportion of overall costs of controls over the payments. This leads us to consider that although the control costs ratio is above the average the implementation is sufficiently efficient and cost-effective.

- The responsible unit is also an active business unit whose activities are intertwined with the implementation of the Pericles actions carried out by Members States and competent national authorities. This is accomplished through the discussion and coordination of MS' Experts Group as well as through the attendance in all events/ workshops/ trainings organised by beneficiaries. Preliminary discussions guarantee the high quality of the outputs to be used for the work of the unit. The participation ECFIN staff in all events mainly relates to its activities as a business unit (chairing, delivering presentations, leading workshops, co-drafting conclusions and consequent use of the outputs) and, at the same time, gives the opportunity to monitor and evaluate on the spot the quality of all actions implemented (max. 15% of the time spent on the spot). In the same context, it might be the case for ECFIN to aslo welcome participants of Pericles staff exchanges on its premises. These tasks account for a significant amount of time for the unit, most of them are policy related.

- Pericles has a relatively small budget, whose implementation and controls are not proportional to the relative low grants awarded, in a similar vein, due to its low budget, the programme cannot benefit from economies of scale.

- The programme is carried out through one call for proposal, having two deadlines; therefore two award procedures are managed each year.

It should be kept in mind that the costs of all stages are included (even filing and archiving) but compared only to the payment stage amounts. The approach taken for direct management is to consider that transactions were subject at a given point in time to a procurement or grant procedure and that rather than comparing the costs associated to the call for tenders/proposals with the amount of these calls, an aggregate indicator will be used. This aggregate indicator will therefore be the costs of controls irrespective as to whether for a call, a contract, a commitment, and a payment; with these costs then divided by the total payments made as shown in the table below. Furthermore, efficiency indicators show that legal time-limits were complied with.

| Direct Management – PERICLES | | | | |
|---|---|---|---|---|
| **Nº** | **Type of expenditure or management mode or RCS** | **Stage** | **Annual indicator** | **Description** |
| 1 | Pericles | overall indicator | Full cost 1782% (EUR 0.196 million/EUR 1.1 million) | 1,51 FTE (FIA/FVA/OVA/OIA and quality control) |

| Direct Management – PERICLES | | | | |
|---|---|---|---|---|
| **Nº** | **Type of expenditure or management mode or RCS** | **Stage** | **Efficiency indicators** | **Description** |
| 1 | Pericles grants | up to legal commit ment | Average time to inform applicants of the outcome of the evaluation of the application (Art. 128.2FR) 56 calendar days (40 working days) | average time to inform applicants of the outcome of the evaluation of the application (Art. 194.2 FR) |
| 2 | Pericles grants | up to legal commit ment | Average time to grant (Art. 128.2FR) 28 calendar days (21 working days) | average time to sign agreements or to notify grant decisions (Art. 194.2FR) |

*RCS: N/A*

**European Investment Advisory Hub (EIAH)**

*Short description*: 2019 was the fourth complete year of activity for the EIAH. The EIAH offers a single point of entry to a comprehensive offer of advisory and technical assistance for project promoters, to help ensure that good ideas can be turned into viable projects that result into extra financing reaching the real economy. In doing so, the EIAH helps to strengthen Europe's investment and business environment. The EIAH provides strengthened support for project development and preparation across the Union, by building on the expertise of the Commission, the EIB, national promotional banks or institutions and the managing authorities of the EFSI. For the purposes of implementing the EIAH, specific grants may be awarded to the EIB annually on the basis of a request including the proposed work programme for the subsequent year and estimated budget to be submitted by the EIB. The work programme contains, *inter alia*, an indication of the type of advisory services that will be available in a given period and the allocated resources. In October 2019, the fifth Specific Grant Agreement (SGA) for the year 2019 was signed between the EU and the EIB and established the total EIAH grant of EUR 19.3 million. The implementation period of EIAH's budget for 2017 was extended for one more year. Moreover, the SGA for 2016 was amended and restated mainly to expand the implementation period for the third parties' financial supported activities.

*Control system and conclusion*:

As of end 2019, there were 1547 requests for EIAH support received from all Member States. Only 64% of the requests were for technical assistance alongside a simultaneous request for funding support. During the year, EIAH continued to developing its presence and network, reinforcing its activities to better address EFSI 2.0 priorities, and following up the Call for proposal targeting NPBIs. EIAH has engaged in strategic guidance and technical support in relation to 1/3 of requests received. The Commission received one annual technical and financial report and two semi-annual technical reports (H2 2018 and H1 2019). An ECA audit on the EIAH started in January 2019 and is still ongoing.

A first pre-financing payment was carried out following the signature of the EIAH 2019 Specific Grant Agreement for an amount of EUR 7.720.000, a subsequent pre-financing payment for an amount of EUR 6.035.440 under the EIAH 2018 Specific Grant Agreement and a subsequent (third) pre-financing payment for an amount of EUR 5.426.500 under the EIAH 2017 Specific Grant Agreement. <u>We can conclude that there are no material control weaknesses affecting the assurance building in terms of the five internal control objectives</u> – (see further down for each objective).

*Control objectives -*

- *<u>Legality and regularity</u>*: (cf RCS 2, stages 1, 2 and 3): ): The best estimate of the error rate is 0% given that the payment requests were supported by documents, including audited financial statement.

- *<u>Sound financial management</u>*: (cf RCS 2, stages 1, 2 and 3): The existing mechanisms and processes were adequate to the functioning of the EIAH.

- *<u>Reliability of financial reporting</u>*: (cf RCS 2, stage 2): To ensure a true and fair view of the state of affairs, all payments are subject to a verification of their amounts and accounting classes. Horizontal accounting verification and reporting are also performed.

- *<u>Safeguarding of assets and information</u>*: (cf RCS 2, stage 2): The pre-financing payments which remain to be cleared show as assets on our balance sheet.

- *<u>Fraud prevention and detection</u>*: (cf RCS 2, stages 2 and 3): The reporting, compliance reviews, internal and external controls and audits did not identify possible or confirmed fraud cases.

*Cost-effectiveness indicators –*

The overall cost- and time-effectiveness of controls on Grants under the EIAH in 2019, as measured by the proportion of overall cost of control (based on the FTEs involved) over total expenditure and by the average time to sign, lead us to consider that the controls are sufficiently efficient and cost-effective. The periods specified in Article 128.2 of the Financial Regulation[40] were fully complied with.

| **DIRECT MANAGEMENT – EIAH GRANTS - TIME-BASED EFFICIENCY INDICATORS** | | | | |
|---|---|---|---|---|
| **Nº** | **Type of expenditure or management mode or ICS** | **Stage** | **Efficiency indicators** | **Description** |
| 1 | Grants under the European Investment Advisory Hub | up to legal commitment | Average time to inform: SGA 55 days<br>Average time to sign: SGA 5 days | Average time to inform and to sign the Framework Partnership Agreement and the Specific Grant Agreement (Art. 194.2 FR) |

[40] Art. 128.2 FR: A maximum of six months for informing all applicants and a maximum of three months for signing grant agreements with applicants.

*Relevant Control System (RCS)*: 2

**Procurement and other administrative expenses**

*Short description*: The other direct management expenditures are comprised of expenses against the global envelope, evaluations, communication activities and EMU-related expenses such as dedicated IT systems, rating contracts, etc.

*Control system and conclusion*: We faced no material control issue. All expenses are regulated by procurement rules or staff expenditures and most are of small or very small amounts. <u>We can conclude that there are no material control weaknesses affecting the assurance building in terms of the five internal control objectives</u> – see further down for each objective.

*Control objectives -*

- - *Legality and regularity:* The pre-set target of materiality is 0%, however as a conservative estimate, 0,5% is considered In other words, controls aim at systematically detecting and preventing breaches of legality and regularity. Having well-trained, highly-skilled and competent staff performing these tasks in a central financial unit, coupled with adequate instructions and procedures provide the required reasonable assurance in that respect. Validation of financial transactions is documented by detailed check-lists showing the controls carried out and control material is available.
- The error rate is assessed by analysis of the exceptions and non-compliance events (ex-ante controls) complemented, if necessary, by ex-post controls and audits.

  In 2016, the IAS conducted an audit on DG ECFIN's grants and procurements which resulted in the following summary conclusion: "Overall, DG ECFIN's management of grants, procurement and the related financial transactions comply with the applicable rules and regulations. DG ECFIN manages the calls for proposals and tenders effectively and has in place adequate controls to review, monitor and report on the expected results." On the basis of the exceptions register, we can conclude that the target of 0% or very close to 0% of error rate has been met.
- - *Sound financial management*: This is essentially achieved through the adequate selection of contractors through competition and the use of relevant selection and award criteria (and where necessary relevant deliverables). This is complemented by the monitoring of the implementation of the projects and the related deliverables by the operational units. In addition, requests to spend funds are screened before the start of the budget year by an independent committee to assess their (policy-) relevance, usefulness and cost-effectiveness (ACUR).
- - *Reliability of financial reporting*: To ensure a true and fair view of the state of affairs, all payments are subject to a verification of their amounts and accounting classes. Furthermore, horizontal accounting verification and reporting are performed quarterly. All financial and budgetary statements are automatically generated by ABAC/SAP.
- - *Safeguarding of assets and information*: No local system is used to store financial information, only DG Budget's IT systems.

  - *Fraud prevention and detection*: No dedicated action: no specific fraud items are listed on the check-lists and the "certified correct" is accepted if delivered by appointed OIA's. It should be pointed out that not all transactions lend themselves to physical evidence of adequate delivery, which restricts the usefulness of the supporting evidence requested from the operational unit in that respect.

*Cost-efficiency indicators –*

The overall cost effectiveness of controls in 2019 on the procurement and other administrative expenses as measured by the proportion of overall costs of controls over the payments lead us to consider that the controls are sufficiently efficient and cost-effective. Compared to 2018, the cost ratio has remained mostly stable at 11,8%. It should be kept in mind that the costs of all stages are included even filing and archiving but compared only to the payment stage amounts. It is also worth mentioning that for these expenses no economies of scale can be achieved at the level of the controls: total amounts are low and broken down in many transactions.

For budgetary transactions of the direct management type, the approach to efficiency and cost-effectiveness has been a time-comparison with possible benchmarks in the future from DG Budget and not errors prevented or detected as the main benefit of the controls. While it is true that if you do not detect or prevent errors you should ask yourself whether such a control should exist, there are nevertheless controls that have to be exercised irrespective of their outcome and this is measured through risk-assessment and efficiency. In addition, all control measures to get it right the first time do not fall under the benefits of controls as they are not errors detected and corrected. A well-designed, well disseminated instruction that results in a correct, compliant transaction is a very effective control procedure which meets the control objective of managing risks relating to L&R; yet it won't qualify as a benefit.

The approach taken for direct management is to consider that transactions were subject at a given point in time to a procurement or grant procedure and that rather than comparing the costs associated to the call for tenders/proposals with the amount of these calls, an aggregate indicator will be used. This aggregate indicator will therefore be the costs of controls irrespective as to whether for a call, a contract, a commitment, and a payment, with these costs then divided by the total payments made as shown in the table below.

| **Direct Management – Procurement and other administrative expenses** | | | | |
|---|---|---|---|---|
| **N°** | **Type of expenditure or management mode or ICS** | **Stage** | **Annual indicator** | **Description** |
| 1 | Other administrative expenses | overall indicator | Full cost 11,8% (1,07M€/9,1M€) | 9,2 FTE (FIA/OIA/VA and quality control) and 0,17 FTE ex-post control |

*RCS: N/A*

## B. Entrusted entities

*Short description*: Payments of EUR 32,3million were made for financial instruments under the Competitiveness and Innovation Programme (CIP), implemented in indirect management via the European Investment Fund (EIF).

### 1.1. Financial Instruments managed via international financial institutions (period 2007-2013)

ECFIN has entrusted the EIF with the implementation of some financial instruments from the previous Multiannual Financial Framework (2007-2013). Monitoring of the implementation of these instruments is performed by the EIF in the first line, as further detailed in Fiduciary Management Agreements concluded with the EIF. DG ECFIN carries out additional monitoring activities, including monitoring of the financial and operational progress of the facility on the basis of reports provided by the EIF as well as through visits to the EIF and to the financial intermediaries selected by the EIF.

**Financial instruments under the 2014-2020 Multiannual Financial Framework**

are managed, within the Commission, by the relevant policy DGs, which carry out the responsibilities as authorising officers for the whole budgetary and reporting process. For those financial instruments where DG ECFIN acts as Asset Management Designated Service, the budgetary and reporting responsibilities are also carried out by the relevant policy DG as authorising officers and covered by their respective Annual Activity Reports.

In the context of responsibilities carried out by DG ECFIN as Asset Management Designated Service, we specify that no material limit breaches were identified in the information reported by EIB/EIF.

**Financial assets and cash managed by the Entrusted Entity "European Investment Fund" (EIF) for the implementation of Guarantee and Venture Capital programmes as of 31 December 2019:**

| EIF Mandates | EUR thousands (nominal value) |
|---|---|
| CIP (GIF Venture Capital) | 447,879 |
| CIP (SMEG 07 (Guarantees) | 70,735 |
| Growth & employment (Venture Capital) | 3,021 |
| MAP (Venture Capital) | 195,738 |
| MAP (Guarantees) | 32,323 |
| TTP (Technology Transfer Pilot Project) | 439 |
| **Total** | **750,135** |

*Control system and conclusion*: The control system for entrusted entities relies heavily on third party assurance and on the statements of assurance (where applicable) and audit certificates issued in accordance with contractual arrangements in place. From DG ECFIN monitoring and supervision work, which includes regular contacts/representation or desk reviews of relevant management reports or audit reports (see details in Annex 5), only one material control issue came up which was linked to the late reconversion of non-euro currencies into euro after the de-commitment of guarantees, due to some procedural errors by the EIF. This led to some substantial FX losses (EUR 6,2 million) during the period 2013 until 2018, for which the EIF accepted responsibility and full coverage of the incurred losses. Subsequently, it is intended that DG ECFIN will carry out in 2020 a monitoring visit to the EIF, to review the EIF process for managing currency exchange and management of Tradable Out-Currencies pursuant to Annex 8 of the CIP Financial and Management Agreements.

Apart from the issue mentioned above, and as per DG ECFIN assurance building system itself, we have found no material control weaknesses affecting the assurance building in terms of the five internal control objectives – see further down for each objective. However, we acknowledge that as long as third-party assurance is not formally available in due time this conclusion is covering the residual assurance i.e. the one directly from us as opposed to third party assurance. Nevertheless, in view of the scope of assurance as defined in the introduction of section 2 additional comfort in the form of (informal) assurance from the discussions with the entrusted entities during the closure process also plays a role in the process.

*Control objectives -*

- *Legality and regularity*: (cf RCS 3, stage 1): Identification and approval of FI projects[41]: Under the **SMEG 07 Guarantee**, no new agreements were signed since 30

[41] No tasks were performed under this Stage in 2019, since no new agreements were signed nor new

September 2014. Under this facility the total of 110[42] transactions with 60 financial intermediaries from 26 countries were approved. **GIF**: no new agreements could be signed since September 2014. As from the start of the Facility, 47[43] transactions with venture capital funds targeting investments in 26 participating countries were approved. EPMF Guarantees: the responsibility for the EPMF Facility has been transferred to DG EMPL as from 1.1.2016.

**IFI Facilities**: In 2019, DG ECFIN issued one recovery order with the total amount of EUR 16,477.00 due to early repayment of loans provided to final beneficiaries. In addition, a final beneficiary of the SME Finance Facility implemented in Poland appears to have failed to meet the headcount criterion and as such did not qualify as a SME at the time it entered into the sub-loan agreements with the Financial Intermediary. Hence, DG ECFIN decided to pursue legal and administrative follow-up to recover the undue grant and to start legal proceedings against the final beneficiary.

- *Sound financial management*: (cf RCS 3, stage 4): **GIF and SMEG**: For both instruments, the Chief Executive Officer of the EIF signed a Statement of Assurance for year 2018, submitted to DG ECFIN as Designated Service on 11 April 2019[44]. The 2018 Financial Statements and corresponding notes of all mandated instruments were certified in 2019 by external auditors, who issued similar "positive without any reservation" letters to the EIF for both SMEG 07 and GIF on 22 and 29 March 2019. No findings or errors in the compliance with the Financial Regulation, budget and financial management procedures were directed to DG ECFIN in 2019. There was no exception reporting so far (the 2019 Declaration of Assurance (DAS) letter was not yet received at the time of drafting of this Annual Activity Report). There were no operations outside official procedures, no erroneous operation, no return to Trust Account linked to errors and no errors/discrepancies following the checks on the balance of the Trust Account. For both instruments, the 2018 Financial Statements and corresponding notes were certified in 2019 by external auditors.

**SME VC general**: In 2019 DG ECFIN was subject of one Special Report by the European Court of Auditors: "Special report No 17/2019: Centrally managed EU interventions for venture capital: in need of more direction" where ECFIN was an audited DG together with DG GROW and DG RTD. The report was published on 24 October 2019 and looked at 6 different instruments supporting high-growth and innovative SMEs, launched under various financial frameworks between 1998 and today. The report makes 3 recommendations split into 12 sub-recommendations, of which the Commission accepted 5 and partially accepted 4 sub-recommendations, but decided not to accept 3 sub-recommendations. The allocation of the follow-up of sub-recommandations by the different DGs is to be agreed with DG BUDG at the beginning of 2020.

- *Reliability of financial reporting*: (cf RCS 3, stage 3): No visit to a **SMEG 07 or GIF** contractor was foreseen by the ECA within the framework of the 2019 DAS. The 2018 Statements of Assurance (management letters) regarding the CIP SMEG 07 and the CIP GIF programmes were received from the EIF on 11 April 2019, with no reservation. The 2019 Statements of Assurance (management letters) regarding the CIP SMEG 07 and the CIP GIF programmes have not been received yet from the EIF.

- *Safeguarding of assets and information*: (cf RCS 3, stage 2) : For **SMEG**, several monitoring visits (3 for SMEG 07 intermediaries) were carried out in 2019 in line with the

IFIs selected for the legacy programmes. This accounts for the significant decrease of staff allocation to those tasks as compared to previous years. It reflects that DG ECFIN tasks have been reoriented towards policy design for financial instruments and participation in governance bodies of IFIs.

42 Including extensions of existing contracts, with deduction of cancelled contracts.

43 Including extensions of existing contracts, with deduction of cancelled contracts. Out of those 47, 43 were signed.

44 With no reservation for SMEG 07, nor for GIF.

2019 monitoring plan, with a view to assessing the contractual compliance, process compliance and performance of the relevant agreements. No issues were identified and no issue is pending. The 2019 monitoring visit to the EIF (for SMEG 07), having as scope the review of the performance and findings of the EIF in a desk-review of a financial intermediary carried out by the EIF, did not result in any finding. The **GIF** monitoring framework has been closed as from 2019, so no visit to GIF intermediaries was planned in 2019.

- *Fraud prevention and detection*: (cf RCS 3, stages 3 and 5): The reporting, compliance reviews, internal and external controls and audits did not identify possible or confirmed fraud cases.

*Cost-effectiveness indicators –*

The overall cost effectiveness of controls in 2019 on Financial Instruments managed via international financial institutions, as measured by the proportion of overall cost of control (based on FTEs involved) over the total of managed programmes lead us to consider that the controls are sufficiently efficient and cost-effective.

*Relevant Control System (RCS)*: 3

## 1.2. Grants under the European Local ENergy Assistance (ELENA) / Grants indirect entrusted management

**ELENA** (European Local ENergy Assistance) is a grant aid initiative to public authorities and private promoters to prepare bankable investments in energy efficiency, renewable energy and sustainable urban mobility. ELENA supports investment projects through the provision of technical assistance. Its aim is bridging the gap between sustainable energy and urban mobility plans and real investment, financing all activities necessary to prepare and mobilize investment. These activities include feasibility studies, stakeholder and community mobilization, financial engineering, business plans, technical specifications and procurement procedures. ELENA covers up to 90% of the technical assistance cost needed to prepare the investment programme for implementation and financing. Such assistance creates solid business and technical plans and helps to attract funding from private banks and other sources.

For the years 2009 – 2013, the ELENA facility was implemented by EIB, KfW, EBRD and CEB (entrusted entities). Since 2014, only EIB has continued to implement ELENA on behalf of the Commission. 16 Agreements have been signed between the European Commission and the ELENA entrusted entities, 10 of them with the EIB. The implementation under indirect management is regulated by article 154 of the Financial Regulation applicable to the general budget of the Union.

EIB, EBRD, KfW and CEB (entrusted entities) are implementing the ELENA Programme on behalf of the Commission, where DG ECFIN has a co-delegation from DG ENER and DG MOVE as Designated Service for the ELENA administration.

In the context of responsibilities carried out by DG ECFIN as Asset Management Designated Service, we specify that no material limit breaches were identified in the information reported by EIB.

**Budgetary funds (cash) from DG ECFIN budget lines held on the Trust Accounts managed by the Entrusted Entities EIB, KfW, CEB and EBRD for the implementation of IFI-Facilities as of 31 December 2019**:

| Mandate | EIB | EBRD | KfW | CEB | Total (EUR thousand) |
|---|---|---|---|---|---|

| | | | | | |
|---|---|---|---|---|---|
| ELENA | 14.698 (of which 10.959 in cash and 3.739 in UF shares) | 999 | 2.097 | 619 | **18.404** |

*Control system and conclusion*: The control system for entrusted entities relies heavily on third party assurance and on the statements of assurance and audit certificates issued in accordance with contractual arrangements in place. From our monitoring and supervision work, which includes regular contacts/representation and desk reviews of relevant management reports and audit reports (see details in Annex 5), no material control issue came up. We have found no material control weaknesses affecting the assurance building in terms of the five internal control objectives. However, we acknowledge that as long as third-party assurance is not formally available in due time this conclusion is covering the residual assurance i.e. the one directly from us as opposed to third party assurance.

*Control objectives -*

*Legality and regularity*: (cf RCS 4, stages 1, 2): A new Contribution Agreement for ELENA 2019 was signed in December 2019, for a budget of EUR 35 million. During the year, 19 projects were approved by the Commission services, 8 of which under the co-delegated budget commitment of ELENA 2017 and 11 under the co-delegated budget commitment of ELENA 2018. DG ECFIN continued to follow-up the other ongoing projects under older ELENA Agreements (2009 to 2017). In 2019, two monitoring visits took place with no major findings to report.

- *Sound financial management*: (cf RCS 4, stage 2): In 2019 DG ECFIN was not concerned by any findings or errors in the compliance with budget procedures and financial management procedures and Financial Regulation. There was no exception reporting. There were no operations outside official procedures, no erroneous operation, and no return to Trust Account linked to errors. In 2019, 18 payments for a total amount of EUR 31.6 million were made to the EIB. No payments were requested by the other entrusted entities. One recovery order was issued, preparing the closure of the ELENA EIB 2010 Agreement.

- *Reliability of financial reporting*: (cf RCS 4, stage 3): No ECA reports were planned or received in 2019 for ELENA. In 2019 no ex-post verification controls were carried out for ELENA. The Management Declaration of Assurance and the audited financial statements, prepared by the external independent auditor, were received on 13 March 2020. From its audits and controls the external auditor reported that no further control enhancement is deemed necessary. No cases of fraud were reported.

- *Safeguarding of assets and information*: (cf RCS 4, stage 3): the evaluation and desk monitoring activity performed internally in 2019 on operations and accounting practices provided no findings to report.

- *Fraud prevention and detection*: (cf RCS 4, stage 2): The reporting, compliance reviews, internal and external controls and audits did not identify possible or confirmed fraud cases.

*Cost-effectiveness indicators –*

The overall cost effectiveness of controls in 2019 on ELENA managed via entrusted entities, as measured by the proportion of overall cost of control (based on FTEs involved in DG ECFIN) over the total of managed programmes lead us to consider that the controls are sufficiently efficient and cost-effective.

*Relevant Control System (RCS)*: 4

## C. Guarantee Funds

### 1.1 Guarantee fund for European Fund for Strategic Investments (EFSIGF)

*Short description*: Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015[45] establishes the European Fund for Strategic Investments (the "EFSI") and foresees its management by the EIB. The EFSI Regulation also provides for a first demand guarantee granted by the EU to the EIB for financing investments in the EU. Art. 12.1 of the EFSI Regulation in particular specifies that an EU guarantee fund shall be established which shall constitute a liquidity cushion from which the EIB shall be paid in the event of a call on the EU guarantee. The guarantee fund shall be endowed by contributions from the general budget of the Union; returns on guarantee fund resources invested; amounts recovered from defaulting debtors; revenues and any other payments received by the Union in the context of the EFSI. According to Art 12.4 of the EFSI Regulation, the resources of the guarantee fund shall be directly managed by the Commission and invested in accordance with the principle of sound financial management and shall follow appropriate prudential rules.

Out of the EUR 26 billion which the EU offers as a guarantee, an EFSI Guarantee Fund of EUR 9.1 billion (35% of the EU Guarantee) is being put in place from the EU budget to mitigate any possible impact on the EU budget by potential calls on the EU guarantee. Its calibration has been chosen so that the EU can meet potential risks with an adequate safety margin. The EFSI guarantee fund is established to facilitate the payment of potential guarantee calls, since it avoids having to arrange sudden spending cuts or reprogramming. Thus, it brings transparency and predictability to the budgetary framework.

The EFSIGF investment activities started in April 2016. In 2019 a total amount of EUR 1.166.212.093 was paid into the fund.

| **Value of assets of the European Fund for Strategic Investments (EFSI) Guarantee Fund under treasury management by DG ECFIN as at 31 December 2019** | |
|---|---|
| **Value of assets under treasury management** | **EUR million** |
| EFSI Guarantee Fund | **6,687.9** |

<u>*Control system and conclusion*</u>: In the management of the EFSIGF various financial circuits are used. The validation of the contribution of the budget to the EFSIGF follows the circuit for budgetary transactions. The asset management activities follow the internal control environment for Treasury operations, including Commission decision approving the asset management guidelines of the guarantee fund of the European Fund for Strategic Investments C(2016) 165 adopted on 21 January 2016. The control environment is set out in RCS 6 (see Annex 5). There are no material control weaknesses affecting the assurance building. <u>We can conclude that there are no material control weaknesses affecting the assurance building in terms of the five internal control objectives</u> – (see further down for each objective). Concerning the EU guarantee, including the guaranteed projects, supervision arrangements are carried out in line with the basic act in accordance with EIB rules and procedures. Therefore, the control system relies primarily on third party assurance (controls exercised over the outflows from and inflows to the EFSIGF).

*Control objectives -*

- <u>Legality and regularity</u>: (cf RCS 6, stage 1): The inflows to the EFSIGF from the budget amounted to EUR 1.166,2 million. In 2019 the EFSIGF was managed in accordance with

[45] OJ L 169, 1.7.2015, p. 1

the Asset Management Guidelines as adopted by the Commission on 21 January 2016. All portfolio transactions were conducted within the framework set by the Asset Management Guidelines and in compliance with the internal rules and procedures without breaching any of the portfolio limits.

- Sound financial management: (cf RCS 6, stages 1 and 3): The adopted investment strategy, based on portfolio optimisation methodology, was implemented throughout the year.

Reliability of financial reporting: (cf RCS 6, stage 2): The 2019 accounts of EFSIGF will be audited by an external independent auditor. The audit report shall be delivered before 15 March 2020. No material issues were communicated to ECFIN in the context of the pre-audit work in 2019. Financial information relevant for the calculation of the EU guarantee was provided by the EIB on 15 March 2020 (final data reviewed and certified by the EIB's external auditor). Finally, EFSI accounts will be consolidated with those of the EC and audited by ECA.

- Safeguarding of assets and information: (cf RCS 6, stage 2): Cash and securities are kept with creditworthy banks and custodians. The information system is robust. Assurance given by the EFSIGF external auditors comprises assurance on proper safeguarding of assets and information, as related checks form part of the audit of the annual accounts.

- Fraud prevention and detection: (cf RCS 6, stages 1 and 3): The reporting, compliance reviews, internal and external controls and audits did not identify possible or confirmed fraud cases.

*Cost-effectiveness indicators –*

The overall cost effectiveness of controls of the EFSIGF in 2019, as measured by the proportion of overall cost of control (based on FTEs involved) over total assets under management lead us to consider that the controls are sufficiently efficient and cost-effective. Remuneration fees were within contractual boundaries.

*Relevant Control System (RCS)*: 6

### 1.2 Guarantee Fund for External actions (GFEA)

*Short description*: The purpose of the Fund is to ensure that the EU creditors can be reimbursed in the event of any default by the beneficiaries of loans granted or guaranteed by the EU or Euratom. The main function of the Fund is to shield the EU budget from shocks due to defaults on loans or guaranteed loans covered by the Fund. The Fund covers the risk of loans and loan guarantees to third countries. The lending operations covered by the Fund relate to three different instruments which benefit from a guarantee from the EU budget: guarantees of the EIB external lending, Euratom lending and EU Macro Financial Assistance loans. The Fund is provisioned from the EU budget and has to be maintained at a certain percentage (the target rate is currently 9%) of the outstanding amount of the loans and loans guaranteed. If the Fund is in surplus or deficit vis-à-vis its target amount, the Fund is brought back into target via a transfer from or to the EU budget. If the Fund is called to honour a guarantee or to make up for a non-payment by an EU debtor, there is a financial flow from the Fund to either the EU budget or to the EIB.

The EIB manages the Fund's portfolio. The Commission services oversee the investment policy, its implementation and agree with the EIB on the main investment guidelines. The convention with the EIB defines both the eligible assets and the prudential rules. Furthermore, the annual investment strategy has to be approved by the Commission. The EIB has to provide an annual report as well as monthly reports on the management of the portfolio which are then reviewed by DG ECFIN risk management.

**Assets of the Guarantee Fund for external actions which are entrusted to the Entrusted Entity "European Investment Bank" (EIB) for the management of the Fund's portfolio and for the recovery of subrogated defaulted amounts as of 31 December 2019:**

| **EIB** | **EUR million** |
|---|---|
| Guarantee Fund for external actions | **2,588.0** |

*Control system and conclusion*: *S*upervision arrangements are based on the principle of controlling with the relevant entity. Therefore, the control system for the entrusted entity relies primarily on third party assurance (controls exercised over the outflows from and inflows to the Fund) and on the audit certificates issued in accordance with contractual arrangements in place. From our monitoring and supervision work including the reviews of the periodic reporting throughout the year by the EIB, as well as regular contacts/representation or desk reviews of relevant management reports or audit reports (see details in Annex 5), we faced no material control issue. We can conclude that there are no material control weaknesses affecting the assurance building in terms of the five internal control objectives – see further down for each objective. However we acknowledge that as long as third-party assurance is not formally available in due time this conclusion is covering the residual assurance i.e. the one directly from DG ECFIN as opposed to third party assurance. Nevertheless, in view of the scope of assurance defined, additional comfort in the form of (informal) assurance from the discussions with the entrusted entity during the closure process also plays a role in the process.

*Control objectives -*

- Legality and regularity: (cf RCS 5, stage 1): In 2019 the inflows to the Guarantee Fund from the budget amounted to EUR 103.2 million. In 2019, no material finding was identified by the ECA nor by the external auditors during their annual audit missions. The GFEA was managed in accordance with the financial regulation and the budget procedures. The reporting, compliance reviews, internal and external controls and audits confirmed that the financial management and financial regulation procedures were respected. No material breach of the investment guidelines happened; no erroneous financial operations were registered; and the payments from the budget to the GFEA were done in line with the regulation. The 2% threshold for legality and regularity applied to payments is applied to the replenishment of the guarantee fund i.e. the yearly payments made to the Fund. It should be noted that such replenishment is based on audited and certified financial statements (Year N-2) to which pre-defined risk exposure percentages are applied. Given the mechanism applied the best estimate of the error rate is 0%.

- Sound financial management: (cf RCS 5, stages 2 and 3): No material issues were identified during 2019. The existing mechanisms and processes were adequate to the functioning of the GFEA.

- Reliability of financial reporting: (cf RCS 5, stage 2): The annual financial audit certificate by the EIB's external auditors was received for the financial year 2018; the 2019 audit certificate should be received by end of March 2020; no material issues were communicated to us as advance notice to that yearly certificate.

- Safeguarding of assets and information: (cf RCS 5, stage 1): No material breach of the investment guidelines happened and no erroneous financial operations were registered.

- Fraud prevention and detection: (cf RCS 5, stages 1 and 2): The reporting, compliance reviews, internal and external controls and audits did not identify possible or confirmed fraud cases.

*Cost-effectiveness indicators –*

The overall cost effectiveness of controls in 2019 on the GFEA, as measured by the proportion of overall cost of control and remuneration fees over the assets managed by the EIB lead us to consider that the controls are sufficiently efficient and cost-effective. The remuneration fees were kept within the contractual boundaries.

*Relevant Control System (RCS)*: 5

## D. Treasury Management, Borrowing and Lending

Short description: We manage two categories of non-expenditure financial operations: (a) the Treasury and Asset Management, (b) the Borrowing and Lending operations.

### 1.1. The Treasury and Asset Management

This involves the management of several asset management mandates, notably the available assets of the European Coal and Steel Community in liquidation (ECSC i.L.), the management of the Participants' Guarantee Fund (FP7/Horizon 2020), the Competition fines - BUFI (budgetary fines), Portfolio, the Reserve of the Joint Sickness Insurance Scheme – (JSIS) Portfolio, the Guarantee Fund of the European Fund for Strategic Investments and from 2018 onwards the Guarantee Fund of the European Fund for Sustainable Development. The general aim is to generate the highest return available, while maintaining a high degree of stability and security and after having ensured there is sufficient liquidity to meet the obligations payable out of these funds.

| **Market value of assets of the European Coal and Steel Community in liquidation (ECSC i.L.) and other mandated funds under treasury management by DG ECFIN as at 31 December 2019** | |
|---|---|
| **Assets consolidated within the EU accounts** | **EUR thousands** |
| European Coal and Steel Community (ECSC) i.L. | 1,610,783 |
| Budgetary Fines (BUFI) | 2,011,524 |
| ATOM, BoP, EFSM, MFA | 1,895 |
| EFSI Guarantee Fund | 6,687,883 |
| European Fund for Sustainable Development Guarantee Fund (EFSDGF) | 599,589 |
| **Assets outside of the scope of consolidation** | |
| Régime Commun d'Assurance Maladie (RCAM) | 285,113 |
| Participants Guarantee Fund PGF FP7/H2020[46] | 2,093,622 |
| Other miscellaneous mandates | 100,003 |
| **Total** | **13,390,412** |

### 1.2. The Borrowing and Lending operations

Financial support for third countries and Member States is provided by the Commission under various Council Decisions, depending on the geographical areas concerned and the objectives pursued[47]. Such financial support takes the form of loans from the EU. To finance the lending activities decided by the Council or by the Council and the European Parliament, the Commission is empowered to borrow funds on the capital markets, on behalf of both the European Union and Euratom, with the guarantee of the EU budget. The aim is to obtain funds from the market at the best available rates due to the top

[46] 7th Framework Programme for Research and Technological Development (FP7)(Horizon (H2020)
[47] Detailed presentation of the borrowing and lending activities of the Commission is available at http://ec.europa.eu/economy_finance/eu_borrower/index_en.htm.

credit status (AAA-rated by Fitch, Moody's and DBRS, AA by S&P, all with stable outlook) of the EU/Euratom and then on-lend them to eligible borrowers in the context of lending under the EFSM, BoP, MFA and to Euratom projects. Borrowing and lending is conducted as a back to back operation, which ensures that the EU budget does not take any interest rate or foreign exchange risk[48].

*Control system and conclusion*: Given that the Treasury activities and Borrowing and Lending operations are different from classic budgetary activities (and consequently not following the budgetary ex-ante validation circuit), DG ECFIN has put an appropriate internal control environment in place (see details in Annex 5), commensurate with the multi-billion volume of off-budget operations under management. The effectiveness of these controls is witnessed by the orderly implementation of the underlying operations and the absence of major issues[49]. We can conclude that there are no material control weaknesses affecting the assurance building in terms of the five internal control objectives – (see further down for each objective).

[48] The EFSM Regulation allows resorting to advance borrowing for refinancing the Portuguese and Irish debts.

[49] The effectiveness of these controls is witnessed by the orderly implementation of the underlying operations and the absence of major issues.

| Volumes of outstanding loans and borrowings as at 31 December 2019 in EUR million (value date) | | |
|---|---|---|
| | Loans | Borrowings |
| EURATOM | 213.62 | 213.60 |
| Balance of Payments (BOP) | 201.15 | 201.15 |
| European Coal and Steel Community (ECSC[50]) i.L. | 1.86 | - |
| European Financial Stabilisation Mechanism (EFSM) | 47,394.39 | 47,394.39 |
| Macro Financial Assistance (MFA) | 4,754.37 | 4,754.37 |
| **Total** | **52,565.39** | **52,563.51** |

This positive conclusion is the outcome of the implemented control procedures summarised further and their positive recorded results such as no incidents, no material audit findings, no control failure, no exception with financial impact, etc. The control system relies on comprehensive rules and detailed manuals of procedures with respect to the investment policy (cf. mandate balancing risks vs. returns, see below). The Treasury Management Board exercises supervisory duties on the implementation of the investment policy and there is adequate segregation of duties between front-office and back-office. Furthermore, the risk management is independent from the processing of transactions and annual financial audits are performed by external audit firms on the financial statements of the various asset management portfolios.

The aim of ensuring the highest return while maintaining stability and security for the treasury activities and asset management has been achieved as stated by the World Bank[51] and more recently by the conclusions of the independent asset management evaluation finalised at the end of 2019. The aim to obtain funds at the best available rates for the Borrowing and Lending activities has also been achieved since those rates are in line with the peer institutions (EIB, ESM). These elements demonstrate the compliance with the sound financial management principles.

*Control objectives -*

- *Legality and regularity*: (cf RCS 1, stages 1a and 1b): No material findings were identified, neither by the ECA, by the IAS nor by the external auditors. In 2019 three funding transactions totalling EUR 420 million were carried out successfully according to procedures. Through the 4-eyes-principle (the back office), internal control monitors the adherence of the EU's debt service and Euratom debt to internal rules.

- *Sound financial management*: (cf RCS 1, stages 1a, 1b and 4): Out of 12.410 transactions, 24 incidents (18 due to negative interests, 1 due to debit interest, 3 due to late settlements, 1 due to a late fund transfer, 1 due to a non-valid tax certificate were detected during the reconciliation of bank accounts. The discrepancies discovered were cleared within a few days. The error rate of off-budget operations was 24/12.410=0.19%.

- *Reliability of financial reporting*: (cf RCS 1, stages 2 and 3): No recommendations were made by the ECA on the 2018 accounts of DG ECFIN.

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50 The difference of loans to borrowings is due to ECSC housing loans having been funded from own resources.

51 "The World Bank Team has reviewed the historical excess performance resulting from the Treasury's active management for the ECSC and BUFI portfolios. Results are good and consistent with the amount of risks that the portfolio managers are allowed to take." *World Bank Peer Review, 2014*.

- *Safeguarding of assets and information*: (cf RCS 1, stage 2): No control failures were identified and there were no litigation settlement and court cases lost. No internal and external auditors' findings about incorrect registration of items were identified.

- *Fraud prevention and detection*: (cf RCS 1, stages 1b and 3): The reporting, compliance reviews, internal and external controls and audits did not identify possible or confirmed fraud cases.

*Cost-effectiveness indicators –*

The overall cost effectiveness of controls of Treasury activities and Borrowing and Lending operations in 2019, as measured by the proportion of overall cost of control (based on the FTEs involved) over total treasury assets under management and total borrowing and lending balances lead us to consider that the controls are sufficiently efficient and cost-effective. The remuneration fees were kept within the contractual boundaries.

*Relevant Control System (RCS)*: 1

## E. Financial Instruments

### Marguerite Fund

*Short description*: The Marguerite Fund is a Pan-European equity fund developed in the context of the financial crisis and in recognition of the need for successful long-term infrastructure investment in Europe. It supported infrastructure investment within the transport (TEN-T), energy (TEN-E) and renewables sectors in Member States and primarily invested in Greenfield Projects. The investment period ended in December 2017 while the end-date/maturity of the fund has been set at a maximum term of 20 years from the start of the initial closing (December 2009) but may be extended for up to two additional one-year periods (up to December 2031).

The Commission directly manages its investment in the Marguerite Fund; there is no delegation or sub-delegation agreement to any entrusted entity. The cash contributions are paid directly by the EU hence no trust account is established. The Commission is a pari-passu investor alongside its co-investors, sharing equally with other co-investors both costs and returns. The core sponsors include public long term investors from France (CDC), Italy (CdP), Germany (KfW), Spain (ICO) and Poland (PKO) as well as the EIB and a key investor, the European Commission.

The Investment Adviser "Marguerite Adviser S.A." employs the Advisory Team and provides investment advisory services to the Fund under an Advisory agreement. As such, it is responsible for the day-to-day management and on-going activity of the Fund. The Advisory Team is in charge of origination, due diligence (appraisal), structuring and execution of the investments as well as of monitoring and asset management.

The Marguerite Fund was established as a Luxembourg SICAV-FIS structure in the legal form of a corporation (Société Anonyme). The management and administration of the Fund is under the responsibility of the Management Board, which is composed of one representative of each core sponsors, two representatives of the Advisory Team and three independent experts.

In total as of December 2019, the European Commission committed EUR 71.9 million and paid out EUR 70.1 million to the Fund. The payments are still being made for on-going commitments (signed investment deals) that were concluded before the end of 2017.

*Control system and conclusion*: *S*upervision arrangements are based on the principle of monitoring the Fund in the capacity of a European Commission representative being a member of a Supervisory Board. In addition, the control system relies on annual audited financial statements issued by the external auditors and on the desk monitoring of relevant reporting where no control issue was observed.

*Control objectives* -

- Legality and regularity: (cf RCS 5, stage 1): In 2019, no material breach of the investment guidelines occurred; no erroneous financial operations were registered; the payments from the budget to the Marguerite Fund were made on time and as per applicable regulation.

- Sound financial management: (cf RCS 5, stage 1): No material issues were identified during 2019.

- Reliability of financial reporting: (cf RCS 5, stage 2): The annual financial audit statements done by external auditors were received for the financial year 2018; the 2019 audited statement will be submitted in Q2 2020; no material issues were communicated to us.

- Safeguarding of assets and information: (cf RCS 5, stage 2): No material breach of the investment guidelines happened and no erroneous financial operations were registered.

- Fraud prevention and detection: (cf RCS 5, stages 1 and 2): The reporting, compliance reviews, internal and external controls and audits did not identify possible or confirmed fraud cases.

*Cost-effectiveness indicators* –

The overall cost effectiveness of controls in 2019 on Marguerite Fund, as measured by the proportion of overall cost of control and the committed funds, confirm that the controls are sufficiently efficient and cost-effective.

*Relevant Control System (RCS)*: 5

# ANNEX 11: Specific annexes related to "Assessment of the effectiveness of the internal control systems"

**Assessment of the internal control systems**

During 2019 DG ECFIN worked with the newly implemented Internal Control Principles. For the Management Plan, 34 internal control monitoring indicators with baseline values and targets were defined and endorsed by the DG's senior and top management, 2 indicators for each control principle.

DG ECFIN regularly assesses the effectiveness of its key internal control systems in accordance with applicable Commission guidance. The assessment relies not just on the 34 monitoring indicators but also on a number of monitoring measures and sources of information including:

- workshops or surveys dedicated to the New Internal Control Framework principle 16 with Heads of Units;
- reported instances of exceptions and non-compliance events and internal control weaknesses,
- the internal Annual Financial Management Report based on Annual reports from individual Authorising Officers by sub-delegation (AOSDs) describing the main facts and developments in the budgetary and financial sphere;
- relevant audit findings;
- the continuous review of sensitive functions;
- the Risk Management exercise, including the mid-term review of the risk register and an update of the risk management procedure;
- results of reviews by management steering Committees or Boards such as
  - Treasury Management,
  - Compliance Committee,
  - Internal Control (ICMG),
  - Human Resources (HRMB),
  - Advisory Committee on the Use of Resources (ACUR))
- results of the ex-post control work;
- Regular visits to directorates raising internal control issues;
- finally, the IAS opinion on the state of internal control and information from audits carried out by the European Court of Auditors.

This analysis has enabled the Internal Control Coordinator to report the state of internal control and his recommendations to the Director General.

The Risk Management exercise found no critical risks in the DG. Overall, there is only one "High" risk (meaning impact x likelihood score of 15 or 16), a resources related risk to InvestEU. It stems from the fact that there is a need for a significant number of additional appropriately qualified staff to deliver the InvestEU programme successfully and it is currently not clear if the required additional staff will become available. Moreover, the transfer of directorate L colleagues to DG BUDG as of 1 January 2020 reduced the staff working on InvestEU. An action plan is underway to mitigate and reduce the potential impact.

Mitigating controls reviewed by senior managers are in place. If risk reduction is deemed necessary, action plans are in place. The results of the risk management exercises are shared with the DG's senior management and the Cabinet.

In addition, DG ECFIN has a dedicated team comprising senior officials devoted to identifying and discussing (non-) mainstream and forward-looking risks that could significantly affect European economies over the short to medium-term horizon.

A register is maintained to keep track of exceptions. The functioning of the internal control systems has been monitored throughout the year by analysing the underlying causes behind these exceptions and weaknesses and corrective and alternative mitigating controls have been implemented when necessary. Concerning the overall state of the internal control system, generally the DG complies with the three assessment criteria for effectiveness; i.e. (a) staff having the required knowledge and skills, (b) systems and procedures designed and implemented to manage the key risks effectively, and (c) no instances of ineffective controls that have exposed the DG to its key risks.

Based on the available data, all but one measurable internal control monitoring criteria met their target values. Only the indicator "Percentage of successful appeals lodged" at 10.8% was slightly above its target of being smaller or equal to 10%[52]. DG ECFIN's HR Business Correspondent and Internal Control Management Group assessed the underlying reasons of the result of this indicator and found scarce promotion endowments in particular grades to be the root cause. As those are outside the DG's control and the indicator missed by 0.8%, the result is not considered to reflect a failing of the underlying control principle.

[52] DG ECFIN aims to stay below 10% of successful appeals out of the total number of appeals lodged. A low percentage of successful appeals is a good, independent and external indication that DG ECFIN's promotion process is working well, as appeal assessments mostly confirm ECFIN managements' initial decisions.

# ANNEX 12: Performance tables

| General objective 1 : A new boost for jobs, growth and investment | | |
|---|---|---|
| **Impact indicator 2:** Employment rate population aged 20-64<br>**Source of the data**: Eurostat. Eurostat table lfsi_emp_a | | |
| **Baseline** (2014) | **Target** (2020) | **Latest known results** (2018) |
| 69.2%… | At least 75% | 73.2% |
| **Impact indicator 6:** GDP growth<br>**Source of the data**: Eurostat table nama_10_gdp | | |
| **Baseline** (2014) | **Target** (2020) | **Latest known results** (2018) |
| 1.7% | Increase | 2.0% |
| **Impact indicator 7:** Gross Fixed Capital Formation (GFCF) investments to GDP ration<br>**Source of the data**: Eurostat. Eurostat table nama_10_gdp | | |
| **Baseline** (2014) | **Target** (2016-2020) | **Latest known results** (2018) |
| 19.2% | 21-22%<br>Mean GFCF for the period 2016-2020 having reached the range of 21-22% | 20.4% |
| **Specific objective 1: Promoting growth and employment enhancing policies in the euro area and the EU** | | Related to spending programme(s) N/A |
| **Result indicator 1:** Rate of potential GDP growth for the EU (%)<br>**Source of data:** http://ec.europa.eu/economy_finance/ameco/user/serie/SelectSerie.cfm; indicator 6.5 potential real GDP (level) for the EU | | |

| **Baseline** (2016) | **Interim Milestone**[53] | **Target** (2020) | **Latest known results** (2019) |
|---|---|---|---|
| To boost potential growth rates to the greatest extent possible using structural reforms | To continue the healing process from the shock of the financial crisis by pursuing economic policies aimed at ensuring a steady improvement in the growth of potential output | Increase – no numerical target for 2020 since the potential growth rate cannot be targeted directly | The potential growth rate in 2019 amounted to 1.6% for the EU (source: Ameco). To foster structural reforms DG ECFIN prepares studies on relevant topics. In the November meeting of the Eurogroup a thematic discussion was held on "Investment in the euro area: Focusing on research and innovation". Also, discussions on benchmarking quality of public administration and business environment were held in the LIME working group of the Economic Policy Committee. DG ECFIN together with DG EAC and DG EMPL prepared a Joint ECOFIN/EYCS (Education) Council meeting in November 2019 on education and training, which are essential to boost potential growth. As a final example, DG ECFIN facilitates a network with the National Productivity Boards, and organises workshops with these Boards twice per year. |
| **Result indicator 2:** Nominal unit labour cost (3 years % change)<br>**Source of data:** AMR Scoreboard | | | |

[53] The column should be deleted if only short-and medium term (less than 3 years) targets are set.

| | | | |
|---|---|---|---|
| **Baseline** (2016) | **Interim Milestone**[54] | **Target** (2020) | **Latest known results** (2018) |
| AMR Scoreboard | AMR Scoreboard annual increase | Evolution of labour cost in % compared to main economic competitors | Dir. B<br>5% |
| **Result indicator 3:** Percentage of Country Specific Recommendations (CSRs) partially of fully complied with<br>**Source of data:** European Commission database | | | |
| **Baseline** (2016) | **Interim Milestone**[55] | **Target** (2020) | **Latest known results** (2019) |
| CSRs | Annual Communication on the European Semester Package | To improve the implementation of the CSRs | By May 2019, Member States achieved at least some progress with the implementation of 40% of the CSRs issued in the 2018 European Semester round. From a longer-term perspective, more than two-thirds (70%) of 2011-2018 country-specific recommendations have been implemented with at least some progress. |

| | | | |
|---|---|---|---|
| **Activity 1: Analysis and development of growth and employment enhancing policies**<br>**Main outputs in 2019:** | | | |
| **Other important outputs** | | | |
| Output description | Indicator | Target | Latest known results |

[54] The column should be deleted if only short-and medium term (less than 3 years) targets are set.

[55] The column should be deleted if only short-and medium term (less than 3 years) targets are set.

| | | | |
|---|---|---|---|
| | | | (situation on 31/12/2019) |
| Assessment of 2018 CSR implementation | Annual and multiannual assessment of CSR implementation | Q1 – Q2 | Done in the context of Country Reports and 2019 CSRs respectively.<br>Discussions took place in EPC on 19-20 March and 24-26 June |
| Country Reports including IDRs | Publication of the country reports for all Member States including, for the Member States selected in the Alert Mechanism Report, the findings of the in-depth review | Q1 | SWD(2019) 1000 to 1027 published on 27.02.2019 |
| Preparation of 2019 CSRs | ECFIN proposal of draft CSRs to SG | Q1 | Done |
| European Economic Forecasts 2019 | Publication<br>-> Interim Winter Forecast February<br>-> Spring Forecast May<br>-> Interim Summer Forecast July<br>-> Autumn Forecast November | Q1<br>Q2<br>Q3<br>Q4 | Published on 07.02.2019<br>Published on 07.05.2019<br>Published on 10.07.2019<br>Published on 07.11.2019 |
| Joint Harmonised EU Programme of Business and Consumer Surveys | Publication of survey data and related analyses, circulation of nowcasts and short-term forecasts | Monthly BCS results: second last working day of the month; quarterly EBCI: one week | Surveys and related analyses published according to schedule |

| | | | |
|---|---|---|---|
| | | after the end of the quarter; nowcasts: usually twice per month | |
| Annual Research Conference | Organisation of the conference | Q4 | The Annual Research Conference 2019 - Economic challenges of the 2020s - took place on 15 November, with keynote lectures delivered by P. Collier, Th. Philippon and O. Blanchard. |
| Conference: "Structural reforms: New solutions for new policy changes" | Organisation of the conference | Q3-Q4 | To be shifted to 2020. |
| Macroeconomic Dialogue with social partners at technical level | | Q1 and Q4 | The spring meeting of the MED at technical level took place on February 22, with the special topic focussing on inequality. The autumn meeting of the MED at technical level took place on October 18, with the special topic focussing on skills formation. |
| **Activity 2: Management of tools and processes to support the implementation of growth and employment-enhancing policies**<br>**Main outputs in 2019:** | | | |
| **Other important outputs** | | | |
| Output description | Indicator | Target | Latest known results<br>(situation on 31/12/2019) |
| Country–specific recommendations (CSRs) to all Member States – legal texts including opinions on the Stability and Convergence | Publication of the CSRs and accompanying technical assessments of SCPs | Q2 | European Semester Spring package – 5 June 2019 including: Adoption of Chapeau communication - COM(2019)500Publication of CSRs: - COM(2019)501 ->528 |

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| programmes | | | |
| Assessment of the policy mix in the euro area | Development of various indicators to assess the monetary and fiscal stances. Contributions on the policy mix included in the Commission forecast documents and various fiscal surveillance notes | Throughout 2019 | 'The 2019 Stability and Convergence Programmes: An Overview and Assessment of the Euro Area Fiscal Stance' was published on 26.07.2019. |
| Commission progress report on the implementation of the Recommendation on National Productivity Boards | Adoption of the Report | Q1 | COM(2019)152 adopted on 27.02.2019 |
| Two workshops with the National Productivity Boards | Organisation of the workshops | First workshop in H1; Second workshop in H2 | The workshops took place on 24.4.2019 and on 14.11.2019. |
| Contribute to the Article 50 negotiations with the UK and any follow-up in a possible transition period. | Input provided to the Article 50 Task Force and other relevant services | Throughout 2019 | DG ECFIN provided the Article 50 Task Force with analytical support on the economic implications of negotiation options, as well as information about ECFIN-managed financial instruments implying budgetary liabilities for the UK. More generally, DG ECFIN responded to Article 50-related requests by the Task Force and the Secretary General. |
| Implementation of action plan following the IAS audit on | Close all (sub)-recommendations | December 2019 | Two of the three recommendations from the audit have been formally closed by IAS. The final recommendation is 'Ready for Review' by IAS. ECFIN considers all recommendation to be |

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| evaluation | | | implemented. |
| **Specific objective 2:** Promoting macro-economic and fiscal stability in the euro area and the EU | | Related to spending programme(s) N/A | |

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| **Result indicator 1:** Number of member states at the medium-term objective<br>**Source of data:** Commission, AMECO database and Stability / Convergence programmes | | |
| **Baseline**<br>(2015) | **Target** (2020) | **Latest known results**<br>(2019) |
| Commission, AMECO database | With the end of the crisis, MS are expected to exit EDP and reach their SCP horizon. It is therefore expected that their structural balance be at MTO by 2020 | 11 MSs were estimated to be at their MTOs in 2019 according to the Autumn 2019 European Economic Forecast. |
| **Result indicator 2:** Country specific Net International Investment Positions (NIIP) in % of GDP<br>**Source of data:** AMR Scoreboard | | |
| **Baseline**<br>(2014) | **Target** (2020) | **Latest known results**<br>(2018, EU change to 2017, weighted average) |
| 0.8% | NIIP level in % of GDP | Dir. B<br>+2 p.p. of GDP. |

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| **Activity 3: Undertaking fiscal surveillance of Member States' economies**<br>**Main outputs in 2019:** | | | |
| **Other important outputs** | | | |
| Output description | Indicator | Target | Latest known results<br>(situation on 31/12/2019) |
| SGP review | Adoption of a | Q4 | This will be a large part of the Review of the Six Pack and Two |

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| | Commission communication and accompanying SWD | | Pack legislations, which has been postponed to Q1 2020, the start of a new political cycle being an opportune and appropriate moment to assess the effectiveness of the current framework for economic and fiscal surveillance. |
| Overview of 2019 SCPs and an assessment of the euro area fiscal stance | Note to the EFC | Q2 | Published in July 2019. |
| Overall assessment of the 2020 Draft Budgetary Plans in the euro area | Adoption of a Commission Communication | Q4 | COM/2019/900 adopted on 20.11.2019 |
| Opinions on the 2020 DBPs for euro area Member States | Adoption of a Commission Opinion and accompanying SWDs | Q4 | C/2019/9100->9118 and SWD/2019/910->928 adopted on 20.11.2019 |
| SGP - Legal acts - notably EDP or SDP steps | Adoption of legal documents and accompanying SWDs | Q1 – Q2 – Q4 | Based on the assessment of the 2019 SCPs the Commission has taken a number of steps under the Stability and Growth Pact<br>*On 27 February*: C(2019)2002 + SWD(2019)202 - updated draft budgetary plan of Slovenia;<br>*On 6 March*: C(2019)1874 + SWD(2019)98 – updated draft budgetary plan of Latvia;<br>*On 22 March*: C(2019)2275 + SWD(2019)144 – updated draft budgetary plan of Luxembourg;<br>*On 5 June*: Article 126(3) reports for France, Cyprus, Belgium and Italy – COM(2019)529->532;<br>Significant deviation procedure for Hungary and Romania – COM(2019)533, 534, 538, 539, 541, 542, 5000 and 5002;<br>Abrogation of the EDP for Spain – COM(2019)543 |

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| | | | *On 3 July:* COM(2019)351 Communication from the Commission to the Council – on the Spring 2019 round of fiscal surveillance for Italy.<br>*On 20 November:* Significant deviation procedure for Romania & Hungary – COM(2019)910, 912, 913, 920, 921, 922 & 930 & SWD(2019)930, 932 & 941 |
| Debt sustainability analysis and assessment of fiscal sustainability risks | Publication of the Fiscal Sustainability Report 2018 | January 2019 | Published on 18.01.2019 |
| Review of the Six Pack and Two Pack legislations on the strengthening of economic and budgetary surveillance of Member States in the euro area (PLAN/2019/5406) | Adoption and transmission to the European Parliament and the Council | Q4 | Postponed to Q1 2020 (see above SGP Review) |
| **Activity 4: Contributing to the prevention/correction of macro-economic imbalances**<br>**Main outputs in 2019:** | | | |
| **Other important outputs** | | | |
| Output description | Indicator | Target | Latest known results<br>(situation on 31/12/2019) |
| Alert Mechanism Report (AMR) | Adoption of a Commission report | Q4 | Adoption of the Alert Mechanism Report 2020 on 17 December – COM(2019)651 and SWD(2019)630 |

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| In-Depth Reviews (IDR) | Adoption of Commission communication with the findings of imbalances and publication of the accompanying country reports integrating the IDR analysis. | Q1 | Adoption on 27.02.2019 of COM(2019)150 & publication of SWD(2019)1000-1027 |
| Specific Monitoring Reports | Reports to the EPC/EFC | Q4 | Reviews of progress on policy measures relevant for the correction of Macroeconomic Imbalances presented and discussed in the EPC in November and December 2019 (in EFC January 2020), and subsequently published. Council conclusions adopted integrated with the AMR conclusions (February 2020). |

**Specific objective 3:** Promoting investment in the EU Related to spending programme(s) N/A

**Result indicator 1:** European Fund for Strategic Investments (EFSI) – Total investment
**Source of data:** EIB KPI3 (as per EFSI Agreement) included in the KPI/KMI reporting; the total investment will be also part of the annual reports submitted by the EIB to the Commission, European Parliament and Council

| **Baseline** (2015) | **Target** (2020 – EFSI 2.0 Regulation (Preamble 7)) | **Latest known results** (2019) |
|---|---|---|
| No baseline as it is the start of the activity | Mobilise a total investment of EUR 500 billion by end 2020 as per the EFSI 2.0 Regulation (Preamble 7) | Volume of investment expected to be mobilised at the end of 2019: EUR 458.4 billion or 92% of the end-2020 target of EUR 500 billion (See also KPIs) |

**Result indicator 2:** European Investment Advisory Hub (EIAH) – Utilisation of annual EIAH grants

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| **Source of data:** EIB, EIAH, quarterly / semi-annually technical reports and the annual report submitted to the Commission, Council and European Parliament (Article 6.2 of the FPA) | | | | | | | |
| **Baseline**<br>(2015) | **Interim milestone** | | | | | **Target** (2020 – budgetary commitments<br>for EIAH Specific Grant Agreements<br>are done in accordance with the provisions of the Financial Regulations and in due time to consume the yearly appropriations) | **Latest known results**<br>(2019) |
| EUR<br>10 000 000 | 2016 (EUR) | 2017 (EUR) | 2018 (EUR) | 2019 (EUR) | 2020 (EUR) | Annual commitments made by year end | In 2019 commitments under the EIAH amounted to EUR 19 300 000 |
| | 19 400 000 | 19 400 000 | 19 300 000 | 19 300 000 | 19 300 000 | | |
| **Baseline**<br>(2016)<br>Building up the fund with total[56] transfer of EUR 1018 million in EFSI Guarantee | **Interim milestone**<br>1. Managing the assets of the EFSI Guarantee Fund in line with sound financial management aiming at protecting the capital while achieving a reasonable return<br>2. Timely payments of the calls under the EFSI Guarantee Fund | | | | | **Target** (2022 – based on potential needs and in view of availabilities of funds under MFF) | **Latest known results** (2019) |

[56] Including EUR 6.3 million as assigned revenue from EIB

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| Fund | | | | | | | | |
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Transfer[57] of EUR 9.1 billion until 2022 building up the EFSI Guarantee Fund | EUR 1166.2 million were received and invested throughout 2019 |
| | Transfer[58] of EUR 2490 million | Transfer[59] of EUR 2013.9 million | Transfer of EUR 1000 million | Transfer of EUR 1088.2 million | Transfer of EUR 525 million | Transfer of EUR 392.4 million | | |
| **Planned evaluations:** by 30 June 2021 and every three years thereafter, the Commission shall publish a comprehensive report on the use of the EU guarantee and the functioning of the guarantee fund. | | | | | | | | |
| **Activity 5a: Mobilising the Investment Plan effectively towards increasing private sector participation**<br>**Main outputs in 2019:** | | | | | | | | |
| **Other important outputs** | | | | | | | | |

[57] According to the EFSI Regulation (EU)2015/2017, as amended by Regulation (EU)2017/2396 and including assigned revenues received in accordance with the EFSI Agreement

[58] Including EUR 39.2 million as assigned revenue from EIB and EUR 0.4 million as additional appropriation at the end of the budgetary year

[59] Including EUR 59.0 million as assigned revenue from EIB and EUR 154.9 million as additional appropriation at the end of the budgetary year

| Output description | Indicator | Target | Latest known results (situation on 31/12/2019) |
|---|---|---|---|
| Additional investment mobilised by EFSI | Continuing the implementation of the Infrastructure and Innovation Window (IIW) and the SME Window (SMEW) to achieve the mobilisation of EUR 420 billion of cumulative investment to ensure reaching the overall EFSI 2.0 target of EUR 500 billion of investment mobilised by end-2020 | Q4 | As of December 2019, the Investment Plan for Europe has triggered EUR 458.4 billion in cumulative investment mobilised across all 28 Member States. This represents 92% of the EUR 500 billion end-2020 target. Of this overall volume, EUR 272.8 billion can be attributed to mobilised investments under the IIW, while 186.0 billion can be attributed to operations under the SMEW. |
| EIAH | Additional number of requests received (200) and detailed advisory support provided (50) | 31 December 2019 | In 2019, the European Investment Advisory Hub received 417 requests for 2019 and allocated 148 requests for receiving targeted advisory support. |
| EIPP | Additional number of projects published (150) | 31 December 2019 | In 2019, 601 investment projects were submitted for publication on the EIPP of which 499 projects were published. As of end 2019, 956 projects were available on the EIPP and 60 projects received financing after their publication on the EIPP. |
| Pan-European Venture Capital Fund-of-Funds | Signature of remaining operations | H1 | As of December 2019, three operations were signed and the remaining three cancelled. |

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| | with fund managers | | |
| ESCALAR (European Scale-Up Action for Risk Capital) | Development of EFSI 2.0 SME Window to be included under the EFSI Agreement | Amendment of the EFSI Agreement signed before end 2019 | Amendment expected to be signed in Q1 2020. |
| **Activity 5b: In the framework of the next MFF, proposing a single InvestEU Programme Regulation**<br>**Main outputs in 2019:** | | | |
| **Delivery on legislative proposals pending with the legislator** | | | |
| Output description | Indicator | Target | Latest known results<br>(situation on 31/12/2019) |
| Proposal for a Regulation of the European Parliament and of the Council establishing the InvestEU Programme (COM(2018) 439) | Contribute to the on-going legislative process leading to the adoption of the Proposal by the co-legislators | End 2019 | After the partial agreement reached in March and the vote of the European Parliament in April 2019, contribute to the on-going legislative process leading to the final adoption of the Proposal by the co-legislators after an agreement on the overall MFF. |
| **Other important outputs** | | | |
| Output description | Indicator | Target | Latest known results<br>(situation on 31/12/2019) |
| Commission Delegated Decision supplementing Regulation …/… of the European Parliament and of the Council establishing the InvestEU Programme, setting out the | Preparation in 2019 of the Investment Guidelines with line DGs and adoption of the Decision by the Commission in 2020 | Q1 2020 | The preparation of the Delegated Act related to the Proposal is ongoing; written consultation of potential Implementing Partners on the document took place in summer 2019 and throughout autumn 2019 a number of explanatory meetings followed. An informal consultation of the EP and Council should be launched before the end of Q1 (timing will depend on overall progress of the MFF negotiations). |

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| Investment Guidelines (PLAN/2018/3943) | | | |
| Commission Delegated Decision supplementing Regulation …./... of the European Parliament and of the Council establishing the InvestEU Programme, setting out the scoreboard (PLAN/2019/5464) | Preparation in 2019 of the technical description of the information to be submitted by an implementing partner and adoption of the Decision by the Commission in 2020 | Q2 2020 | The preparation of the Delegated Act related to the Proposal is ongoing. The consultation with potential Implementing Partners will take place in the first half of 2020 (timing will depend on overall progress of the MFF negotiations). |
| Initiate the implementation process and start the discussions with future implementing partners | a) Design of specific products<br>b) Pillar assessment of potential implementing partners<br>c) Design and adoption of scoreboard (legal nature to be confirmed)<br>d) Negotiation and signature of Guarantee Agreements<br>e) Design of the Advisory Offer | a) Throughout 2019 and 2020<br>b) Throughout 2019 and 2020<br>c) End 2019<br>d) Throughout 2019 and 2020<br>e) Throughout 2019 and 2020 | a) b) c) d) e) A number of seminars were organised with potential Implementing Partners to discuss InvestEU workstreams, and these contacts will continue also in 2020. In parallel, bilateral contacts with potential Implementing Partners are held, in particular regarding the pillar assessment and product design work streams. |
| Activity 6: Enhancing the efficient use of EU resources via financial | | | |

| instruments with a special focus on SMEs and infrastructure<br>Main outputs in 2019: | | | |
|---|---|---|---|
| **Other important outputs** | | | |
| Output description | Indicator | Target | Latest known results<br>(situation on 31/12/2019) |
| Review the procedure about Article 19 of the EIB Statute | Signature of a revised Memorandum of Understanding between the Commission and the EIB | Q4 | Negotiations are ongoing with EIB to reach an agreement on a revised procedure to implement Art. 19 of the EIB Statute. |
| EIF governance and shareholding | Board preparation work, timely and effective preparation of the regular briefings for the Commission representatives in the governing bodies | 10/year | 10 EIF Boards were prepared in 2019. |
| Act as Commission Competence Centre for Financial Instruments | Coordination of overall Commission approach to design and negotiation of financial instruments | Throughout 2019 | The work of coordinating the overall Commission approach was performed throughout 2019. |
| Monitoring of the implementation of legacy programmes | Conduct of the yearly monitoring plan | Three monitoring visits for the guarantee instruments (no visits foreseen for | Visits to the FIs : 3 monitoring visits were done in 2019.<br>Visit to the EIF: 1 visit was done in Q3 2019. |

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| | | the venture capital instruments) | |
| Awareness on financial instruments' implementation and impact | Drafting and coordination of the working document annexed to the Draft Budget 2020 on the implementation of financial instruments under Article 41(4) of the new Financial Regulation (FR), covering the Commission centrally managed financial instruments<br><br>Seminars to be delivered as needed | Timely delivery of the working document as required by the Financial Regulation<br><br>1-2 seminars in 2019 | • DG ECFIN coordination and contribution was done timely. The final report was published on 13/6/2019 and presented to Combud on 17/6/2019. In addition, the preparation and coordination with DG BUDG of the 2020 exercise on the 41.4 report started in Q4 2019.<br><br>• One seminar was held in H1 2019. |
| **Activity 7: Ensuring sound and efficient management and follow-up of financial operations<br>Main outputs in 2019:** | | | |
| **Important items from work programmes/financing decisions/operational programmes[60]** | | | |
| Output description | Indicator | Target | Latest known results<br>(situation on 31/12/2019) |
| Euratom loan facility: Disbursement (in | Number of disbursement | EUR 100 million in 2 tranches | The disbursements have been deferred to 2020 due to non- |

[60] For a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the Draft Budget for 2019.

<table>
<tr><td>tranches) of the EUR 300 million Loan Facility Agreement (LFA) with Energoatom/Ukraine for safety upgrades</td><td>tranches</td><td></td><td>compliance with one of the conditions.</td></tr>
<tr><td colspan="3">Other important outputs</td><td></td></tr>
<tr><td>Output description</td><td>Indicator</td><td>Target</td><td>Latest known results<br>(situation on 31/12/2019)</td></tr>
<tr><td>Sound and efficient management of the assets</td><td>Performance relative to benchmarks</td><td>Throughout 2019</td><td>As of 31 December 2019, the year-to-date performance relative to the benchmark is positive for three out of seven portfolios and negative for four of them:
<table>
<tr><th></th><th>ECSC</th><th>BUFI</th><th>PGF</th><th>EFSI</th><th>RCAM</th><th>EFSD</th><th>PL01</th></tr>
<tr><td></td><td colspan="7">YTD Performance</td></tr>
<tr><td>Portfolio Performance</td><td>1.704%</td><td>0.775%</td><td>1.384%</td><td>1.239%</td><td>1.533%</td><td>0.242%</td><td>-0.188%</td></tr>
<tr><td>Benchmark Performance</td><td>1.739%</td><td>-0.567%</td><td>2.074%</td><td>2.302%</td><td>2.161%</td><td>0.149%</td><td>-0.241%</td></tr>
<tr><td>Relative Return (bps)</td><td>-3.5</td><td>134.2</td><td>-69.0</td><td>-106.3</td><td>-62.8</td><td>9.4</td><td>5.3</td></tr>
</table>
Governance structures are in place to enhance decision-making in the management of the portfolios. The trading infrastructure has also been improved to enhance efficiency and responsiveness.</td></tr>
<tr><td>Proposal for a Council Decision amending Decision 2003/77/EC laying down multiannual financial guidelines for managing the assets of the ECSC in</td><td>Adoption of the Proposal by the Commission and transmission to the Council</td><td>Q4</td><td>DG ECFIN's draft proposal to revise Council Decision 2003/77 resumed around year-end following the start of the new College, in parallel with the proposed amendment of Council Decision 2003/76 by DG RTD. Amendments of Council Decisions are well advanced and are expected to be validated by the end of Q1 2020.</td></tr>
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| liquidation and, on completion of the liquidation, the Assets of the Research Fund for Coal and Steel - PLAN/2017/955 | | | |

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| **Specific objective 4: Promoting prosperity beyond the EU** Related to spending programme MFA | | | | | | |
| **Result indicator 1:** Implementation of the External Lending Mandate (ELM) of the EIB under Decision 446/2014/EU<br>**Source of data:** EU Guarantee Fund for the External Action / EIB | | | | | | |
| **Baseline** (2016) | **Interim milestone** | | | | **Target** (Up to EUR 32.3 billion of EIB financing operations outside the EU are guaranteed in 2014-2020 – as per decision EU/2018/412) | **Latest known results** (2019) |
| | (2016) | (2017) | (2018) | (2019) | | |
| End 2016 net cumulative signatures under the ELM reached EUR 10.74 billion, corresponding to a utilisation rate of 40% | EUR 3.9 billion were signed in 2016 under the ELM | Interinstitutional discussion on the mid-term review of the ELM. Following the political agreement, the text on the ELM should be published in | Following a mid-term review, the ELM guarantee ceiling was raised through the amending decision 2018/412 published in March 2018 | The cumulative exposure signed by end of year 2019 is EUR 21.5 billion, corresponding to a utilisation rate of 67% (i.e 67% of the total EUR 32.3 billion | Up to 32.3 billion in EIB financing (of which 2.3 billion for the private sector projects directed to the long-term economic resilience of refugees, migrants, hots and transit communities and communities of origin). NB: the guarantee ceiling is not fully equivalent to a target – | Total cumulative exposure signed of EUR 21.5 billion |

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| | | April 2018. EUR 3.2 billion of investments were signed under the ELM in 2017 bringing cumulative signatures since 2014 close to EUR 14 billion | and a new objective of long-term economic resilience inserted | allocated for the ELM guarantee during 2014-2020). The cumulative ERI Private Mandate exposure by end 2019 is EUR 1.1 billion. | what matters is not only the volume of investments but also their quality and alignment with EU policy. | |

**Result indicator 2**: Management and provisioning of the Guarantee Fund for the External Action, whose function is to cover the risk of loans and loans guarantees to third countries, timely management of the guarantee calls
**Source of data:** ECFIN DDG2.01, EIB

| **Baseline** (2018) | **Target** (2019) | **Latest known results** (2018) |
|---|---|---|
| On 31 December 2017, net assets of the Fund amounted to EUR 2,559.81 million. According to the appropriate provisioning to be done in N+2, a provisioning of EUR 103.22 million was inserted in 2018 in the preliminary EU budget of 2019. The payment corresponding to the provisioning of 2019 was executed in February 2019. | The amount of the Guarantee Fund needs to be kept within the target (currently 9%) | Calculation in February 2019 of the Provisioning for 2020. On 31 December 2018, net assets of the Fund amounted to EUR 2,608.84 million. According to the appropriate provisioning to be done in N+2, a provisioning of EUR 240.15 million was inserted in 2019 in the preliminary EU budget of 2020. |

**Result indicator 3:** Countries benefiting from macro-financial assistance achieve a sustainable macro-economic situation with reduced Balance of Payments stress as measured in particular by foreign exchange reserves in months' imports of goods and services and coverage of short-term foreign debt.
**Source of data**: Central Banks, IMF

| **Baseline** | **Interim milestone** | **Target** | **Latest known results** |
|---|---|---|---|

| | | | |
|---|---|---|---|
| | | | (2018-19) |
| Beneficiary countries' international reserves' position at the start of the programme | Amount of MFA disbursed to each beneficiary country.<br>Progress on reform conditionalities by beneficiary country. | Maintain adequate level of foreign reserves broadly covering three months of imports and short-term foreign debt by the end of the programmes. | Ongoing MFA operations in 2019 were for Jordan, Tunisia, Moldova, Ukraine, Georgia,<br><br>Tranche disbursements were made for Jordan (EUR 100 million in loans) and Tunisia (EUR 150 million in loans), successfully concluding both operations. The first tranche of MFA Moldova (EUR 20 million in loans and EUR 10 million in grants) was also disbursed.<br><br>Disbursements to Ukraine and Georgia were delayed to 2020 due to delays by the national authorities in the fulfilment of the agreed policy measures.<br><br>For all the above mentioned operations (except Tunisia), the target level of foreign reserves was maintained above the critical 3 months threshold in 2018. For Tunisia, the level declined gradually until reaching a decade-low of 69 |

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| | | | days in September, but rose again around the threshold towards the end of the year. [*Note: 2019 data not yet available*] |
| **Planned evaluations:** The Staff Working Documents accompanying the ex-post evaluations of MFA operations with Kyrgyz Republic and Georgia (completed in 2016 and 2017, respectively), were completed and published in 2019. The ex-post evaluation of the MFA operations with Tunisia was launched in 2018. The final report by the external contractors was received in June 2019, and the accompanying Staff Working Documents by the Commission will follow in Q1-2020. | | | |
| **Result indicator 4:** EU enlargement countries make progress in complying with the economic accession criteria, notably to become a functioning market economy and to be able to withstand competitive pressures within the EU, as measured by a defined set of sub-criteria to be assessed and evaluated on an annual basis in the context of the Commission's enlargement package (the latest package was published in May 2019)<br>**Source of data:** National authorities, ESTAT, IFIs, International surveys, other multiple data sources | | | |
| **Baseline** | **Interim milestone** | **Target** | **Latest known results** (2019) |
| Level of compliance as assessed in the 2015 country reports (Commission Staff Working Documents), only Turkey is yet considered to be a functioning market economy | Progress with economic reforms conducive to reaching a higher level of compliance, compared with the baseline, with EU economic accession criteria. | (No target year for EU accession) Reaching full compliance with economic accession criteria, i.e. attaining the status of a functioning market economy and become able to withstand competitive pressures within the EU. | All enlargement countries have made at least some progress towards meeting the two economic accession criteria, except for Turkey where backsliding on the functioning market economy criterion continued. Still, Turkey remained the only enlargement country which fulfilled one of the criteria (it was considered to be a functioning market economy). |

| **Result indicator 5:** Effective coordination and promotion of EU interests in the G7, G20 and IMF and in the governing bodies of the EIB Group and the EBRD, including preparation of common EU positions and cooperation with international partners to reach G20 growth ambition<br>**Source of data:** ECFIN/D/3, ECFIN/DDG2.01, National authorities, ESTAT? EFC secretariat | | |
|---|---|---|
| **Baseline** (2015) | **Target** (2020) | **Latest known results** (2019) |
| 1a) Number of common EU positions coordinated by DG ECFIN on economic/financial issues dealt with in the G20: four EU Terms of Reference (ToR) for G20 Ministerial meetings in 2015 | 1a) Ensure effective coordination of EU positions during the period 2016-2020 by coordinating EU ToR for every G20 Finance Deputies and Ministerial meeting | Effective coordination was carried out. Five terms of reference were put forward and agreed ahead of the meetings in 2019 (broadly same number over the years before). Coordination was ensured also during the meetings themselves. |
| 1b) G20 members have collectively reached around 0.8% of their 2% additional growth ambition as set out at the 2014 Brisbane summit | 1b) Work constructively with G20 partners to collectively deliver the 2% additional growth ambition by 2020 | The timeframe for this initiative was 2014-2018. At the end of it, international organisations estimated that structural reforms G20 members have implemented since 2014 as part of the initiative would have a collective GDP impact of 1.28 per cent by the end of 2018. Work to boost strong, sustainable, balanced and inclusive growth proceeded since then without a numerical ambition attached to it anymore. |
| 2) Number of common EU positions and statements in the IMF coordinated by ECFIN to advance the EU policy agenda: 15 common messages in 2015 | 2) Continue to successfully produce common messages on IMF policy, including governance and multilateral surveillance as well as country items during the period 2016-2020 | Coordination on IMF issues was effectively carried out with a number of common messages agreed (around 10-15 per year) |
| 3) Number of EU policy positions coordinated (also through EFC) in the G20 Investment and Infrastructure Working | 3) Target 2020: in total about 20 (on average 4 per year) | Continue to use Council and other committees as a structured channel for promoting coherent Member States' |

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| Group, and in the governing bodies of the EIB Group and EBRD<br>Baseline 2015: 4 (China in EBRD, EU MS in Asian Infrastructure Investment Bank, Egypt in EBRD, Multilateral Development Banks (MDB) optimization) | | positions on strategic issues relevant for multilateral financial organisations. |

| **Activity 8: Promoting EU positions and interests, cooperation in the external field and coordinating EU positions in the G7, G20, IMF, EIB/EIF, EIB External Lending Mandate (ELM) and governing bodies of the EBRD and other IFIs<br>Main outputs in 2019:** | | | |
|---|---|---|---|
| **Other important outputs** | | | |
| Output description | Indicator | Target | Latest known results<br>(situation on 31/12/2019) |
| Neighbourhood, Development and International Cooperation Instrument (NDICI)* | Contribute to the on-going legislative process leading to the adoption of the Regulation on the NDICI by the co-legislators. | End 2019 | Contributions to the work of DGs DEVCO/NEAR on the NDICI Regulation are on-going. Parliament first reading position was adopted in March and Council partial mandate was agreed by Coreper in June (with the EFSD+ chapter still in square brackets). DG ECFIN also represented the Commission in a meeting with the Wise Persons Group on the European financial architecture for development, whose recommendations are likely to influence the final shape of the NDICI Regulation. DG ECFIN coordinated the Commission's written input to the Wise Persons Group. DG ECFIN, together with DGs DEVCO and NEAR represented the Commission in the discussions in the Joint FICO/CODEV meetings (4 meetings) and prepared and coordinated positions for the 3 COREPERs, one FAC-DEV and one ECOFIN during November-December 2019.<br>DG ECFIN has also contributed to the Report to the Council |

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| | | | conclusions on the financial architecture for developments to be delivered by end of January 2020. |
| Coordination of written EU positions for G20 finance track meetings | Issues for discussion notes circulated to EFC and EU G20 Terms of Reference to be agreed in EFC/ECOFIN | Throughout 2019 | Five EU G20 Terms of reference have been delivered for the G20 meetings. Three discussion notes (on the G20 Japanese Presidency and the EU priorities, on the Spring international meetings and on the preparation of the Annual international meetings). |
| Coordination of EU positions on IMF policy issues | Analytical and policy notes for discussion and common positions to be agreed by the EFC | Throughout 2019 | EU common messages on the World Economic Outlook, the Global Financial Stability Report and the Fiscal Monitor in March as well as in October.<br>EU common messages on the Art. IV reports on Russia, US and China.<br>ECFIN prepared analytical work and discussion notes on IMF policy topics, such as IMF quota developments, IMF New Arrangements to Borrow, IMF Conditionality and IMF Surveillance. |
| Analytical work on global imbalances (focus on stock imbalances and benchmarking) | Non-papers / presentations circulated to G20 members | Throughout 2019 | Contributions provided to the G20 Framework for Growth main deliverable on global imbalances |
| Policy oriented contributions on ageing and fiscal sustainability | Non-papers / presentations circulated to G20 members | Throughout 2019 | Two main presentations on ageing; contributions to the G20 Framework for Growth main deliverable on demographic challenges; and work for the joint G20 Finance-Health Ministerial in Japan. |
| Analytical notes underpinning policy positions in | Analytical and policy notes for G20 Finance track | Throughout 2019 | Note on the link between long-term GDP projections and trends in IMF quota shares; note on country platforms; notes on global risk surveillance and the global safety net, note on the |

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| G7/G20/IMF | | | proposal for a synthetic hegemonic currency; note on the new US development agency. |
| Agreement on G20 growth strategies | Producing policy-relevant growth strategies and assessment of measures therein | Throughout 2019 | Growth strategies were dropped from the G20 agenda. The G20 is exploring other forms of macroeconomic cooperation / coordination of policies. |
| Assessment of compliance of the "warehoused" projects under the ERI initiative with the provision of Art. 20a of Decision 2018/412 of 14 March 2018. | Adoption of the Commission Decision | Q2 | The Commission decision was adopted in April 2019. |
| Evaluation report (Implementation of the current EIB External Lending Mandate) PLAN/2018/2468 | Adoption of the Commission report and publication of the Staff Working Document | September 2019 | The Staff Working Document was published in September 2019. The Report from the Commission to the European Parliament and the Council on the evaluation of the application of Decision No 466/2014/EU of the European Parliament and of the Council of 16 April 2014 will be adopted in February 2020. |
| Operational contacts with possible implementing partners and contribution to the | 1. Meetings of the EU external investment platform[61] | Throughout 2019 and 2020 | 1. The external investment platform met in January 2019 with DGs DEVCO/NEAR in the lead. |

[61] The EU external investment platform was proposed in the Commission Communication of 12 September 2018 "Towards a more efficient financial architecture for investment outside the European Union", COM(2018) 644 final.

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| initiation of the implementation process | 2. Contribution to the design of NDICI investment windows<br><br>3. Contribution to the establishment of the NDICI risk assessment group<br>4. Contribution to the negotiation and signature of Guarantee Agreements | | 2. DG ECFIN contributed to Commission-EIB negotiations on the EIB's role under NDICI, outlining the EIB's possible post-2020 guarantee mandates (non-paper agreed in April 2019) and has been participating in the interservice discussions chaired by DG NEAR with DGs BUDG, DEVCO, SG and EEAS to prepare the EFSD trilogues.<br>DG ECFIN has also participated in the meetings with DGs DEVCO, NEAR, SG and EEAS with the EIB to clarify key concepts for the NDICI regulation such as the definition of subsovereign.<br>3. Work on the risk assessment group is under DGs DEVCO/NEAR responsibility; DG ECFIN reviewed the relevant GRI fiche in March 2019.<br>4. DG ECFIN participated in the revision and structuring of the EFSD Guarantee Agreements signed during 2019. Negotiation of guarantee agreements is likely to take place only in 2020. |

**Activity 9: Supporting macro-financial stability and promoting growth-enhancing reforms outside the EU, including regular economic dialogues with key partners and by providing macro-financial assistance**

**Main outputs in 2019:**

**Important items from work programmes/financing decisions/operational programmes[62]**

[62] For a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the Draft Budget for 2019.

| Output description | Indicator | Target | Latest known results<br>(situation on 31/12/2019) |
|---|---|---|---|
| Implementation of MFA operations in third countries | Release & Borrowing Decisions by the Commission (for Ukraine, Georgia, Tunisia, Jordan and Moldova) | Depending on the beneficiary country and the progress with conditionalities | Release of the second instalment of macro-financial assistance to Jordan of EUR 100 million, in the form of a loan - C/2019/4606 – 21.06.2019 - Operation completed.<br><br>Release of the second instalment of macro-financial assistance to Tunisia of EUR 150 million, in the form of a loan - C/2019/4893 – 24.06.2019<br><br>Release of the third instalment of macro-financial assistance to Tunisia of EUR 150 million, in the form of a loan - C(2019)7966 - 30.10.2019 – Operation completed<br><br>Release of the first instalment of macro-financial assistance to Moldova of EUR 20 million, in the form of a loan – C(2019)7402 – 23.10.2019 |
| Possible Proposals for legislative decisions on MFA to third countries | Adoption of proposals by the Commission, depending on developments. | Throughout 2019 | (New) MFA-III to Jordan proposed by the Commission on 6 September 2019. Decision adopted by co-legislators on 15 January 2020 - (Decision (EU) 2020/33) |
| MFA grant commitments & payments to third countries | Disbursement of grants (for Georgia and Moldova) | EUR 5 million to Georgia; EUR 40 million to Moldova depending on the progress with conditionalities | Release of the first instalment of macro-financial assistance to Moldova of EUR 10 million, in the form of a grant - 23.10.2019 |
| **Other important outputs** | | | |
| Output description | Indicator | Target | Latest known results |

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| | | | (situation on 31/12/2019) |
| Macroeconomic dialogues with key non-EU partners, underpinned by comprehensive economic analysis | Contribution to the High-Level economic dialogues with China , Japan and Turkey<br>Annual macroeconomic dialogues with key partners including neighbourhood and G20 countries (China, Japan, India, Korea, Canada, Brazil, Mexico, Argentina, Australia, South Africa, Iran and the Gulf Cooperation Council) | Throughout 2019 | Macroeconomic Dialogues:<br>Australia – February 2019<br>India – March 2019<br>Argentina – May 2019<br>Mexico – July 2019<br>Brazil – September 2019<br>Gulf Cooperation Council – November 2019<br>South Africa – November 2019<br>Japan – November 2019<br>Korea – December 2019 |
| Regular subcommittees on economic issues or economic dialogues with Neighbourhood countries | Annual dialogues with Belarus, Ukraine, Georgia, Egypt, Tunisia, Jordan, Moldova, Azerbaijan, Lebanon, Palestine, Armenia, Morocco, Algeria, Israel. | Throughout 2019 | Algeria – January 2019<br>Armenia – March 2019<br>Tunisia – March 2019<br>Georgia – May 2019<br>Palestine – August 2019<br>Belarus – September 2019<br>Egypt – September 2019<br>Ukraine – September 2019 |
| Operational assessments, Public Expenditure & | Complete (for Kyrgystan, Georgia II and Tunisia I) ex- | Ex post evaluation (SWD) on MFA Kyrgystan and on | MFA Kyrgystan: Publication of the staff working document SWD/2019/446 on 17 December 2019 – evaluation of Decision 1025/2013/EU of the European Parliament and of the Council |

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| Financial Accountability (PEFA) studies & ex-post evaluations PLAN/2017/2036 PLAN/2018/2943 PLAN/2018/2937 | post evaluations.<br><br>Launch and complete operational assessments, depending on developments. | MFA Georgia II to be completed in Q3;<br>On MFA Tunisia I to be completed in Q3. | of 22 October 2013 providing macro-financial assistance to the Kyrgyz Republic.<br><br>MFA Georgia II: Publication of the staff working document SWD/2019/447 on 17 December 2019– evaluation of Decision 778/2013/EU of the European Parliament and of the Council of 12 August 2013 providing further macro-financial assistance to Georgia.<br><br>MFA Tunisia I: Finalexternal evaluation report received in June 2019. The accompanying Staff Working Document will be concluded in Q1-2020. |
| MFA loan commitments and payments to third countries | Disbursement of loans subject to fulfilment of conditionality | EUR 20 million to Georgia (EUR 35 million if the two instalments are disbursed in 2019);<br>EUR 150 million to Tunisia (EUR 300 million if both the remaining two instalments are disbursed in 2019);<br>EUR 100 million to Jordan; EUR 60 million to Moldova (if all three instalments are disbursed in 2019);<br>EUR 500 million to | Release of the second instalment of macro-financial assistance to Jordan of EUR 100 million, in the form of a loan - C/2019/4606 – 21.06.2019<br><br>Release of the second instalment of macro-financial assistance to Tunisia of EUR 150 million, in the form of a loan - C/2019/4894 – 24.06.2019<br><br>Release of the third instalment of macro-financial assistance to Tunisia of EUR 150 million, in the form of a loan -C(2019)7966 - 30.10.2019 – Operation completed<br><br>Release of the first instalment of macro-financial assistance to Moldova of EUR 20 million, in the form of a loan – C(2019)7402 – 23.10.2019 |

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| | | Ukraine | |
| **Activity 10: Supporting the enlargement process, the implementation of the EU Neighbourhood policy and EU priorities in other third countries by conducting economic analysis and providing policy assessments and advice**<br>**Main outputs in 2019:** | | | |
| **Other important outputs** | | | |
| Output description | Indicator | Target | Latest known results<br>(situation on 31/12/2019) |
| Assessment of enlargement countries' medium-term ERPs | 1. Producing the Commission staff assessment of the ERP for each enlargement country (i.e. candidate countries and potential candidates)<br><br>2. Preparing the Economic and Financial Dialogue of the EU with the Western Balkans and Turkey which adopts joint conclusions with country-specific policy guidance | Q2 | ERP assessment missions:<br><br>Serbia 19-22/2, Montenegro 12-15/2, Turkey 11-13/2, Albania 18-20/02, Kosovo 18-20/2, FYROM 20-22/2<br><br>ERP assessments adopted as staff working documents (11 April):<br><br>Albania SWD(2019)166,<br>Bosnia and Herzegovina SWD(2019)167,<br>Kosovo SWD(2019)168,<br>Montenegro SWD(2019)163,<br>North Macedonia SWD(2019)165,<br>Serbia SWD(2019)169,<br>Turkey SWD(2019)164 |

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| | | | Economic and Financial Dialogue between the EU and the Western Balkans and Turkey took place on 17 May and adopted joint conclusions including policy guidance |
| Assessment of enlargement countries' state of compliance with the economic accession criteria | Economic chapter of the country reports under the enlargement package and of the opinion on Bosnia and Herzegovina's request to become a candidate for membership | Q1/Q2 | Commission's enlargement package including country reports adopted on 29 May<br><br>Albania SWD(2019)215,<br>Bosnia and Herzegovina SWD(2019)261,<br>Kosovo SWD(2019)216,<br>Montenegro SWD(2019)217,<br>North Macedonia SWD(2019)218,<br>Serbia SWD(2019)219,<br>Turkey SWD(2019)220)<br><br>Progress Towards Meeting the Economic Criteria for EU Accession: The EU Commission's 2019 Assessments |
| Regular subcommittees on economic issues with enlargement countries | Annual dialogues with Albania, Bosnia and Herzegovina, North Macedonia, Kosovo, Montenegro, Serbia and Turkey | Throughout 2019 | Albania 03 October 2019<br>Bosnia and Herzegovina 19 November 2019<br>Kosovo 19 September 2019<br>Montenegro 14 November 2019<br>North Macedonia 2 October 2019<br>Serbia 24 October 2019<br>Turkey 26 September 2019 |

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| Regular monitoring and assessment of major macroeconomic & macrofinancial developments in enlargement and neighbourhood countries | Notes and/or Economic Briefs | Throughout 2019 | Candidate Countries Economic Quarterly, January<br>Candidate Countries Economic Quarterly, April<br>Candidate Countries Economic Quarterly, July<br>Candidate Countries Economic Quarterly, October<br>Neighbourhood Countries - Economic Overview, April 2019<br>Neighbourhood Countries - Economic Overview, October 2019 |
| Regular monitoring and assessment of global macroeconomic and financial developments with a focus on other third countries | Notes and/or Economic Briefs, notably on US and China economic developments and policies, macroeconomic and financial stability challenges in Emerging Market Economies and Global Trade developments and policies. | Throughout 2019 | 'Global Economy Newsletter' No. 6-7-8-9-10 with dedicated articles on: the global economy, the US fiscal cliff, US monetary policy, the US-Mexico-Canada trade agreement, Mexico's structural policies, the evolution of global trade in goods, China's policy stimulus, the semiconductor cycle, Abenomics, economic challenges in Australia, China's exchange rate policy, India's reform strategy, commodity prices, the US macroeconomic policy mix, Argentina, and Brazil's and Mexico's economic outlook and reform strategies.<br><br>Other analytical notes focused *i.a.* on: the impact of spending increases on the US budget, global trade trends, China's Belt and Road Initiative, China's slowdown, implications of the US-China trade dispute, economic trends across emerging markets, the US policy mix, and debt restructuring plans and capital controls in Argentina.<br><br>China high-level Economic Seminar (March 2019) – a discussion on China's policy challenges after 40 years of reform and implications for the EU |
| Economic forecasts for candidate countries and rest of the world | Publication<br><br>-> Spring Forecast | Q2 | Global economy – analysis and forecast of recent developments trends and challenges including for global trade for the Spring and Autumn forecast. |

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| (with a focus on Russia, China, Japan, US, EFTA) | -> Autumn Forecast | Q4 | Country forecasts for: Russia, China, Japan, US, EFTA and all candidate countries were prepared and published in spring and autumn |
| EFTA-ECOFIN meeting | - Contribution to and coordination of the exchange at ministerial level between ECOFIN and EFTA Ministers of Finance and Economy | Q4 | November 2019 (Special Topic: Sustainable Finance) |

**General objective 5 : A deeper and fairer EMU**

**Impact indicator 21:** Dispersion of GDP per capita (euro area MSs)
**Source of the data**: Eurostat table prc_ppp_conv

| **Baseline** (2014) | **Target** (2020) | **Latest known results** (2018) |
|---|---|---|
| Euro area: 42.1%… | Reduce | 41.8% |
| EU 28: 42.3%… | Reduce | 41.3% |

**Specific objective 5: Improving the efficient functioning of the EMU** Related to spending programme PERICLES

**Result indicator 1:** Dispersion of labour productivity per person (ration of top 5MS to bottom 5MS). A goal of EMU deepening is upward convergence in terms of competitiveness. This ought to be observable in a reduction of the dispersion of productivity.
**Source of data:** Eurostat (code tesem160)

| **Baseline** (2014) | **Target** (2020) | **Latest known results** (2018) |
|---|---|---|
| 2.21[63] | 2.11[64] | 2.21… |

[63] [this has been adjusted from 2.21, due to changes to the historical series.

**Result indicator 2:** People at risk of poverty or social exclusion
A goal of EMU deepening is a fairer EMU through a stronger focus on employment and social performance. This ought to be observable through, amongst other measures, a reduction of the number of people at risk of poverty or social exclusion. In order to be consistent with the Commission's impact indicator in this respect, it is proposed to use the Europe 2020 headline target, which covers the EU and not only the EA
**Source of data:** Eurostat (code t2020_50)

| **Baseline** (2014) | **Target** (2020) | **Latest known results** (2018) |
|---|---|---|
| 122.0 million people | 96.6 million people | 110.2 |

**Result indicator 3:** Composite indicator of sovereign stress (SovCISS) euro area, correlation and real GDP-country weights – the composite indicator should remain under a value of 0.1 throughout the period covered by the strategic plan
**Source of data:** ECB (code CISS.M.U2.ZOZ.4F.EC.SOV_GDPW.IDX)

| **Baseline** (2014) | **Target** (2020) | **Latest known results** (02.2020) |
|---|---|---|
| <0.1 | <0.1 | <0.1 |

**Result indicator 4:** Degree of compliance with convergence criteria
**Source of data:** Commission convergence assessments, based on Eurostat criteria

| **Baseline** (2014) | **Interim milestone** | | | **Target** (no target date for new euro enlargements) | **Latest known results** (2018) |
|---|---|---|---|---|---|
| State of convergence as assessed in the 2014 Convergence report (CR) | 2016 CR | 2018 CR | 2019 CR | Progress in pre-in MS towards fulfilling the criteria for euro adoption | The report concluded that none of the countries examined fulfils all conditions for adopting the euro at this stage |

**Result indicator 5:** Number of counterfeit notes and coins detected
**Source of data**: ECB and European Technical Scientific Centre (ETSC)
The policy with regard to anti-counterfeiting is based on four pillars: prevention, repression, training and cooperation. The EU legislation prevents the euro from being counterfeited through a system of information collection, designated national authorities for

[64] This has been adjusted from 2.11, due to changes to the historicl series.]

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| analysis, national central offices to coordinate investigations and through authentication measures applied by credit institutions and other cash handlers. | | |
| **Planned evaluations**: ETSC annual report on the protection of euro coins; annual report to EFC on developments and results of implementation of Regulation (EU) 1210/2010; annual report on the implementation of "Pericles 2020" programme; final evaluation report to the EP and the Council on the achievement of the objectives of the Pericles Programme (due by 31 December 2021, according to art. 13 of Regulation (EU) N° 331/2014) | | |
| **Baseline** (2014) | **Target** (2020) | **Latest known results** (2019) |
| Banknotes: 606 000<br>Coins: 157 000 | Keep counterfeits under control in an average +/- 5% compared to 2011 | 559 000<br>187 602 |
| **Result indicator 6:** Completion of stage 1 of the Five President's report by 2017 and progress towards completing state 2 by 2020<br>**Source of data:** Commission | | |
| **Baseline** (2015) | **Target** (2020) | **Latest known results** (2019) |
| The Five Presidents' report of June 2015[65] laid out the principal steps necessary to complete EMU in two stages at the latest by 2025. To that end, the Commission presented a series of initiatives implementing stage 1:<br>1. National Competitiveness Boards and an advisory European Fiscal Board<br>2. More unified representation of the euro area in international organisations<br>3. Steps towards a Financial union, notably via a European deposit insurance scheme | First stage completed by 2017; stage 2 to be completed by 2020<br>The Commission presented a White Paper on the Future of Europe and the reflection paper on the Deepening of EMU, assessing progress made in stage 1 and outlining the next steps needed, including measures of a legal nature to complete EMU in stage 2 | In June 2019, the Commission contributed to the debate with a communication "Deepening Europe's Economic and Monetary Union: Taking stock four years after the Five Presidents' Report". The euro summits of June and December 2019 took note of the progress with the reform of the Economic and Monetary Union, and tasked the Eurogroup with new objectives. |

[65] https://ec.europa.eu/commission/publications/five-presidents-report-completing-europes-economic-and-monetary-union_en

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| In the second stage ("completing EMU"), concrete measures of a more far-reaching nature would be agreed to complete EMU's economic and institutional architecture. Specifically, during this second stage, the convergence process would be made more binding through a set of commonly agreed benchmarks for convergence that could be given a legal nature | | |

| **Activity 11: Completing EMU following the December 2017 proposals by the European Commission**<br>**Main outputs in 2019:** | | | |
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| **Delivery on legislative proposals pending with the legislator** | | | |
| Output description | Indicator | Target | Latest known results<br>(situation on 31/12/2019) |
| Proposal for a Regulation of the European Parliament and of the Council on the establishment of a European Investment Stabilisation Function (EISF)* | Contribute to the on-going legislative process leading to the adoption of the Proposal by the co-legislators | December 2019 | Member States show no interest to discuss EISF proposal in the Council. The focus of the discussion has shifted towards the Budgetary Instrument for Competitiveness and Convergence (BICC). |
| Proposal for a Council Regulation on the establishment of the European Monetary Fund* | Contribute to the on-going legislative process leading to the adoption of the Proposal by the | December 2019 | Member States decided not to pursue the EMF proposal. Instead Member States discussed and decided on the reform of the ESM Treaty, for which an agreement in principle was reached in December 2019. |

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| | Council | | |
| **Other important outputs** | | | |
| Output description | Indicator | Target | Latest known results<br>(situation on 31/12/2019) |
| Establishment of the Reform Support Programme * | Adoption by the co-legislators | December 2019 | Technical work on elements of the Reform Support Programme continues in the Council. Discussions on the Budgetary Instrument for Convergence and Competitiveness for the euro area will have an impact on the final shape of the Reform Support Programme. |
| Commission proposal for progressively establishing unified representation of the euro area in the International Monetary Fund (Council Decision)* | Adoption by the co-legislators | May 2019 | Member States decided not to discuss the proposal for progressively establishing unified representation of the euro area in the International Monetary Fund. |
| Integration of the substance of the Treaty on Stability, Coordination and Governance (TSCG) into secondary law | Adoption by the co-legislators of the draft Directive laying down provisions for strengthening fiscal responsibility and the medium-term budgetary orientation in the Member States | May 2019 | Member States decided not to discuss the integration of the substance of the Treaty on Stability, Coordination and Governance (TSCG) into secondary law. |
| Follow-up on the Communication on strengthening the | Outcome of consultations | June 2019 | Commission Staff Working Document – result of the consultations 'Strengthening the international role of the euro' 12.06.2019 - SWD(2019)600 |

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| international role of the euro * | | | 'Economic Diplomacy' – A discussion on the international role of the euro as part of macroeconomic dialogues with third countries (*cfr*. Activity 9) |
| **Activity 12: Ensuring euro area reforms within the framework of the European Semester improve economic resilience**<br>**Main outputs in 2019:** | | | |
| **Other important outputs** | | | |
| Output description | Indicator | Target | Latest known results<br>(situation on 31/12/2019) |
| EARs | Adoption by the Commission and Council of recommendations for the euro area, including on the euro area fiscal stance | Q4 | Adoption of a Recommendation for a Council Recommendation on the economic policy of the euro area on 17 December – COM(2019)652 and SWD(2019) 631 |
| **Activity 13: Providing financial assistance to Member States**<br>**Main outputs in 2019:** | | | |
| **Other important outputs** | | | |
| Output description | Indicator | Target | Latest known results<br>(situation on 31/12/2019) |
| Post-programme surveillance (PPS) related to the economic adjustment programme for Portugal | Reports on PPS missions published | 2019 | 9th PPS mission report – Communication from the Commission Post-Programme Surveillance - Portugal, autumn 2018 - adopted 24.01.2019 – C(2019)651+SWD(2019)7<br>10th PPS mission report – Communication from the Commission Post-Programme Surveillance - Portugal, summer 2019 – adopted 18.09.2019 - C(2019)6831 + accompanying SWD(2019)338 |

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| PPS related to the economic adjustment programme for Ireland | Reports on PPS missions published | 2019 | 10th PPS mission report - Communication from the Commission – Post-Programme Surveillance – Ireland, autumn 2018 - adopted on 24.01.2019 – C(2019)652 – SWD(2019)8<br>11th PPS mission report - Communication from the Commission – Post-Programme Surveillance report– Ireland, spring 2019 – adopted 29.08.2019 - C(2019)6391 + accompanying SWD(2019)359 |
| PPS related to the financial assistance programme for the recapitalisation of financial institutions for Spain | Reports on PPS missions published | 2019 | 11th PPS mission report – Communication from the Commission – Post-Programme Surveillance – Spain, spring 2019 - adopted on 24.06.2019 - C(2019)4901 – SWD(2019) 284<br>12th PPS mission report – Communication from the Commission – Post-Programme Surveillance – Spain, autumn 2019 – adopted 20.11.2019 - C/2019/8470 + SWD/2019/415 |
| PPS related to the economic adjustment programme for Cyprus | Reports on PPS missions published | 2019 | 6th PPS mission report - Communication from the Commission - Post-Programme Surveillance – Cyprus, spring 2019 – adopted 23.05.2019 – C(2019)4013+SWD(2019)197<br>7th PPS mission report – Communication from the Commission - Post-Programme Surveillance - Cyprus, autumn 2019 – adopted 18.11.2019 - C(2019)8384 & SWD(2019)410 |
| Post-programme enhanced surveillance following the completion of the ESM programme for Greece | Reports on enhanced surveillance missions published | 2019 | 2nd enhanced surveillance report adopted on 27.02.2019 – COM(2019)201+SWD(2019)201<br>Enhanced surveillance report – update, adopted on 3.4.2019 – COM(2019)170<br>3rd enhanced surveillance report adopted on 05.06.2019 - COM(2019)540+SWD(2019)540<br>4th enhanced surveillance report adopted on 20.11.2019 – COM(2019)930 + SWD(2019)930 |
| Assessment of the economic adjustment | Completion of the ex-post evaluation | 2019 | Ex-post evaluation of the Economic adjustment programme for Cyprus 2013-2016 – adoption 18.10.2019 - SWD(2019)387 |

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| programme for Cyprus PLAN/2018/2854 | | | and executive summary – SWD(2019)388 |
| **Activity 14: Strengthening the platform for future enlargement of the euro area**<br>**Main outputs in 2019:** | | | |
| **Delivery on legislative proposals pending with the legislator** | | | |
| Output description | Indicator | Target | Latest known results (situation on 31/12/2019) |
| Proposal for a Council regulation establishing a facility for providing financial assistance for Member States whose currency is not the euro * | Political agreement | May 2019 | Member States decided not to discuss the proposal for a Council regulation establishing a facility for providing financial assistance for Member States whose currency is not the euro |
| **Other important outputs** | | | |
| Output description | Indicator | Target | Latest known results (situation on 31/12/2019) |
| Assessment of Bulgaria's progress with the implementation of its pre-ERM II commitments (jointly with the ECB) | Adoption of the assessment report/letter | Summer 2019 | The implementation of the commitment package by Bulgarian authorities is still ongoing. |
| Support Croatia in designing a package of prior commitments in | ERM II endorsement of Croatia’s package of prior | Summer 2019 | The implementation of the commitment package by Croatian authorities is still ongoing. |

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| view of ERM II accession and subsequently euro adoption. | commitments. | | |
| **Activity 15: Protecting the euro against counterfeiting and managing the euro cash policy and legislation**<br>**Main outputs in 2019:** | | | |
| **Delivery on legislative proposals pending with the legislator** | | | |
| Output description | Indicator | Target | Latest known results<br>(situation on 31/12/2019) |
| Exchange, assistance and training programme for the protection of the euro against counterfeiting for the period 2021-2027 (the 'Pericles IV' programme)* | Political agreement | May 2019 | The Council has - at the level of Coreper - adopted a partial mandate for the negotiations with the Parliament on the proposal for the Pericles IV programme. The Council has proposed a few amendments whereas the Parliament has proposed a substantial amount of amendments. The European Parliament adopted its legislative resolution on 13.2.2019 and closed its first reading. The Parliament has nominated a new rapporteur after the European elections. The trilogues are expected to begin in the third or fourth quarter this year. The Finnish presidency of the GAF has scheduled a discussion for September or October 2019 on the amendments of the European Parliament. |
| Extending to the non-participating Member States the programme for the protection of the euro against counterfeiting for the period 2021-2027 (the | Political agreement | May 2019 | The procedure regarding the parallel proposal extending the Pericles IV programme to the non-participating Member States will start after negotiations on the main proposal are completed. |

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| 'Pericles IV' programme)* | | | |
| **Important items from work programmes/financing decisions/operational programmes[66]** | | | |
| Output description | Indicator | Target | Latest known results (situation on 31/12/2019) |
| Develop policy strategy and legislation with respect to the protection of the euro against counterfeiting – Pericles 2020 programme | Annual Report to the Economic and Financial Committee (EFC) on the implementation of the Regulation (EU) No 1210/2010[67] concerning the authentication of euro coins and of coins unfit for circulation | 1st semester 2019 | Report adopted on 15.10.2019; document C(2019) 7295 final |
| Provide technical support for partners to protect the euro effectively via the European Technical Scientific Centre (ETSC) | - 3 Euro Counterfeiting Experts Group (ECEG) , 2 Counterfeit Coin Experts Group (CCEG) and 2 ETSC work team meetings | Rolling programme<br><br>- 100% of coins to be classified and communicated to | 3 ECEG (26/3-05/6-13/11), 2 CCEG (10/4-15/10), 1 ETSC work team (27/2)<br><br>- 100% of coins classified and communicated to the CNACs |

[66] For a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the Draft Budget for 2019.

[67] OJ L339, 22.12.2010, p.1.

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| | addressing upcoming threats, forming the anti-counterfeiting strategy, exchanging best practices and addressing linkages of counterfeiting with other illegal activities<br><br>ETSC Annual Report on the protection of euro coins in 2018 | the CNACs by the end of the year<br><br>Second semester 2019 | Report published in September 2019. |
| Protection of the euro against counterfeiting through the Pericles programme, established by Regulation (EU) No 331/2014 establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting (the Pericles 2020 programme[68]) | - Counterfeit notes and coins detected<br>- Illegal workshops dismantled<br>- Individuals arrested/charged<br><br>Annual Report to the European Parliament and to the Council on the implementation of the Pericles programme in 2018 | 12 actions<br><br>First semester 2019 | - 13 actions<br>- 559 000 counterfeit banknotes and 187 602 counterfeit coins detected in 2019<br>- 23 illegal workshops dismantled (latest available data 2018)<br>- 5 932 individuals arrested/charged (latest available data 2018).<br><br>Report adopted on 2.7.2019; document COM(2019) 287 final |
| Commission Decision | College adoption | February 2019 | Report adopted on 8.2.2019; document C(2019) 806 final |

[68] OJ L103, 5.4.2014, p.1

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| concerning the adoption of the work programme for 2019 of the Pericles 2020 Programme | | | |
| Report to the European Parliament and to the Council on the application of Directive 2014/62/EU of the euro and other currencies against counterfeiting by criminal law | College adoption | May 2019 | Report adopted on 9.7.2019; document COM(2019) 311 final |
| Technical approval of designs of euro coins | Publication of the approved designs in the Official Journal | Rolling programme | 34 approvals of commemorative coins |
| Management of the Monetary Agreements with Andorra, Monaco, San Marino and the Vatican | Update of Annexes to the agreements.<br>In cooperation with other Commission services responsible for the policy area concerned, (coordination of the) screening of the implementation measures taken by the 4 3rd countries | Q2/Q4 2019 | All Annexes adopted by the College in January 2020 |