European Commission

2018

Annual Activity Report

Directorate General for Economic and Financial Affairs

List of Acronyms

AFS	Anti-Fraud Strategy
AGS	Annual Growth Strategy
AMC	Account Management Centre
AMR	Alert Mechanism Report
BCS	Business and Consumer Survey
BoPs	Balance of Payments
BUFI	Budgetary Fines
CCEG	Counterfeit Coin Experts Group
CIP	Competitiveness and Innovation Framework Programme
CL	Clearing Letter
CNAC	Coin National Analysis Centre
COMM	(DG) Communication
CR	Country Reports
CSRs	Country Specific Recommendation
DEVCO	(DG) International Cooperation and Development
DG	Directorate General
DBP	Draft Budgetary Plan
EA	Euro Area
EARs	Euro Area Recommendations
EBCI	European Business Consumer Index
EBRD	European Bank for Reconstruction and Development
ECA	European Court of Auditors
ECB	European Central Bank
ECEG	Euro Counterfeiting Experts Group
ECFIN	(DG) Economic and Financial Affairs
ECSC i.L.	European Coal and Steel Community in liquidation
EDP	Excessive Deficit Procedure
EEAS	European External Action Service
EFC	Economic and Financial Committee
EFSD	European Fund for Sustainable Development
EFSF	European Financial Stability Fund
EFSI	European Fund for Strategic Investments
EFSM	European Financial Stabilisation Mechanism
EIAH	European Investment Advisory Hub
EIB	European Investment Bank
EIF	European Investment Fund
EIP	External Investment Plan
EIPP	European Investment Project Portal
ELM	External Lending mandate
EMF	European Monetary Fund
EMU	Economic and Monetary Union
EPC	Economic Policy Committee
ERP	Economic Reform Programme
ES	European Semester
ESCALAR	European Scale-Up Action for Risk Capital
ESIF	European Structural and Investment Fund
ESM	European Stability Mechanism
ESO	European Semester Officer
ETSC	European Technical Scientific Centre
EU	European Union
EWG	Eurogroup Working Group
FIIEG	Financial Instruments Inter-service Expert Group
FR	Financial Regulation
GDP	Gross Domestic Product
GIF	Growth and Innovative SME Facility
GROW	(DG) Internal Market, Industry, Entrepreneurship and SMEs
HR	Human Resources
IAS	Internal Audit Service
IDR	In Depth Review
IFIs	International Financial Institutions
IIW	Infrastructure & Innovation Window
IMF	International Monetary Fund
IPE	Investment Plan for Europe
JRC	Joint Research Centre
MFA	Macro-Financial Assistance
MFF	Multi-Annual Financial Framework
MIP	Macro Imbalance Procedure
MoU	Memorandum of Understanding
MP	Management Plan
MS	Member States
MTO	Medium Term budgetary Objective
NDICI	Neighbourhood, Development and International Cooperation Instrument
NEAR	(DG) Neighbourhood and Enlargement negotiations
NPB	National Productivity Boards
NRPs	National Reform Programmes
OM	Organisational Management
PEFA	Public Expenditure and Financial Accountability
PPS	Post Programme Surveillance
SCP	Stability and Convergence Programme
SDP	Significant Deviation Procedure
SG	Secretariat General
SGP	Stability and Growth Pact
SME	Small and Medium Enterprises
SMEG	Small and Medium Enterprise Guarantee
SMEW	Small and Medium Enterprise Window
SP	Stability Programmes
SRF	Single Resolution Fund
SWD	Staff Working Document
TA	Technical Assistance
TAXUD	(DG) Taxation and Customs Union
T4T	Teams for Themes
TFEU	Treaty on the Functioning of the European Union
ToR	Terms of Reference
TSCG	Treaty on Stability, Coordination and Governance
VC	Venture Capital

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THE DG IN BRIEF

Our mission is to contribute to raising the economic welfare of the citizens in the European Union and beyond, notably by developing and promoting policies that ensure sustainable economic growth, a high level of employment, stable public finances and financial stability.

Within the Commission, DG ECFIN plays the leading role in ensuring the Treaty obligations that are set out in Title VIII (Economic and Monetary Policy) of part three of the Treaty on the Functioning of the European Union (TFEU) are met and it contributes to various aspects of External Action of the Union (part five of the TFEU). DG ECFIN also has an important economic service function with the economic assessment of key EU policy initiatives.

With respect to DG ECFIN's activities, policy and operational objectives through the use of budget expenditures are achieved either through direct management and grants and purchases, or through indirect management with entrusted entities and financial instruments. Similarly, the financial management of assets is either directly performed by DG ECFIN or under its supervision when entrusted to another body. This is why DG ECFIN enjoys a mix of direct assurance and third party assurance in its accountability chain. So far, this arrangement has proved to be smooth and reliable.

As the EU's system of economic policy coordination has developed to become more comprehensive and better integrated, we increasingly work in close partnership with other services of the Commission to promote the achievement of the Union's objectives in areas such as employment and social policy, environment, energy, industry and Small and Medium size Enterprises (SME) policy, research and development.

The Member States are required to regard their economic policies as a matter of common concern, coordinate them in the Council and avoid excessive government deficits. DG ECFIN is charged with developing policies to facilitate and implement these requirements. When the economic crisis – which began in 2008 – led to the strengthening of the existing requirements as well as to the adoption of new rules to avoid the accumulation of macroeconomic imbalances, DG ECFIN was heavily implicated in the work. Subsequent efforts to reinforce economic policy coordination have focused on the Europe 2020 Strategy launched in 2010 and, more operationally, on the European Semester of economic policy coordination instigated in 2011. In terms of competence, these arrangements are hybrid: in particular, some recommendations to the euro area and MS are enforceable under the provisions of secondary legislation, whilst others cannot be enforced.

We also design and implement, in close cooperation with the EIB Group and the EBRD, EU investment programmes including under the "Investment Plan for Europe", the proposed successor programme, InvestEU and the "External Investment Plan".

In addition, DG ECFIN contributes to the Commission's aim to play a key role in promoting the growth, stability, and resilience of the global economy; it does so by conducting economic surveillance of EU enlargement countries and financial operations to support EU neighbourhood policy, by analysing global economic developments and playing an active role in G7/G20 fora. To that end, DG ECFIN maintains close working relations with the EIB Group, the EBRD, the World Bank Group and other multilateral development banks, where it works to promote the EU's priorities and common positions as well as ensure appropriate coordination of the Commission's financial cooperation with these institutions. DG ECFIN is also responsible for maintaining close working relations with the IMF and participating in G7 and G20 group meetings to develop international strategies in the economic and financial area. This enhances the Commission’s role, in line with the TFEU, in international economic and financial institutions and fora.

DG ECFIN has many stakeholders. Its management of financial operations on behalf of the Commission and its leading role in the definition and promotion of the economic objectives of the Union define its relations with other Directorates-General (DGs) in the Commission. Outside the Commission, EU MS authorities are also key stakeholders, in ways that go considerably beyond the traditional and formal relationship between the Commission and MS in the Council. So too are national parliaments, social partners and other business, academic and civil society organisations owing to our increasing role in the formulation and advocacy of national economic policies. In addition, as the Commission pursues greater efforts to promote the external dimension of the EMU, DG ECFIN's international partners in the IMF, G7, G20 and international development banks, together with key non-EU national authorities have become increasingly important stakeholders in our work.

DG ECFIN is ready to play an important role in preserving financial stability in the EU by providing financial assistance to euro area MS should they face a severe deterioration of their borrowing conditions and to MS outside the euro area in the event that they face difficulties with their balance of payments. The financing for euro area countries would be provided by the ESM, governed by a specific treaty currently outside the EU framework and subject to EU regulations which set out the roles played by EU institutions in the provision of this assistance. Financing for countries outside the euro area is provided through the Balance of Payments (BoP) facility which is governed by an EU regulation. For countries that have been in receipt of such assistance, DG ECFIN undertakes post-programme surveillance.

Work in DG ECFIN is complemented by its interaction with the Economic and Financial Committee (EFC), the Economic Policy Committee (EPC) and the Eurogroup Working Group (EWG). The EFC is a committee set up to promote policy coordination among Member States, primarily on economic, fiscal and financial matters. The EPC focuses on structural policies for improving growth potential and employment in the EU, the prevention and correction of macroeconomic imbalances, as well as the quality and sustainability of public finances. The EWG coordinates Member States on euro area specific issues and is steered, uniquely, by a Brussels-based permanent President. These three parent committees together with their respective sub-committees and Presidents are assisted by a Secretariat based in DG ECFIN, which also provides support for the Eurogroup and its President. The Secretariat is the means through which legislative proposals start their journey through the approval process in the Council and through which DG ECFIN interacts with the Member States.

DG ECFIN's structure consists of 10 directorates, 3 devoted to country specific analysis and 6 to more horizontal issues (including financial operations, international relations, growth drivers and fiscal policy) as well as the Secretariat described in the paragraph above. Around 670 members of staff work in DG ECFIN, mostly in Brussels, but about 110 work in Luxembourg and 3 in the USA and China.

EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Director-General of DG ECFIN to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitutes the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties[1].

a) Key results and progress towards the achievement of general and specific objectives of the DG (executive summary of section 1)

DG ECFIN strives to improve the economic wellbeing of the citizens of the EU – through policies designed to promote sustainable economic growth, a high level of employment, stable public finances and financial stability.

On 7 February, 3 May, 12 July and 8 November, DG ECFIN published its (interim) **Economic Forecasts**. Despite a more uncertain environment, all Member States are forecast to continue growing, though at a slower pace, thanks to the strength of domestic consumption and investment. Barring major shocks, Europe should be able to sustain above-potential economic growth, robust job creation and falling unemployment. However, this baseline scenario is subject to a growing number of interconnected downside risks. Rising global uncertainty, international trade tensions and higher oil prices will have a dampening effect on growth in Europe.

On 7 March, the Commission adopted the **European Semester Winter Package**, which follows the publication in November 2017 of the 2018 Annual Growth Survey and the recommendation on the economic policy of the euro area, which set the priorities for the year ahead at European level. The Winter Package shifts the focus to the national dimension of the Semester.

On 23 May, the Commission adopted the **European Semester Spring Package**. It included the publication of country-specific recommendations for Member States on how to boost jobs, growth and investment, while maintaining sound public finances. The recommendations give guidance on what can realistically be achieved in the next 12 to 18 months to make growth stronger, more sustainable and more inclusive, in line with the EU's long-term jobs and growth plan, the Europe 2020 strategy.

The **2019 European Semester cycle of economic and social policy coordination** kicked off on 21 November under the title: "Bolstering inclusive and sustainable growth" against a backdrop of sustained but less dynamic growth in a climate of high uncertainty.

The autumn package was based on the Autumn 2018 Economic Forecast prepared by DG ECFIN and built on the priorities set out in President Juncker's 2018 State of the Union address. It included the **Annual Growth Survey** (AGS) and the **Alert Mechanism Report** (AMR).The AMR Report 2019 kicked-off the 2019 cycle of the **Macroeconomic Imbalance Procedure** (MIP), which is integrated in the European Semester and is aimed at preventing or addressing imbalances that hinder the smooth functioning of

[1] Article 17(1) of the Treaty on European Union.

[2] An Executive Agency uses as heading: "Implementation of the Agency's Annual Work programme - Highlights of the year".

[3] For Executive Agencies, the KPIs identified in the 2018 Annual Work Programme.

Member States' economies, of the euro area or of the EU as a whole.

In the framework of the package, the Commission also adopted **Opinions** on whether the **2019 Draft Budgetary Plans** (DBPs) of euro area Member States comply with the Stability and Growth Pact (SGP) and an overall assessment of those plans. It further adopted the **first enhanced surveillance report for Greece** in which it noted steady growth but with risks and challenges. Greece has been fully integrated into the European Semester since completing its European Stability Mechanism (ESM) stability support programme on 20 August 2018. The report covers the latest economic and financial developments in Greece as well as an assessment of Greece's progress in implementing reform commitments given to its European partners at the June 2018 Eurogroup. Finally, the Commission adopted a **recommendation on the economic policy of the euro area** in which it recommends rebuilding fiscal buffers in euro area countries with high levels of public debt, support public and private investment and improve the quality and composition of public finances in all countries.

DG ECFIN is in the lead for the production of most documents under the European Semester cycle of economic and social policy coordination and, as in previous years, DG ECFIN carried out its economic service function in terms of assessing the economic impact of key EU initiatives and provided input to the Eurogroup's thematic discussions on growth and jobs.

The implementation of the **Investment Plan for Europe**, launched by President Jean-Claude Juncker in 2015, continued to be one of the main priorities for DG ECFIN. The **European Fund for Strategic Investments** (EFSI) successfully supported innovative and strategic projects and helped mobilise EUR 334.8 billion of private and public investment and therefore reached its initial EUR 315 billion objective. As of 31 December 2018, EFSI operations were approved across all Member States and are expected to support more than 858 000 SMEs.

On 1 January 2018, the Regulation to extend and enhance the European Fund for Strategic Investments (EFSI 2.0)[4] entered into force. It extends the EFSI's lifetime to end-2020 and raises its investment target to EUR 500 billion. It also aims, inter alia, at increasing the transparency of the investment decisions and providing more technical support at a local level.

In the framework of the MFF package and building on the success of the Juncker Plan and EFSI, the Commission has proposed a new initiative to mobilise private and public investment for the 2021-2027 period – the **InvestEU Programme**. It will make EU funding for investment projects in Europe simpler, more efficient and more flexible. The InvestEU Programme shall focus on addressing the large investment gaps in key areas of the future through an EU budget guarantee of EUR 38 billion. It will thus further boost job creation and support investment and innovation in the EU. It is expected to mobilise around EUR 650 billion of private and public investment across the EU by end-2027

DG ECFIN continued to provide financial expertise to DGs managing **financial instruments for SMEs, innovation and employment**. In 2018, DG ECFIN assisted policy DGs in the implementation of the COSME, InnovFin, EaSI and CCS financial instruments and their further adjustments in response to market and policy needs, evaluations and audits. In addition, DG ECFIN coordinated the Commission responses to the ECA audit on EU equity instruments covering also programmes implemented by DGs GROW and RTD. In addition, DG ECFIN participated in the strategic governance decision taking for EU financial instruments in the respective Steering Committees and launched a Commission internal reflection on the future of the EIF.

[4] Regulation (EU) 2017/2396 of the European Parliament and of the Council of 13 December 2017 amending Regulations (EU) No 1316/2013 and (EU) 2015/1017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub.

The Commission adopted on 17 April the **country reports for the seven enlargement countries**: Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia[5], Kosovo[6] , Montenegro, Serbia and Turkey. ECFIN prepared the economic chapters of the reports which assess progress achieved in each of the countries on the two Copenhagen criteria: (1) existence of a functioning market economy (FME) and (2) capacity to cope with competitive pressure and market forces within the EU.

On 25 May, the **Economic and Financial Dialogue** of the EU with the Western Balkans and Turkey adopted Joint Conclusions with specific policy guidance for enlargement countries on reforms needed to foster macroeconomic stability, ensure fiscal sustainability and support long-term growth and competitiveness.

In 2018 the Commission adopted a proposal to provide a fourth **MFA programme** for Ukraine while a proposal for a third MFA programme for Georgia had already been adopted in 2017. For both programmes the first instalment was released in December 2018. The Commission also continued following closely developments in the MFA operations in Tunisia, Jordan and Moldova, which have been delayed for reasons beyond the EU's control. Furthermore, the Commission continued to follow up the impact and effectiveness of MFA funds. On 29 June, the Commission adopted the Annual Report to the European Parliament and the Council on the implementation of macro-financial assistance to third countries in 2017.

Preparation of EU and Commission participation on the **main international fora** required close internal coordination within Commission services, in particular on taxation and trade policy issues. ECFIN ensured the effective participation of the Commission in G7, G20 and IMF meetings; contributed to the participation in G20 Sherpa meetings and the participation of the President in the Buenos Aires Summit. DG ECFIN provided contributions to the discussions on global economic developments and policy priorities in these fora.

The **EIP**, and its successor programme under the new MFF, **NDICI**, is an important pillar of a new Alliance for Sustainable Investment and Jobs between Europe and Africa that should help create up to 10 million jobs in Africa in the next five years. The Commission is working with a number of international financial institutions and with development banks and agencies of EU Member States to turn the External Investment Plan into reality.

As the second most used currency in the world, the euro should play a full part on the international scene. To achieve this, the Commission presented on 5 December a Communication proposing a set of actions to **strengthen the role of the euro** in a changing world. Promoting the euro's international role is part of Europe's commitment to an open, multilateral and rules-based global economy and trade. It reflects recent global trends, the emergence of new economic powers along with the development of new technologies, which are supporting a potential shift towards a more diversified and multipolar system of several global currencies. A strengthened role for the euro would help improve the resilience of the international financial system, providing market operators across the globe with additional choice and making the international economy less vulnerable to shocks. Closer to home, it would allow the EU to enhance the protection of its citizens and businesses to unilateral decisions by third party jurisdictions, uphold its values and promote its interests in shaping global affairs. A wider global use of the euro would also lower costs and risks for European businesses, as well as lower interest rates paid by households. The Communication proposes a number of

[5] Denomination as of 18/02/2019: The Republic of North Macedonia (short version: North Macedonia) – Note to DGs, HoS' & HoEU delegation - Ares(2019)985843

[6] This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

initiatives to boost the role of the single currency supported by upcoming decisions to strengthen Europe's Economic and Monetary Union, complete the Banking Union and advance on the Capital Markets Union. As part of this effort, the Commission also adopted a specific Recommendation on the international role of the euro in the field of energy.

The Commission adopted on 23 May the **Convergence Report** – A Review of Member States' progress towards joining the euro area. The report covered the seven non-euro area Member States that are legally committed to adopting the euro: Bulgaria, the Czech Republic, Croatia, Hungary, Poland, Romania and Sweden - the United Kingdom and Denmark are not covered by the report as they are not required to join the euro area. The Report found that these Member States generally display considerable nominal convergence, but none of them currently meets all the formal conditions for joining the euro area.

In the framework of the **next MFF**, the Commission on 31 May adopted the following proposals: i) a Proposal for a Regulation of the European Parliament and of the Council on the establishment of the **Reform Support Programme**; ii) a Proposal for a Regulation of the European Parliament and of the Council on the establishment of a **European Investment Stabilisation Function**; iii) a Proposal for a Regulation of the European Parliament and of the Council establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting for the period 2021-2027 (the **'Pericles IV' programme**) as well as iv) a Proposal for extending the application of this Regulation to the non-participating Member States.

Post-programme surveillance (PPS) relating to the 2010–13 Economic Adjustment Programme for **Ireland**; the 2011–14 Economic Adjustment Programme for **Portugal**; the 2012-2014 Financial Assistance Programme for **Spain**; and the 2013–16 Economic Adjustment Programme for **Cyprus** continued in 2018.

Finally, as in previous years, DG ECFIN's 2018 **publications** can be found here.

b) Key Performance Indicators (KPIs)

Specific objective 1: Promoting growth and employment enhancing policies in the euro area and the EU

Result indicator 3: Percentage of CSRs partially or fully complied with **Source of data**: European Commission database – CeSaR[7]			
Baseline (2015)	**Interim Milestone** (2016-2020)	**Target** (2020)	**Latest known results as per Annual Activity Report**
Country Specific Recommendations (CSRs)	Annual Communication of the European Semester package	To improve the implementation of CSRs	By May 2018, Member States achieved at least some progress with the implementation of 48% of the CSRs issued in the 2017 European Semester round. From a longer-term perspective, more than two-thirds (70%) of 2011-2017 country-specific recommendations have been implemented with at least some progress.

Since the outset of the European Semester in 2011, more than two-thirds of country-specific recommendations have been implemented with at least 'some progress'. **The multiannual assessment of recommendations is more positive than the assessment of progress year-by-year**, which confirms that important reforms are eventually carried out, though in many cases the process takes time. The different speed of implementation often reflects the urgency of progress in specific areas, but also reveals the need for consensus building, particularly where reform benefits are not uniformly spread. For instance, Member States have made most progress over the years in financial services, fiscal policy and fiscal governance, reflecting the priority given to the stabilisation of public finances and the financial sector in response to the economic and financial crisis, which required determined policy action. In the same vein, steps to promote job creation on permanent contracts and address labour market segmentation are reflected in the sound implementation record of the relevant recommendations. On the other hand, Member States have not yet fully addressed shortcomings in tax regimes, such as narrow tax bases. In addition, there is room for further action to address health and long-term care. Reforms in this field tend to take time, given the magnitude of the challenges and the potential impact on administrative structures.

From an annual perspective, the implementation track record is less satisfactory, as progress remains uneven across policy areas. Compared to last year, Member States made the most progress in reforming their financial sectors, for instance by improving financing conditions, facilitating a durable resolution of non-performing loans and improving banking supervision. Sound progress has also been made in active labour market policies, which have become increasingly diverse and generally focused on an approach that is much more tailored to individual needs. Research and development is

[7] http://intragate.ec.europa.eu/scopax/csr/

also increasingly supported by governments' efforts to finance public research and development activities, increased profitability in the private sector and improving financing conditions. On the other hand, fighting tax evasion, improving tax administration, tackling tax avoidance and fighting against corruption showed mixed results. Modest progress has also been recorded in addressing the challenges posed by an ageing population to the long-term sustainability of public finances. This policy area features in a high number of recommendations, but progress has only been limited. Education reforms, in particular those aimed at improving access for disadvantaged groups and raising the overall quality of education, continue to represent a challenge, as only limited progress has been made in a majority of the Member States that received a recommendation in this area in 2017.

<table>
<tr><td colspan="3">Specific objective 3: Promoting investment in the EU</td></tr>
<tr><td colspan="3">Result indicator 1: European Fund for Strategic Investments (EFSI) – Total investment

Source of data: EIB, KPI3 (as per the EFSI Agreement) included in the monthly update of EFSI figures provided by the EIB Group; the total investment will also be part of the KPI/KMI reporting provided on an semi-annual basis to the Commission and the annual reports submitted by the EIB to the Commission, European Parliament and Council</td></tr>
<tr><td>Baseline (2015)</td><td>Target 2020 - EFSI 2.0 Regulation (Preamble 7)</td><td>Latest known results as per Annual Activity Report</td></tr>
<tr><td>No baseline as it is the start of the activity</td><td>Mobilise a total investment of EUR 500 billion by end 2020 as per the EFSI 2.0 Regulation (Preamble 7).</td><td>Volume of investment expected to be mobilised at the end of 2018: EUR 375.5 billion or 75% of the end-2020 target of EUR 500 billion.</td></tr>
</table>

As of December 2018, the volume of investment mobilised by the approved **EFSI** operations stood at 75% of the target of mobilising EUR 500 billion of total investment, i.e. EUR 375.5 billion across both investment windows.

In the **Infrastructure and Innovation Window**, the European Investment Bank approved 514 projects of around EUR 244.3 billion in investment value, with EFSI-guaranteed European Investment Bank financing expected to amount to EUR 52.9 billion.

In the **SME Window**, 517 operations have been approved by the European Investment Fund for a total investment value of EUR 131.2 billion. About 858,000 SMEs and mid-caps in all Member States are expected to benefit. Out of the 1 031 approved operations, 877 were signed in all Member States. Therefore, at the reporting date one could conclude that EFSI is on track in terms of approved operations.

Financial instruments are an increasingly frequent way of deploying EU budgetary resources, complementing grants. They are used to support financing and investment under many EU programmes covering SMEs, employment, competitiveness, innovation, infrastructure, energy or climate change.

In 2018, the Commission and DG ECFIN in particular continued to optimise the use of financial instruments and explore synergies with other means of financial support. To this end, the financial instruments for SMEs under the Competitiveness of Small and Medium-sized Enterprises (COSME), EU Finance for Innovators (InnovFin), Employment and Social Innovation (EaSI) programmes and the Cultural and Creative Sectors (CCS) Guarantee Facility under the Creative Europe programme were further enhanced by EFSI.

In June 2018, the Commission published its legislative proposals for the next Multiannual Financial Framework (MFF). In the post 2020 MFF, financial instruments and budgetary guarantees will play an increased role. The **InvestEU Programme** was the Commission proposal for bringing together the multitude of financial programmes and advisory services currently available and expand the successful model of the Investment Plan for Europe, the Juncker Plan. The InvestEU Programme is one of the flagship sectoral Multiannual Financial Framework (MFF) proposals. The proposal has been broadly welcomed by the European Parliament and the Council, which have expressed their intention to conclude it before the European Parliament elections. DG ECFIN is the lead DG in the legislative negotiations and in the parallel preparations for the set-up of the programme.

In addition, the Commission has used its representation in the governance bodies of the EIB and EIF and in Steering Committees for these instruments to ensure that EIB and EIF adhere closely to EU policy objectives in implementing financial instruments, including support for social entrepreneurship, the fight against youth unemployment, the fight against climate change or the promotion of best practices in taxation.

Specific Objective 5: Improving the efficient functioning of the Economic and Monetary Union

Result Indicator 6: Completion of stage 1 of Five Presidents' Report by 2017 and progress towards completing stage 2 by 2020		
Baseline (2015)	**Target**	**Latest known results**
The Five Presidents' Report of June 2015[8] 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: • national Competitiveness Boards and an advisory European Fiscal Board • more unified representation of the euro area in international organisations • steps towards a Financial Union, notably via a European Deposit Insurance Scheme 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	1st Stage completed by 2017; stage 2 to be completed by 2020 Commission presented a White Paper on the Future of Europe and the reflection paper on the Deepening of the 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.	The Euro Summit of December 2018 endorsed reforms of the European Stability Mechanism (ESM), and the terms of reference of the common backstop to the Single Resolution Fund. Work will now focus on amendments to the ESM Treaty.

8 https://ec.europa.eu/priorities/publications/five-presidents-report-completing-europes-economic-and-monetary-union_en

benchmarks for convergence that could be given a legal nature.		

The single currency is one of Europe's most significant and tangible achievements. While major steps were taken to reinforce the integrity of the single currency in the wake of the financial and sovereign debt crisis, there is a broad consensus that the current setup of EMU remains incomplete.

On 3 December, the Eurogroup in inclusive format agreed on a report to leaders, a term sheet on the European Stability Mechanism, and the terms of reference for the common backstop to the Single Resolution Fund. The euro summit endorsed these documents and asked the Eurogroup to work to prepare the necessary amendments to the ESM Treaty in the first half of 2019.

c) Key conclusions on Financial management and Internal control (executive summary of section 2.1)

In accordance with the governance arrangements of the European Commission, DG ECFIN conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

The Commission has adopted a set of internal control principles, based on international good practice, aimed at ensuring the achievement of policy and operational objectives. The financial regulation requires that the organisational structure and the internal control systems used for the implementation of the budget be set up in accordance with these principles. DG ECFIN has assessed the internal control systems during the reporting year and has concluded that the internal control principles were implemented and functioned as intended, as also confirmed by the results of the latest Staff Opinion Survey. Please refer to AAR section 2.1.3 for further details.

In addition, DG ECFIN has systematically examined the available control results and indicators, including those aimed at supervising entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives. Please refer to Section 2.1 for further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

d) Provision of information to the Commissioner

In the context of the regular meetings during the year between the DG and the Commissioner on management matters, the main elements of this report and assurance declaration have been brought to the attention of Commissioner Moscovici, responsible for Economic and Financial Affairs, Taxation and Customs.

1. KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE DG

Section 1 of the AAR provides information on the key results and progress towards the achievements of general and specific objectives set in DG ECFIN's 2016-2020 Strategic Plan and towards the achievements of the outputs set out in our 2018 Management Plan.

During the reporting period, ECFIN was responsible for the contribution to two general objectives of the Commission:

i) A new boost for jobs, growth and investment;

ii) A deeper and fairer EMU.

In order to contribute to the general objectives, 5 specific objectives define more concrete areas of action for DG ECFIN. The control of the achievement of the specific objectives, however, is often shared between DG ECFIN and Member States. In this regard, our influence over the result indicators is often rather limited.

DG ECFIN's mission is to contribute to raising the economic welfare of citizens in the European Union (EU) and beyond by fostering competitive, employment-rich economies. To this end, the DG contributes to the development of smart, sustainable and inclusive economic growth policies that preserve macroeconomic and financial stability. Broadly, these policies cover: i) implementing necessary structural reforms; ii) achieving and maintaining sound public finances and an appropriate policy mix; iii) preventing and correcting macroeconomic imbalances; and iv) promoting investment in productive and human capital. The processes aimed at a deeper and fairer Economic and Monetary Union (EMU) and at completing the EMU architecture are central to this mission.

1.1 General objective 1: a new boost for jobs, growth and investment

1.1.1 Specific objectives 1 & 2: promoting growth and employment-enhancing policies in the euro area and the EU and promoting macro-economic and fiscal stability in the euro area and the EU

On 7 February, ECFIN published the first of its Forecasts, namely the **Winter 2018 Interim Economic Forecast** under the title: A solid and lasting expansion. Growth rates for the euro area and the EU beat expectations last year as the transition from economic recovery to expansion continued. The euro area and EU economies are both estimated to have grown by 2.4% in 2017, the fastest pace in a decade.

When presenting the Winter Interim Economic Forecast, Commissioner Moscovici said: "Europe's economic fundamentals remain solid and we continue to see good news particularly on the jobs front. Growth should rebound gradually in the second half of this year and in 2020."

The Joint Harmonised Programme of Business and Consumer Surveys continues to provide important data for business cycle analysis in the EU, its member states and candidate countries.

On 7 March, the Commission adopted the **European Semester Winter Package**. The package includes 27 Country Reports (for all Member States except Greece, which was still under a stability support programme at the time). This package followed the publication of the 2018 Annual Growth Survey and the recommendation on the economic policy of the euro area in November 2017, which set the priorities for the year ahead at European level. It shifts the focus to the national dimension of the Semester. By mid-April, Member States are expected to address the identified challenges in their National Reform Programmes and their Stability Programmes (for euro area countries) or Convergence Programmes (for non-euro area countries) related to public finances.

As every year, the **Country Reports** assessed Member States' progress in tackling their main economic and social challenges and in implementing past **Country-Specific Recommendations** (CSRs). Looking at progress over the years, Member States achieved at least "some progress" with regard to more than two-thirds of the recommendations.

In November 2017, the Commission launched in-depth reviews for 12 Member States to analyse whether they were experiencing macroeconomic imbalances and to assess the gravity of any imbalances. They were published on 7 March, and integrated into the Country Reports. The 12 Member States examined in an **in-depth review** were all found to experience imbalances or excessive imbalances in the 2017 cycle. The Commission concluded that 11 out of the 12 Member States examined were facing either imbalances (8) or excessive imbalances (3). The summary of the in-depth reviews outcome was as follows: Croatia, Cyprus and Italy are experiencing excessive economic imbalances;

Bulgaria, France, Germany, Ireland, the Netherlands, Portugal, Spain and Sweden are experiencing economic imbalances. For Bulgaria, France and Portugal this is a de-escalation from excessive imbalances last year. Slovenia is no longer experiencing economic imbalances. Policy follow-up has been integrated in the 2018 country-specific recommendations while **specific monitoring** of the state of play with policy implementation for countries identified with imbalances in the MIP took place in the autumn of 2018. This consisted of dedicated reports for each of the 11 countries that were discussed in the relevant ECOFIN committees.

On 3 May, ECFIN published the **Spring 2018 Economic Forecast** under the title: Expansion to continue amid new risks. According to the spring 2018 economic forecast, growth is set to remain strong in 2018 and ease only slightly in 2019, with growth of 2.3% and 2.0% respectively in both the EU and the euro area.

On 23 May the Commission adopted the **European Semester Spring package** which included:

- A Communication on the 2018 European Semester and country-specific recommendations that set out the Commission's economic policy guidance for

Member States for the next 12 to 18 months.

- A recommendation to the Council to abrogate the excessive deficit procedure (EDP) under Article 126(12) of the Treaty on the Functioning of the European Union (TFEU) for **France**; This left only one Member State, namely **Spain**, under the corrective arm of the Pact, down from 24 countries in 2011.

- Reports on **Belgium** and **Italy** under Article 126(3) TFEU, reviewing their compliance with the debt criterion of the Treaty in 2017. In the case of Italy, the analysis suggested that the debt criterion should have been considered as complied with at that point in time, notably as Italy was found broadly compliant with the preventive arm of the Pact in 2017. For Belgium, as the evidence to conclude that Belgium did not comply with the preventive arm requirements was insufficiently robust, the report could not fully conclude as to whether it complied or not with the debt criterion.

- Warnings to **Hungary** and **Romania** on the existence of an observed significant deviation from the adjustment path toward the medium-term budgetary objective in 2017 and related recommendations for Council recommendations. For Hungary the recommendations were to take appropriate measures in 2018 with a view to correcting this significant deviation and for Romania, which had already been subject to a signification deviation procedure, the Commission recommended that the Council issue a decision on non-effective action and a recommendation to take measures in 2018 and 2019 to correct the significant deviation.

- An opinion on the updated Draft Budgetary Plan (DBP) for **Spain**, as the one submitted in October 2017 was based on a "no policy change" scenario. The Commission considered the updated Draft Budgetary Plan was broadly compliant with the requirements under the Stability and Growth Pact, since the Commission's Spring 2018 Economic Forecast projected that Spain's headline deficit would be below the Treaty reference value of 3% of GDP in 2018. Nonetheless, the Opinion noted that neither the headline deficit target nor the fiscal effort called for in the 2016 Council notice were projected to be met in 2018.

- A Communication on the review of the flexibility under the Stability and Growth Pact in line with the requirement to review the modulation of budgetary adjustment over the economic cycle and the application of the structural reform clause and investment clause by the end of June 2018.

  The review showed that the key objectives of the Commonly Agreed Position on Flexibility had been largely met. It provided a predictable and transparent framework that had allowed the Commission to apply the existing rules of the Pact in a country-specific and balanced manner. The flexibility under the Pact had allowed a good balance to be struck between the objective of ensuring prudent fiscal policy and stabilising the economy. The European Commission spring forecast 2018 showed that public debt and deficits had declined, while economic activity picked up since 2016. The cyclical modulation encouraged Member States to increase their fiscal effort in good times to make our economies more resilient. With the economic expansion in Europe in its fifth year, the time was ripe to build up fiscal buffers, which would give Member States more manoeuvring space in the next downturn.

On 12 July, ECFIN published the **Summer 2018 Interim Economic Forecast** under the title: Resilient growth amid increased uncertainty. Growth is set to remain strong in 2018 and 2019, at 2.1% this year and 2% next year in both the EU and the euro area. However, after five consecutive quarters of vigorous expansion, the economic momentum moderated in the first half of 2018 and was now set to be 0.2 percentage points lower in both the EU and the euro area than had been projected in the spring.

In the framework of the 2019 European Semester cycle, on 23 October the Commission requested that **Italy** submit a revised draft budgetary plan within three weeks. This was the first time that this provision of the Two-Pack was applied. The request came after the Commission assessed, after consulting with the Italian authorities, that the draft budgetary plan for 2019 submitted by Italy entailed a "particularly serious non-compliance" with the fiscal recommendation addressed to Italy by the Council on 13 July 2018. The previous week, the Commission had also sent letters asking for clarification to five other Member States: Belgium, Spain, France, Portugal and Slovenia. By 22 October, each of those countries replied with a letter clarifying their draft budgetary plans. Italy submitted a revised 2019 Draft Budgetary Plan on 13 November with only marginal amendments. The Commission thus confirmed its initial assessment that Italy's fiscal plans were not in line with commitments presented in its Stability Programme of April 2018 and entailed a "particularly serious non-compliance" with the fiscal path recommended by the Council. Specifically, both the fact that the draft budgetary plan planned (at face value) a fiscal expansion of close to 1% of GDP, while the Council had recommended a fiscal adjustment, and the size of the deviation (a gap of close to 1.5% of GDP or EUR 25 billion) were unprecedented in the history of the Stability and Growth Pact.

On 8 November, ECFIN published the **Autumn 2018 Economic Forecast** under the title: Sustained but less dynamic growth amid high uncertainty. Growth in the euro area is forecast to ease from a 10-year high of 2.4% in 2017 to 2.1% in 2018 before moderating further to 1.9% in 2019 and 1.7% in 2020. The same pattern is expected for the EU, with growth forecast at 2.2% in 2018, 2.0% in 2019 and 1.9% in 2020. Last year's exceptionally benign global situation helped to underpin strong economic activity and investment in the EU and euro area. Despite a more uncertain environment, all Member States are forecast to continue growing, though at a slower pace, thanks to the strength of domestic consumption and investment. Barring major shocks, Europe should be able to sustain above-potential economic growth, robust job creation and falling unemployment. However, this baseline scenario is subject to a growing number of interconnected downside risks. Rising global uncertainty, international trade tensions, heightened vulnerabilities in emerging markets and higher oil prices will have a dampening effect on growth in Europe. Following years of robust employment growth, the prospect of a slowdown in labour market improvements and of increasing supply side constraints in some Member States could also add to this dampening effect.

Vice-President Dombrovskis *said: "Europe is in good economic times, but rising risks indicate that this will not last forever. EU countries need well-targeted investments and renewed reform efforts to strengthen their growth fundamentals and increase productivity. On the budgetary policy side, it is time to reduce public debt levels and rebuild fiscal buffers. This will give us the room for manoeuvre we'll need when the next downturn comes. Now is also the time to make progress on deepening Europe's Economic and Monetary Union."*

ECFIN's **Annual Research Conference** was held on 19 November and addressed the overall theme of "The productivity challenge: jobs and incomes in the dawning era of intelligent robots". An audience of 80-100 invited participants from research and policy-making circles attended the one-day event and the conference was web streamed. Over the course of three sessions, conference participants examined the trends and drivers of productivity growth; the economics of digitalised and robotised economies; and, productivity and the regional cohesion challenge.

The **2019 European Semester cycle of economic and social policy coordination** kicked off on 21 November under the title: "Bolstering inclusive and sustainable growth" against a backdrop of sustained but less dynamic growth in a climate of high uncertainty. The autumn package was based on the Autumn 2018 Economic Forecast and built on the priorities set out in President Juncker's 2018 State of the Union address. The package included among other things the AGS and the AMR (see below).

Under the preventive arm of the SGP, the Commission confirmed the existence of a particularly serious case of non-compliance with the Recommendation addressed to **Italy** by the Council on 13 July 2018. For **ten Member States** – Germany, Ireland, Greece, Cyprus, Lithuania, Luxembourg, Malta, Netherlands, Austria, and Finland – the DBPs were found to be **compliant** with the SGP in 2019. For **three** Member States – Estonia, Latvia and Slovakia – the DBPs were found to be **broadly compliant**, although the plans might result in some deviation from the country's medium-term budgetary objective (MTO) or the adjustment path towards it. For **four** Member States – Belgium, France, Portugal and Slovenia – the DBPs pose a **risk of non-compliance** due to a possibly significant deviation from the adjustment paths towards the respective medium-term budgetary objective.

Under the corrective arm of the SGP (Excessive Deficit Procedure), Spain's headline deficit was projected to fall below 3% next year and the country was set to exit the Excessive Deficit Procedure. Spain would then become subject to the preventive arm of the Pact. Its DBP was found to be at risk of non-compliance.

The Commission has taken steps under the Stability and Growth Pact: For **Italy**, the Commission issued a new 126(3) report on Italy's prima facie non-compliance with the debt criterion in 2017, given the "material change" in the relevant factors already assessed in May 2018 related to the identified "particularly serious non-compliance" with the provisions of the SGP based on both the government plans and the Commission 2018 autumn forecast. The 126(3) Report concluded that the debt criterion should be considered as not complied with in 2017, making a debt-based excessive deficit procedure (EDP) warranted for Italy already at that stage. Those conclusions were endorsed by the EFC in its 126(4) Opinion of 29 November, highlighting however that "new elements may emerge from the dialogue between Italy and the Commission". In its statement of 3 December, the Eurogroup also supported the Commission's assessment that Italy's plans for 2019 did not satisfy the rules of the Stability and Growth Pact, whereby a debt-based excessive deficit procedure was warranted, but encouraged a dialogue between Italy and the Commission to solve the situation. Following an intensive dialogue at all levels between the Italian authorities and the Commission over the month of December, Italy committed by letter of 18 December to amend its fiscal targets, in order to avoid planning a structural deterioration at face value, after discounting an allowance preliminarily granted by the Commission under the "unusual events clause". As a result, on 19 December the Commission decided, and communicated in a press conference and by letter to the Italian government, that an excessive deficit procedure for Italy was no longer urgently needed at that stage. The agreed changes to the 2019 budget were approved by Italy's parliament on 30 December. The Commission reported its decision to the EFC on 10-11 January 2019, clarifying that Italy's fiscal situation would be assessed again in spring 2019, based *inter alia* on outturn data for 2018.

For **Hungary**, the Commission established that no effective action was taken in response to the Council recommendation of June and proposed that the Council adopt a revised recommendation to Hungary to correct its significant deviation from the adjustment path towards the medium-term budgetary objective. The public deficit increased in Hungary from 1.6% of GDP in 2016 to 2.4% in 2018, and was forecast to remain slightly below 2% in the following two years.

For **Romania**, the Commission established that no effective action was taken in response to the Council recommendation of June and proposes that the Council adopt a revised recommendation to Romania to correct its significant deviation from the adjustment path towards the medium-term budgetary objective. The public deficit increased in Romania from 0.7% of GDP in 2015 to 2.9% in 2017 and was forecast by the Commission at 3.3% in 2018, 3.4% in 2019 and 4.7% in 2020: this is the highest deficit in the EU.

The Commission also adopted the **first enhanced surveillance report** for **Greece** in which it noted steady growth but with risks and challenges. Greece has been fully integrated into the European Semester since 21 August. The report covers the latest economic and financial developments in Greece as well as an assessment of Greece's progress in implementing reform commitments given to its European partners at the June 2018 Eurogroup. The publication of the report follows the first post-programme mission to Greece which took place from 10 to 14 September 2018. The report notes that Greece is now experiencing a period of steady growth, but that financing conditions remain difficult and could hinder the recovery. Moreover, the decade-long crisis in Greece has many legacy effects not only in the form of unemployment but also in the form of public and private debt and non-performing exposures, as well as an erosion of Greece's capital stock. On the positive side, Greece's 2019 budget was in line with the primary surplus target of 3.5% of GDP.

Building on previous guidance, and taking account of Member States' different situations in the economic cycle, the **Annual Growth Survey** (AGS) sets the general economic and social priorities for the upcoming year and calls on the EU and its Member States to take decisive and concerted policy action to deliver inclusive and sustainable growth. At national level, policy efforts should focus on delivering high-quality investment, and reforms that increase productivity growth, inclusiveness and institutional capacity, while continuing to ensure macro-financial stability and sound public finances. At EU level, the priorities are deepening the Single Market, completing the architecture of the Economic and Monetary Union (EMU) and advancing the principles set out in the European Pillar of Social Rights.

The **Alert Mechanism Report 2019** (AMR) kicked-off the 2019 cycle of the Macroeconomic Imbalance Procedure (MIP). The MIP is integrated in the European Semester and is aimed at preventing or addressing imbalances that hinder the smooth functioning of Member States' economies, of the euro area or of the EU as a whole. Based on the analyses in the AMR 2019, 13 countries have been proposed to be covered by an in-depth review in 2019. These are the same 11 countries found as having imbalances in the previous round of the MIP, i.e. Bulgaria, Croatia, Cyprus, France, Germany, Ireland, Italy, the Netherlands, Portugal, Spain and Sweden, as well as two new countries, Greece, which until recently had been monitored under the ESM stability support programme, and Romania. The Commission will present the in-depth reviews as part of its Country Reports in February 2019.

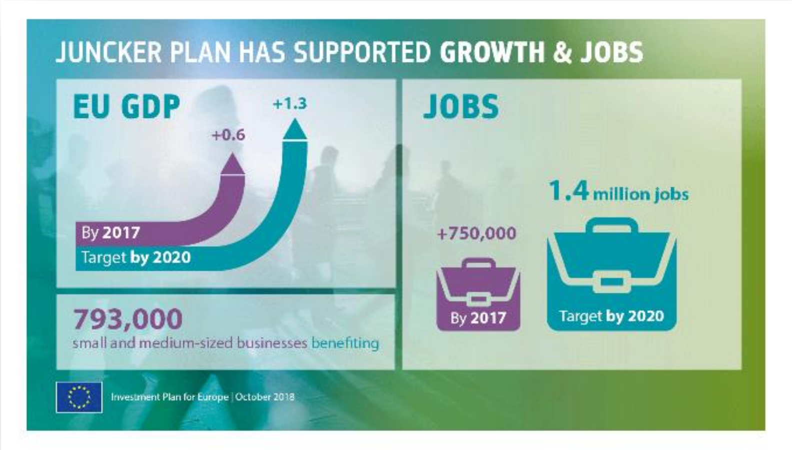
DG ECFIN carried out its **economic service function** in terms of assessing the economic impact of key EU initiatives. It inter alia estimated the benefits of the internal market for the EU and each Member State, the macroeconomic impact of the long-term greenhouse gas strategy, the potential impact of cohesion policy and the impact of Horizon Europe.

DG ECFIN provided input to the Eurogroup's **thematic discussions on growth and jobs**. The Eurogroup discussed wage dynamics in April, spending reviews in May, allocative efficiency in labour and product markets in September, the role of national automatic stabilisers in October, and financial stability (based on input from DG FISMA) in November.

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.

1.1.2 Specific objective 3: promoting investment in the EU

The implementation of the **Investment Plan for Europe**, launched by President Jean-Claude Juncker in 2015, continued to be one of the main priorities for DG ECFIN.



Cut-off date October 2018

The **European Fund for Strategic Investments (EFSI)** successfully supported innovative and strategic projects that contribute to investment, job creation, and growth. By 17 July 2018, EFSI has successfully helped mobilise EUR 334.8 billion of private and public investment and therefore reached its initial EUR 315 billion objective. As of 31 December 2018, EFSI operations were approved across all Member States and are expected to support more than 858 000 SMEs.

On 1 January 2018, the Regulation to extend and enhance the European Fund for Strategic Investments (EFSI 2.0)[9] entered into force. It extends the EFSI's lifetime to end-2020 and raises its investment target to EUR 500 billion. It also aims, inter alia, at increasing the transparency of the investment decisions and providing more technical support at a local level.

Under the **Infrastructure and Innovation Window** (IIW), EFSI continues to successfully support strategic investments in key priority areas like research, development and innovation, as well as energy and digital sectors. By end 2018, the IIW supported projects across the EU and helped mobilise EUR 244.3 billion of additional investments.

Under the **SME Window** (SMEW), EFSI continued supporting investments in the areas of risky SME financing, innovative SMEs and small mid-caps, micro and social enterprises as well as SMEs operating in cultural and creative sectors. By end 2018, the SMEW supported mobilising EUR 131.2 billion of additional investments. In December 2018, the fourth amendment of the EFSI Agreement was signed with the EIB, which means that the instrument now provides a boost to four EU guarantee instruments for SMEs and includes a dedicated equity facility, a facility supporting tailored credit financing by debt funds and also a facility allowing for the combination of EFSI and ESIF resources to finance the agricultural sector.

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[9] Regulation (EU) 2017/2396 of the European Parliament and of the Council of 13 December 2017 amending Regulations (EU) No 1316/2013 and (EU) 2015/1017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub

In the framework of the MFF package and building on the success of the Juncker Plan and EFSI, the Commission has proposed a new initiative to mobilise private and public investment for the 2021-2027 period – the **InvestEU Programme**. It consists of the InvestEU Fund, the InvestEU Advisory Hub and the InvestEU Portal. The InvestEU Programme will bring together under one roof the multitude of EU financial instruments and advisory services currently available to support investment in the EU. It will make EU funding for investment projects in Europe simpler, more efficient and more flexible.

The InvestEU Programme shall focus on addressing the large investment gaps in key areas of the future through an EU budget guarantee of EUR 38 billion. It will thus further boost job creation and support investment and innovation in the EU. It is expected to mobilise around EUR 650 billion of private and public investment across the EU by end-2027

The **European Investment Advisory Hub (EIAH)** was launched in September 2015 and it is a joint initiative of the Commission and it is established within the EIB. As of end-December 2018, it has received 1 091 requests from all Member States of which 918 were project-related and more than half of them came from the private sector. None of the requests received was rejected by the EIAH and the EIAH team treated all of them. However, only around 50% of the requests were for technical assistance (alongside a simultaneous request for funding support). To develop its local network, the EIAH has signed 25 memoranda of understanding as of end December 2018 with different National Promotional Banks and Institutions (NPBIs) across the EU. The EIAH has also signed an agreement in 2017 with the European Bank for Reconstruction and Development (EBRD) in order for the EBRD to implement its Advice for Small Businesses Programme on behalf of the EIAH in Romania, Bulgaria, Greece and, since 2018, in Croatia. A Call for Proposals for the delivery of decentralised services in priority areas by interested NPBIs was launched in December 2017. This Call aims at enabling NPBIs to deliver investment advisory services on behalf of the EIAH, establishing or developing organisational capacity and transferring knowledge for developing a local advisory capacity in the Member States requesting its support. In 2018, the EIAH received eight applications, six passed the evaluation and one agreement was signed with MFB in Hungary last year.

President Juncker said:"The Investment Plan for Europe has proven a success when it comes to mobilising private investment and creating jobs in Europe. It has already triggered almost €290 billion in investment that would not have been possible without it, and provided financing for 635,000 small businesses. With InvestEU, we are taking this successful model and expanding it across the many EU financing programmes on offer. We are simplifying, doing more with less, and placing a stronger focus on social investments."

The **European Investment Project Portal (EIPP)** was launched in June 2016. As the EU's online matchmaking platform, it brings together investors and project promoters by providing an easily-accessible and user-friendly database, giving projects more visibility and enabling investors to find investment opportunities. In 2018, more than 500 projects were received and 270 projects were published. In total, as of end 2018, the EIPP provided 508 investment opportunities. In April 2018, as part of the EIPP annual survey conducted among project promoters and investors, 18 projects were identified as having secured financing after being published on the EIPP and investors contacted 80% of project promoters. Several EIPP matchmaking events were organised in various Member States (SL, BG, LU and AT) and cooperation agreements with the Global Infrastructure Hub and EuroQuity were signed in 2018. The EIPP website was further improved with features such as a distinction between infrastructure/innovation and start-up/SME projects, the creation of a Member State corner as well as the enhancement of content, such as the inclusion of success stories, testimonial videos and a newsletter subscription functionality.

Cut-off date March 2018

The **European Local ENergy Assistance (ELENA)** supports investment by providing Project Development Assistance (PDA) grants to help project promoters develop, structure and launch investible (bankable) projects/programmes in the fields of energy efficiency, distributed renewables and clean urban transport. ELENA co-finances eligible project development costs such as those related to investment-specific energy audits, feasibility studies, legal, economical, financial and technical development of investments, preparation and launch of tendering procedures, contracting and financial structuring. ELENA is implemented indirectly by entrusted entities (IFIs). The overall support provided so far by the ELENA facility sums up to EUR 165 million allocated and disbursed by the entrusted entities in more than 96 projects that are expected to mobilize over EUR 6 billion in investments. In 2018, the Commission approved 16 new projects. With a total EU contribution of EUR 38 million, these projects are expected to generate 1 121 GWh of energy savings per year and they will directly support the mobilisation of EUR 990 million by e.g. accelerating the energy refurbishment of public buildings, deploying one-stop-shops for home renovation, improving street lighting facilities with LED technologies, supporting the deployment of energy efficient district heating networks or supporting the deployment of innovative sustainable transport solutions such as car sharing solutions, urban cable car systems, or a fleet of electric buses.

DG ECFIN continued to provide financial expertise to DGs managing **financial instruments for SMEs, innovation and employment**. In 2018, DG ECFIN assisted policy DGs in the implementation of the COSME, InnovFin, EaSI and CCS financial instruments and their further adjustments in response to market and policy needs, evaluations and audits. In addition, DG ECFIN coordinated the Commission responses to the ECA audit on EU equity instruments covering also programmes implemented by DGs GROW and RTD. In addition, DG ECFIN participated in the strategic governance decision-taking for EU financial instruments in the respective Steering Committees and launched a Commission internal reflection on the future of the EIF.

1.1.3 Specific objective 4: promoting prosperity beyond the EU

On 25 May, the Economic and Financial Dialogue of the EU with the Western Balkans and Turkey adopted Joint Conclusions with specific policy guidance for enlargement countries on reforms needed to foster macroeconomic stability, ensure fiscal sustainability and support long-term growth and competitiveness. The dialogue held was based on enlargement countries' Economic Reform Programmes (ERP) which were submitted to the Commission end-January and subsequently assessed by Commission services. The Commission staff working documents with the ERP assessments were adopted on 17 April.

On 17 April the Commission also adopted the **country reports for the seven enlargement countries** Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia[10], Kosovo*[11] , Montenegro, Serbia and Turkey. ECFIN prepared the economic chapters of the reports, which assess progress achieved in each of the countries on the two Copenhagen criteria: (1) existence of a functioning market economy (FME) and (2) capacity to cope with competitive pressure and market forces within the EU. Only Turkey is well advanced on the FME (it is considered to be an FME), but there has been some backsliding recently. None of the Western Balkans complies with the FME criterion; they are at different levels of preparedness: The Former Yugoslav Republic of Macedonia retained a good level of preparedness, Albania, Montenegro and Serbia are at a moderate level of preparation and Kosovo as well as Bosnia and Herzegovina are trailing behind at an early stage of compliance with the two Copenhagen criteria. No enlargement country complies yet with the competitiveness criterion.

Macroeconomic dialogues (as Stabilisation and Association Sub-Committee meetings) took place throughout the second half of the year with Albania, Bosnia and Herzegovina, the Former Yugoslav Republic of Macedonia, Kosovo, Montenegro and Serbia, providing a platform for exchanging views on the latest macroeconomic and fiscal developments and challenges in the enlargement countries. A macroeconomic dialogue also took place with Iceland in June.

Following a request by Ukraine, the Commission adopted on 9 March 2018 a proposal to provide an additional **MFA programme for Ukraine** of up to EUR 1 billion (MFA Ukraine IV). This new programme aims at supporting economic stabilisation and accelerated reform implementation in the country. The proposal was adopted by the European Parliament and the Council on 4 July. The Commission released the first installment of this operation in December 2018; the next one is planned for the first half of 2019.

On 18 April 2018, the European Parliament and the Council adopted the Commission proposal (tabled by the Commission on 29 September 2017) for a new **MFA programme for Georgia** of up to EUR 45 million, consisting of EUR 35 million in loans and EUR 10 million in grants. The Commission released the first installment of this operation in December 2018; the next one is planned for the first quarter of 2019.

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[10] Denomination as of 18/02/2019: The Republic of North Macedonia (short version: North Macedonia) – Note to DGs, HoS' & HoEU delegation - Ares(2019)985843

[11] *This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

In 2018, the Commission continued following closely the developments in the MFA operations in Tunisia and Jordan (both approved in 2016), and in Moldova (approved in 2017), which have been delayed for reasons beyond the EU's control. Furthermore, the Commission continued to follow up the impact and effectiveness of MFA funds. In this respect, the Staff Working Documents accompanying the **ex-post evaluations** of the MFA I Jordan and MFA I-II Ukraine programmes were completed and published in 2018.

President Juncker *said: "The world today needs a strong and united Europe. A Europe that works for peace, trade agreements and stable currency relations, even as some become more prone to trade and currency wars. I am not in favour of a selfish unilateralism that defies expectations and dashes hopes. I will always champion multilateralism. If Europe were to unite all the political, economic and military might of its nations, its role in the world could be strengthened. We will always be a global payer but it is time we started being a global player too." He also said: "The geopolitical situation makes this Europe's hour: the time for European sovereignty has come. It is time Europe took its destiny into its own hands. It is time Europe developed what I coined "Weltpolitikfähigkeit" – the capacity to play a role, as a Union, in shaping global affairs. Europe has to become a more sovereign actor in international relations."*

On 29 June 2018, the Commission adopted the Annual Report from the Commission to the European Parliament and the Council on the implementation of macro-financial assistance to third countries in 2017. This annual report is prepared in accordance with the Commission's information obligations as laid down in the various Council and joint European Parliament and Council decisions on MFA operations. The report is accompanied by a Commission staff working document providing a more detailed analysis of the macroeconomic context and implementation of individual MFA operations.

Moreover, ECFIN has so far prepared for and participated in the yearly macroeconomic dialogues with Belarus, Ukraine, Azerbaijan, Tunisia, Egypt, Israel, Palestine and Lebanon.

Downside risks to the global growth outlook have been intensifying during the year, most notably those related to trade protectionism, fiscal policy uncertainty in the United States and vulnerabilities in some emerging markets. The United States' approach towards global economic governance poses fundamental questions on the future of multilateralism and international economic policy coordination. ECFIN's ongoing analytical work on the challenges to multilateralism has already served as an input to the Commission participation in a number of high-level policy discussions. ECFIN also contributed to the Commission-wide response to a number of policy actions by the US (e.g. tax reform, withdrawal from the Iran nuclear deal) by providing a macroeconomic evaluation of such policies. Regarding trade protectionism more specifically, ECFIN analysis shows that the macroeconomic impact of the announced tariff hikes by the US remains limited, but the broader impact on confidence and investment decisions could be much more significant, particularly if trade tensions escalate further.

Preparation of EU and Commission participation on the main international fora required close internal coordination within Commission services, in particular on taxation and trade policy issues. Bilateral contacts with key partners have been stepped up and can be further deepened ahead of upcoming international meetings. The Macroeconomic Dialogues, in particular with India and China put a much stronger emphasis on multilateral issues and how to address the US withdrawal from global governance. In both cases, there was a strong appeal to work closely with the EU to buttress the multilateral system.

ECFIN ensured the effective participation of the Commission in G7, G20 and IMF meetings; contributed to the participation in G20 Sherpa meetings and the participation of the President in the Buenos Aires Summit. DG ECFIN provided contributions to the discussions on global economic developments and policy priorities in these fora. In the G20 Deputies and Ministerial meetings (Buenos Aires in March, Washington DC in April), the Commission pushed for progress on EU priorities on international cooperation on tax, especially the taxation of the digital economy. ECFIN has contributed to Argentina's priority on the future of work in the G20, which was finalised at the G20 Ministerial meeting in July. ECFIN was also leading the coordination of EU Member States' positions through the preparation of common written Terms of Reference and EU/euro area common language on horizontal IMF issues for discussion at the IMF Board.

ECFIN's analytical work on global imbalances has underpinned the Commission contributions to the international fora and has been of specific use during the G20 Seminar on Global Imbalances that took place in September 2018 in Amsterdam. DG ECFIN also ensured the participation of the EU in G20 working groups, in particular the working groups on the Framework for Growth, on International Financial Architecture, and on Investment. ECFIN provided support within its competence to the workstream related to climate finance, trade and development. A substantial contribution by ECFIN to the G20 work was on the G20 Compact with Africa. In addition to the usual outlets, ECFIN analysis of the global economy has featured in a new internal publication, the 'Global Economy Newsletter' with five editions ahead of key international meetings. Along with a review of the global economy outlook and challenges, the 'Newsletter' featured i.a. dedicated articles on China, India, emerging market vulnerabilities, oil, Japan fiscal policy.

An active engagement by ECFIN is needed to make sure that the institutional framework and policy arrangements of the euro area are recognised and taken into account by the IMF, especially when new policies are proposed. In 2018, the IMF presented a new framework for the programme design in members of currency unions, which would have had undesirable consequences for the euro area if it would have been adopted unchanged. ECFIN managed to ensure through direct contacts with the Fund and through coordination of our Member States that the IMF duly took the institutional framework of the euro area into account. The new IMF policy was agreed in Q1 of 2018. In addition, the IMF is currently reviewing its debt sustainability framework for market access countries. Because of the European Commission's own debt sustainability framework for European countries, there is a strong interest to engage with the IMF. In 2018, ECFIN successfully engaged via direct contacts with the Fund to make sure that analyses and diagnosis regarding debt sustainability are aligned as far as possible. Also, coordination of our Member States took place. In light of the upcoming discussions on the international monetary system and the IMF quota and governance in particular, ECFIN worked on the EU's strategic approach towards the relationship and future cooperation between the EU/euro area and the IMF. DG ECFIN also coordinated discussions between our Member States to be able to find a common EU view. In addition, DG ECFIN provides inputs on IMF governance and quota formula reforms through its participation in the G20 Working Group on International Financial Architecture.

Throughout 2018, the Commission was actively engaged with the work of the Eminent Persons Group (EPG) on the future of economic and financial governance. Most notably, ECFIN suggested organising an EFC seminar that took place in April in order to discuss EPG work with Member States. Following the publication of the final EPG report in October making proposals in three areas ((i) Development; (ii) Finance; and (iii) Governance, ECFIN actively supported a coordinated EU response which was refined in SCIMF covering each of the three EPG chapters. Regarding the first area, i.e. development finance, ECFIN also organised a meeting with DGs DEVCO and NEAR on the specific follow-up work regarding the aim of making Multilateral Development Banks (MDBs) work better as a system. Finally, ECFIN responded to a survey launched by the

Japanese Presidency in order to identify key priorities with a high potential of rapid adoption. At the international level (G20 and G7 meetings), ECFIN was at the forefront when encouraging partners to commit to a decisive follow-up of the EPG proposals.

As the second most used currency in the world, the euro should play a full part on the international scene. To achieve this, the Commission presented on 5 December a **Communication** proposing a set of actions to **strengthen the role of the euro** in a changing world.

Vice-President Dombrovskis said: "The euro is a young but successful currency. The time has come for the euro to develop further its global role. Today's proposals are there to start a journey, which can only succeed if there is a joint effort from the EU, Member States, market participants and other actors." He added that it should reflect the euro area's political, economic and financial weight and support a balanced, rules-based international political and economic order.

Promoting the euro's international role is part of Europe's commitment to an open, multilateral and rules-based global economy and trade. It reflects recent global trends, the emergence of new economic powers along with the development of new technologies, which are supporting a potential shift towards a more diversified and multipolar system of several global currencies.

A strengthened role for the euro would help improve the resilience of the international financial system, providing market operators across the globe with additional choice and making the international economy less vulnerable to shocks.

Closer to home, it would allow the EU to enhance the protection of its citizens and businesses to unilateral decisions by third party jurisdictions, uphold its values and promote its interests in shaping global affairs. A wider global use of the euro would also lower costs and risks for European businesses, as well as lower interest rates paid by households.

The **Communication** proposes a number of initiatives to boost the role of the single currency supported by upcoming decisions to strengthen Europe's Economic and Monetary Union, complete the Banking Union and advance on the Capital Markets Union. As part of this effort, the Commission also adopted a specific Recommendation on the international role of the euro in the field of energy.

Commissioner Moscovici said: "A wider use of the euro in the global economy yields important potential for better protecting European citizens and companies against external shocks and making the international finance and monetary system more resilient. Progress on the completion of the Economic and Monetary Union is therefore not only needed to promote growth and stability at home, it is also an important project to underpin our European autonomy in a globalised world."


BENEFITS OF AN INCREASED INTERNATIONAL USE OF THE EURO

Lower cost and lower risk of trading internationally for European businesses. Trading in euro rather than in a foreign currency will remove the exchange risk and other currency related costs especially for small and medium-sized European businesses.

Additional choice for market operators across the globe.

Lower interest rates paid by European households, businesses and Member States. A more attractive euro as a safe store of value reduces the interest rate (or return) demanded by investors.

More reliable access to finance for European businesses and governments, even in periods of external financial instability, as European financial markets would become deeper, more liquid and integrated.

Stronger autonomy of European consumers and businesses, allowing them to pay or receive payments for their international trade, and finance themselves with reduced exposure to legal actions taken by third country jurisdictions, like extraterritorial sanctions.

Improved resilience of the international financial system and economy, making them less vulnerable to exchange rate shocks.

Source: European Commission factsheet - Update ahead of the Euro Summit of December 2018

Guaranteed by the EU, the FMO's NASIRA Risk Sharing Facility will benefit entrepreneurs who currently face difficulties borrowing money at affordable rates, including internally displaced people, refugees, returnees, women or young people. DEVCO estimates that this programme will create or support up to 600 000 jobs. This first EU guarantee is a part of the **EU External Investment Plan (EIP)**, announced by President Juncker in his 2016 State of the Union speech. The EIP aims to leverage €44 billion by 2020 in sustainable investment in Africa and the Neighbourhood through an EU budget that is around 10 times lower. Much of that investment will go to fragile, conflict-affected, landlocked and least developed countries.

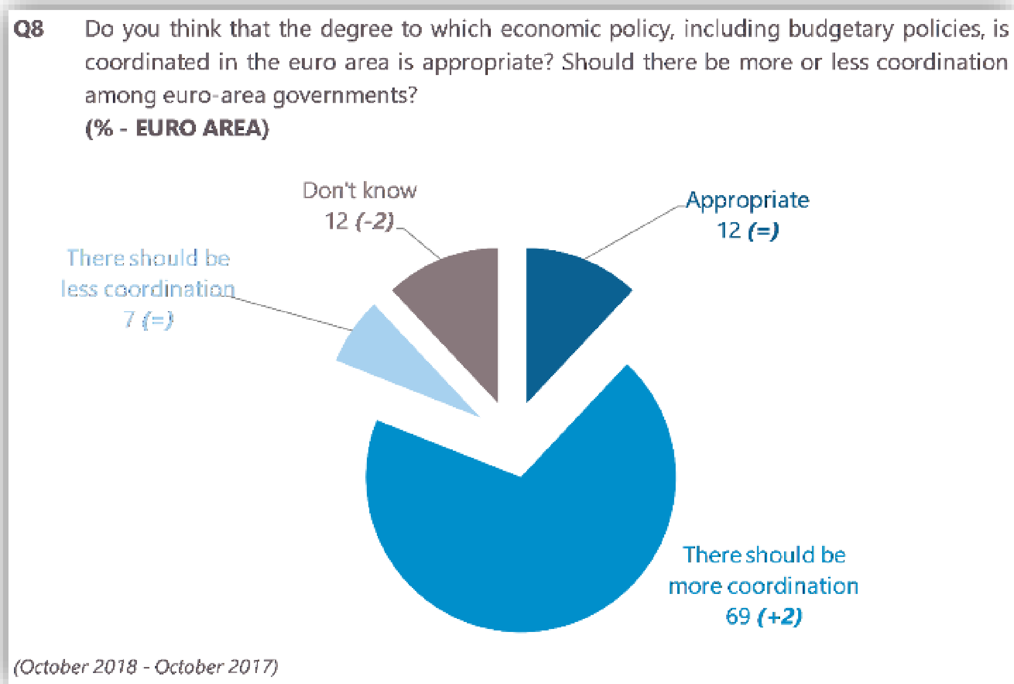
In his latest State of the Union speech ***President Juncker*** *said: "Africa does not need charity, it needs true and fair partner-ships. And Europe needs this partnership just as much." In December at the High-Level Forum Africa-Europe in Vienna, that vision came a step closer. The Commission and the Dutch Development Bank signed the first EU guarantee agreement that will help transform the way the EU works with countries in Sub-Saharan Africa and the EU Neighbourhood.*

The EIP, and its successor programme under the new MFF, NDICI, is an important pillar of a new Alliance for Sustainable Investment and Jobs between Europe and Africa that should help create up to 10 million jobs in Africa in the next five years. The Commission is working with a number of international financial institutions and with development banks and agencies of EU Member States to turn the External Investment Plan into reality.

1.2 General objective 5: a deeper and fairer EMU

1.2.1 Specific objective 5: improving the efficient functioning of the Economic and Monetary Union

Over two thirds of respondents (69%) think that there should be more coordination of economic policy among Euro Area governments



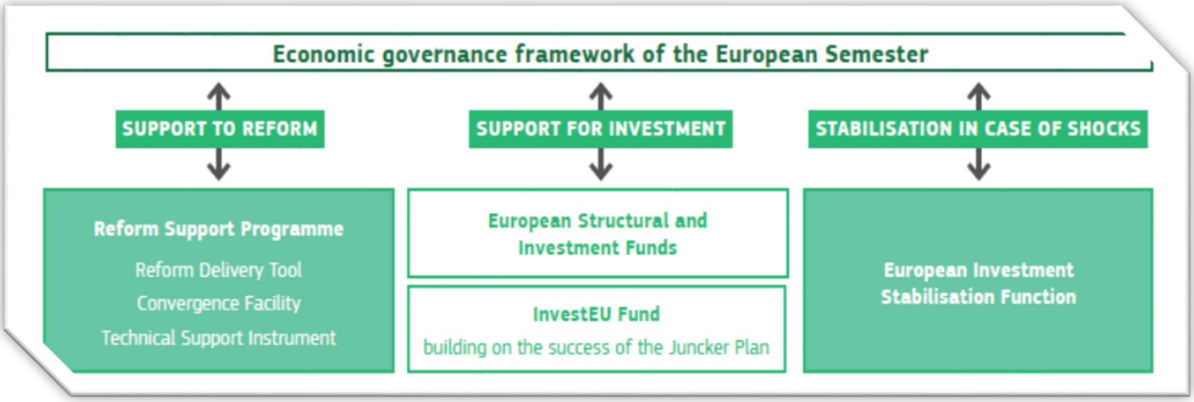
Source: ***Survey FL473 - The Euro Area***

On May 23 the Commission adopted the **Convergence Report** – A Review of Member States' progress towards joining the euro area. The report covers the seven non-euro area Member States that are legally committed to adopting the euro: Bulgaria, the Czech Republic, Croatia, Hungary, Poland, Romania and Sweden. The United Kingdom and Denmark are not covered by the report as they are not required to join the euro area. The Report finds that the seven Member States generally display considerable nominal convergence, but none of them currently meet all the formal conditions for joining the euro area. Three of these Member States, Bulgaria, Croatia and Sweden, fulfil all of the economic convergence criteria, except for the exchange rate criterion. All of the concerned Member States fulfil the criterion on public finances. Bulgaria, the Czech Republic, Croatia, Hungary and Sweden fulfil the long-term interest rate criterion while Bulgaria, Croatia, Poland and Sweden meet the price stability criterion. None of the Member States fulfils the exchange rate criterion, as none of them are members of the Exchange Rate Mechanism (ERM II). The report finds that legislation is not fully compatible with the rules of the Economic and Monetary Union in any of the Member States, except Croatia.

As part of the euro enlargement work stream, substantial work was done to design a roadmap for Bulgaria's possible entry in ERM II in 2019. This involved helping the Bulgarian authorities to design a set of policy commitments to be fulfilled before ERM II entry. The commitments cover a range of areas including the supervision of the banking and non-banking financial sectors, anti-money laundering, insolvency frameworks and state-owned enterprises. The work involved numerous contacts with Bulgarian authorities and was carried out in close liaison with the ECB. The roadmap was endorsed by the Eurogroup.

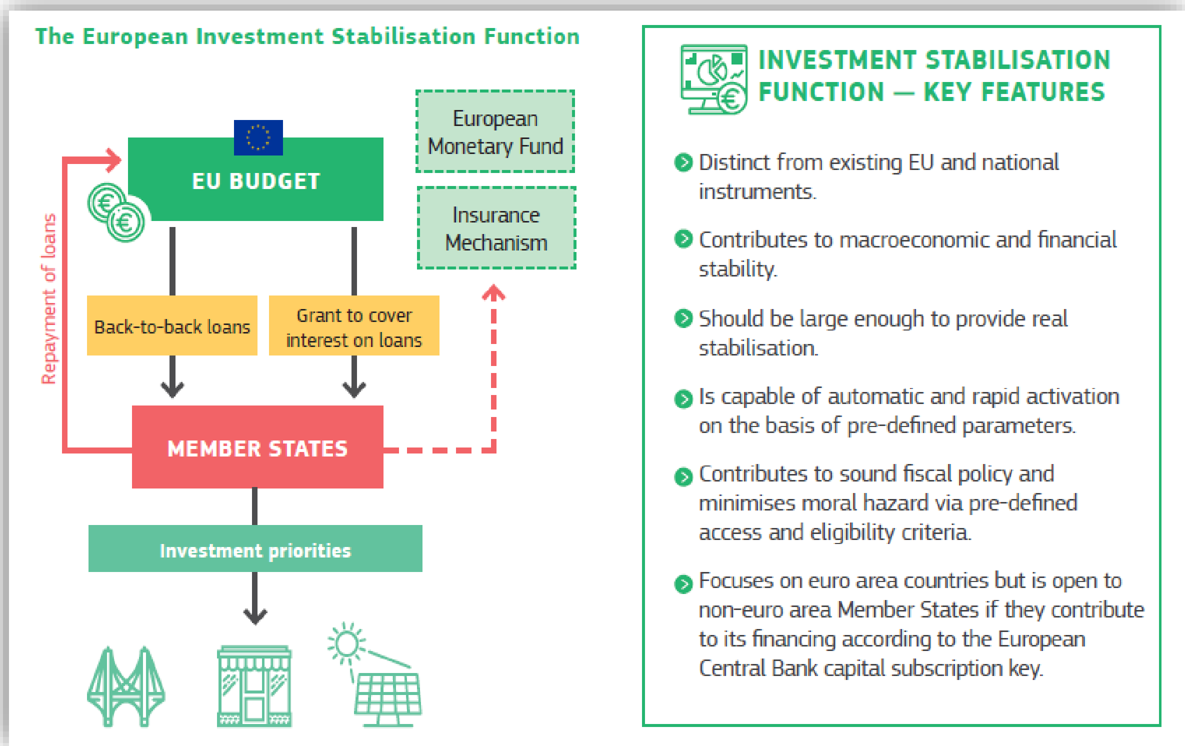
In the framework of the **next MFF**, the Commission adopted the following proposals on 31 May:

- a Proposal for a Regulation of the European Parliament and of the Council on the establishment of the **Reform Support Programme**. The programme will support priority reforms in all EU Member States, with an overall budget of €25 billion. It comprises three elements: a Reform Delivery Tool, to provide financial support for reforms; a Technical Support Instrument, to offer and share technical expertise; and a Convergence Facility, to help Member States on their way to joining the euro. The Commission has also proposed that the instrument be tested in a pilot phase during the current MFF, using the Performance Reserve of the European Structural and Investment Funds. The Euro Summit of December 2018 mandated the Eurogroup to work on the design, modalities of implementation and timing of the budgetary instrument for convergence and competitiveness for the euro area. This would take place on the basis of the Commission's proposal for a Reform Support Programme.



Source: European Commission - MFF 2021-2027 - factsheet

- a Proposal for a Regulation of the European Parliament and of the Council on the establishment of a **European Investment Stabilisation Function**. The Function will help to stabilise public investment levels and facilitate rapid economic recovery in cases of significant economic shocks in Member States of the euro area and those participating in the European Exchange Rate Mechanism (ERM II). It will complement the role of existing national automatic stabilisers and is a first step in the development of a fiscal capacity to support the functioning of EMU. Subject to strict criteria of sound macroeconomic and fiscal policies, loans of up to EUR 30 billion can be rapidly mobilised by the EU Commission to support Member States needing assistance under this mechanism. Member States will also have the possibility to contribute to an inter-governmental fund which will help to cover the costs of these loans. The proposal has not been discussed in the Council, but is still on the table, and the budgetary instrument for convergence and competitiveness for the euro area will now be discussed by the Eurogroup, together with technical work on stabilisation.



Source: European Commission - MFF 2021-2027 - factsheet

- a Proposal for a Regulation of the European Parliament and of the Council establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting for the period 2021-2027 (the '**Pericles IV'** programme)
- a Proposal for a Council Regulation extending to the non-participating Member States the application of Regulation (EU) No …/2018 establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting for the period 2021-2027 (the 'Pericles IV' programme)

Pericles is a programme funded from the EU budget with the aim of preventing and combatting euro-counterfeiting. It provides training and technical assistance for competent national authorities to enable them to further improve the protection of euro banknotes and coins. It is therefore directly linked to the Commission's objective of improving the functioning of the Economic and Monetary Union. The European Commission has proposed the continuation of Pericles under the next Multiannual Financial Framework, with EUR 7.7 million dedicated to it over seven years. This is necessary as the threats of euro-counterfeiting are still substantial, demonstrated by the increasing availability of high quality counterfeit euros and security features on the dark web and the existence of counterfeiting hotspots. Counterfeits harm citizens and businesses that are not reimbursed for counterfeits. As for past Pericles programmes, the Commission proposes to extend the programme to Member States not yet using the euro as their currency in order to ensure the same level of protection for the euro in all Member States.

EU-wide progress on tackling euro coin counterfeiting in 2017:

Cut-off date March 2018

In the framework of the 2019 European Semester cycle of economic and social policy coordination, the Commission adopted a **recommendation on the economic policy of the euro area** on 21 November**.** The Commission recommends rebuilding fiscal buffers in euro area countries with high levels of public debt, support public and private investment and improve the quality and composition of public finances in all countries.

The recommendation calls for deepening the Single Market, improving the business environment, and pursuing resilience-enhancing product and services market reforms. It also urges the reduction of external debt and pursuing reforms to boost productivity in euro area Member States with current account deficits and strengthening the conditions that support wage growth respecting the role of social partners and implement measures that foster investment in euro area Member States with large current account surpluses. It also calls on euro area Member States to shift taxes away from labour and strengthen education systems and investment in skills, as well as the effectiveness of active labour market policies that support transitions while addressing labour market segmentation and ensuring adequate social protection systems across the euro area.

The recommendation also calls for continued work to make the backstop for the Single Resolution Fund operational, to set up a European Deposit Insurance Scheme and to strengthen the European regulatory and supervisory framework. It advocates the promotion of orderly deleveraging of large stocks of private debt, the swift reduction of the level of non-performing loans in the euro area and the prevention of their build up, including by removing debt bias in taxation.

Finally, the Commission recommended swift progress on **completing the Economic and Monetary Union** including with the perspective to strengthen the international role of the euro. This should take into account the Commission proposals, including those concerning the financial sector as well as the Reform Support Programme and the European Investment Stabilisation Function under the proposal for the 2021-2027 Multiannual Financial Framework.

Following up to the **December 2017 EMU deepening package**, the Commission advocated the adoption of the draft directive aiming to incorporate into the Union legal framework the substance of the Treaty on Stability, Coordination and Governance in the EMU (TSCG). The proposal was presented and discussed in detail with the Member States (at the EFC Alternates) in terms of strategic approach, specific content and legal instrument. As part of the consultative procedure, the ECB provided an opinion on the draft directive, whereas the ECON committee of the EP was unable to agree on its report concerning the Commission proposal. The Commission also contributed to a peer review on the actual implementation of the Fiscal Compact held by the EFC Alternates.

Regarding the **economic adjustment process in Greece**, the third review of the ESM programme was concluded in March 2018 and the ESM Board of Directors has authorised the release of the fourth tranche under the ESM programme, amounting to EUR 6.7 billion. During spring, various work streams have been running in parallel, geared towards the successful conclusion of the ESM programme. First, two review missions took place and a staff-level agreement was reached on 19 May, setting out the details of the 88 prior actions for the fourth and final review. A positive Compliance Report was sent to the Eurogroup on 22 June and subsequent amendment, reporting on the successful implementation of these measures by the Greek authorities. Second, debt negotiations took place in several rounds among key stakeholders.

Greece successfully completed its European Stability Mechanism (ESM) stability support programme on 20 August 2018. Following the end of that programme, Greece has been integrated into the regular economic surveillance framework for euro-area Member States under the European Semester for economic policy coordination. In order to cater for the specific needs and challenges of Greece, the Commission activated enhanced surveillance for Greece under Regulation (EU) No 472/2013, effective as from 21 August 2018. That decision acknowledged the fact that over the medium term, Greece needed to continue adopting measures to address the sources or potential sources of economic and financial difficulties, while implementing structural reforms to support a robust and sustainable economic growth. Greece affirmed its general commitment in the Eurogroup of 22 June 2018 to continue and complete reforms adopted under the ESM programme and to ensure that the objectives of the important reforms adopted under the financial assistance programmes were safeguarded. The authorities moreover developed a Growth Strategy and plan to monitor its implementation.

The Commission has since then released its first enhanced surveillance report and will release future reports on a quarterly basis, following a timetable aligned with key steps of the European Semester. In the context of enhanced surveillance, the Commission, in liaison with the ECB and, where appropriate, the IMF, conducts regular review missions to verify the progress made; the ESM participates both in the context of its Early Warning System and in line with the Memorandum of Understanding of 27 April 2018 on working relations between the Commission and ESM. A joint mission to Athens took place on 10-14 September 2018 and the first enhanced surveillance report was issued alongside the 2018 autumn Semester package that included an assessment of the 2019 draft budgetary plan sent by the Greek authorities to the Commission on 15 October 2018.

Post-programme surveillance (PPS) relating to the 2010–13 Economic Adjustment Programme for **Ireland**; the 2011–14 Economic Adjustment Programme for **Portugal**; the 2012-2014 Financial Assistance Programme for **Spain;** and the 2013–16 Economic Adjustment Programme for **Cyprus** continued in 2018.

Staff from the European Commission, in liaison with staff from the ECB visited **Dublin** from 14 to 18 May and from 12 to 16 November to conduct the ninth and tenth PPS review for Ireland. Staff from the European Stability Mechanism participated in the meetings on aspects related to its own Early Warning System. The reports focus on macroeconomic, fiscal and financial sector developments over the past months, complementing the surveillance by the Commission under the Stability and Growth Pact and, more broadly, the European Semester of economic policy coordination. Given that Ireland has been identified as experiencing macroeconomic imbalances under the Macroeconomic Imbalance Procedure (MIP), the tenth PPS mission also served the purpose of specific monitoring under the MIP.

Staff from the European Commission, in liaison with staff from the ECB, visited **Lisbon** from 4 to 12 June and from 26 to 30 November to conduct the eighth and ninth PPS missions. Staff from the European Stability Mechanism participated in the meetings on aspects related to its own Early Warning System. The reports focus on macroeconomic, fiscal and financial sector developments over the past months, complementing the surveillance by the Commission under the Stability and Growth Pact and, more broadly, the European Semester of economic policy coordination. Given that Portugal has been identified as experiencing macroeconomic imbalances under the Macroeconomic Imbalance Procedure (MIP), the ninth PPS mission also served the purpose of specific monitoring under the MIP.

Staff from the European Commission, in liaison with staff from the ECB visited **Madrid** on 9-10 April and on 4-5 October to conduct the ninth and tenth PPS review for Spain. The European Stability Mechanism (ESM) participated in the meetings on aspects relating to its own Early Warning System. The reports focus on macroeconomic and financial sector developments over the past months, complementing the surveillance by the Commission under the macroeconomic imbalances procedure, the Stability and Growth Pact and, more broadly, the European Semester of economic policy coordination.

Staff from the European Commission, in liaison with staff from the ECB, visited **Cyprus** from 19 to 23 March and from 24 to 28 September 2018 to conduct the fourth and fifth PPS missions. These visits were coordinated with visits by staff from the IMF and the ESM. Given that Cyprus has been identified as experiencing excessive macroeconomic imbalances under the Macroeconomic Imbalance Procedure (MIP), the fifth PPS mission also served the purpose of specific monitoring under the MIP.

2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

This section explains *how* the DG delivered the achievements described in the previous section. It is divided into two subsections.

The first subsection reports the control results and all other relevant information that support management's assurance on the achievement of the financial management and internal control objectives[12]. It includes any additional information necessary to establish that the available evidence is reliable, complete and comprehensive; appropriately covering all activities, programmes and management modes relevant to the DG.

The second subsection deals with the other components of organisational management: human resources, better regulation principles, information management and external communication.

2.1 Financial management and internal control

Assurance is an objective examination of evidence for the purpose of providing an assessment of the effectiveness of risk management, control and governance processes.

This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. Its results are explicitly documented and reported to the Director-General. The reports produced are:

- the reports by AOSDs;
- the reports on control results from entrusted entities in indirect management as well as the result of the Commission supervisory controls on the activities of these bodies;
- the contribution by the Director(s) in charge of Risk Management and Internal Control Coordinator, including the results of internal control monitoring at the DG level;
- the reports on recorded exceptions, non-compliance events and any cases of 'confirmation of instructions' (Art 92.3 FR);
- the reports of the ex-post supervision or audit;
- the limited conclusion of the Internal Auditor on the state of internal control, and the observations and recommendations reported by the Internal Audit Service (IAS);
- the observations and the recommendations reported by the European Court of Auditors (ECA);
- periodic reports to management on resource issues.

The above-mentioned reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a complete coverage of the budget delegated to the Director-General of DG ECFIN.

This section reports the control results and other relevant elements that support

[12] Art 36.2 FR: a) effectiveness, efficiency and economy of operations; b) reliability of reporting; c) safeguarding of assets and information; d) prevention, detection, correction and follow-up of fraud and irregularities; and e) adequate management of risks relating to the legality and regularity of underlying transactions

management's assurance. It is structured into (a) Control results, (b) Audit observations and recommendations, (c) Effectiveness of the internal control system, and resulting in (d) Conclusions on the impact as regards assurance.

2.1.1 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives[13]. The DG's assurance building and materiality criteria are outlined in the AAR Annex 4. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the relevant control systems.

The following overview table illustrates in more detail the scope of this assurance:

In EUR million	Expense – Table 2 in Annex 3	Revenue – Table 7 in Annex 3	Financial assets & cash – Table 4 in Annex 3 (AI3 AI4 AII1 AII6)	Financial income (-) and costs (+) – Table 5 in Annex 3 (II121 II28)	Guarantees received (+) or given (-) – Table 5bis in Annex 3 (OB1 OB2)
Guarantee Fund for external actions (RCS 4)	137.8 (provisioning)		2,506.7	-30.2 +20.9	-20,509.8
European Fund for Strategic Investments (EFSI (RCS 5))	2,021.9 (provisioning and fees)	83.5	5,465.3	-173.6 +170.9	-15,763.6
Financial instruments and Pre-accession Technical Assistance (RCS 3)	49.9	117.4 (CIP MAP ETF TTP)	748.5	-104.2 +11.6	-
Assets under treasury management (RCS 1)		0.0	3,857.3 (BUFI, ECSC, EFSM, ATOM, BOP, MFA	-5.7 +56.4 (BUFI, ECSC)	-
Outstanding loans (incl. ECSC loans) (RCS 1)		1.6 (BOP MFA EURATOM EFSM)	53,874.9 (EFSM, ATOM, BOP, MFA, ECSC)	-1,302.0 +1,302.3 (EFSM, ATOM, BOP, MFA, ECSC)	+253.9
Equity Investments (EBRD, Marguerite Fund)		39.6	231.0	-	-
EIF capital and dividends	0.0	3.1	590.6	-37.0	-
Macro-financial assistance (MFA (RCS 6))	5.1		-	-	-
Enforced budgetary surveillance	18.9	45.7			
Grants (Business Consumer Surveys (BCS), Pericles, European Investment Advisory Hub (EIAH) (RCS 2)), procurement and administrative expenses	30.9	0.4	-	-	-
Total	**2264.54**	**291.3**	**67,324.9**	**-1,652.7** **+1,562.1**	**-36,273.4** **+ 253.9**

DG ECFIN uses the following definitions of a positive conclusion for the five Internal Control Objectives and their associated indicators:

[13] 1) Effectiveness, efficiency and economy of operations;2) *reliability of reporting; 3) safeguarding of assets and information*; 4) prevention, detection, correction and follow-up of fraud and irregularities; and 5) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 36.2). *The 2nd and/or 3rd Internal Control Objective(s) (ICO) only when applicable, given the DG's activities.*

Residual Error Rate: *below 2%* *Cost-Effectiveness: ratios do not increase versus last year* *Anti-Fraud Strategy: no qualification to the Declaration of the Assurance;* *Safeguarding of assets: adequate return with no or minimal breaches to assets guidelines;* *Reliability of Reporting: no material error and no reservations.*

At DG ECFIN, financial operations relate to one of three categories: payments under direct budget management; payments under indirect budget management; and off-budget management. Because each of these categories has its own specificities, inherent risks, and assigned staff, our integrated control system use these categories as building blocks.

More specifically, direct management covers expenditures on grants, procurements and administrative expenses, as well as the provisioning of guarantee funds. Indirect management will include the provisioning of trust accounts and also more broadly the spending programmes entrusted to other entities. Off budget management will include assets managed directly by DG ECFIN as well as assets under DG ECFIN's supervision and comprises treasury and borrowing and lending obligations. Assets are to be understood in a broad sense including contingent assets (and liabilities); as well as financial income (and costs) linked to the assets.

The overall conclusion table below summarises all control results. The main benefit of controls is the achievement of control objectives e.g. error-free financial statements; legally compliant transactions. Some control objectives are explicitly provided for all DGs such as time-to-pay (all); time-to-inform (grants); time-to-contract (grants). DG ECFIN considers that these controls will be cost-effective if their costs are considered acceptable by management and if periodically these controls are re-assessed, improved, made less costly and/or more risk differentiated. Nonetheless, some controls, identified through periodic risk-assessments, have to be exercised irrespective of their historic outcome.

The details of the assurance of the achievement of internal control objectives related to these three internal control systems are to be found in Annex 10.

Conclusion table

In EUR Million	Expenditures under direct management	Expenditures under indirect management	Financial assets and cash (managed and supervised)	Revenue
Grants (Business Consumer Surveys (BCS), Pericles, European Investment Advisory Hub (EIAH)), procurement and administrative expenses	30.9			0.4
MFA	5.1			
Guarantee Fund for External actions	137.8		2,506.7	
EFSI Guarantee Fund (provisioning and fees)	2,021.9		5,451.7	83.5
Financial Instruments and Pre-Accession Technical Assistance		49.9	748.5	117.4
EIF capital and dividends	0.0		590.6	3.1
Enforced budgetary surveillance	18.9			45.7
Equity investments (EBRD, Marguerite Fund)			231.0	39.6
Off-budget management (loans and assets under financial management)			57,732.2	16
Total	**2,214.6**	**49.9**	**67,324.9**	**291.3**
Internal Control Objectives- Indicators	Residual Error Rate/Cost effectiveness/Anti -Fraud Strategy	Residual Error Rate/Cost effectiveness/Anti -Fraud Strategy	Safeguarding of assets/Reliability of Reporting[14]	Residual Error Rate/Cost effectiveness/Anti -Fraud Strategy
Internal Control Objectives – conclusions	Positive	Positive	Positive	Positive
Negative opinion from auditors	No	No	No	No
Reservation	No	No	No	No

Financial Framework Partnerships >4 years (new FR art 130.4)

The new 2018 Financial Regulation requires DGs to report on a number of issues and one output where this is to be done across the Commission is in DGs' Annual Activity Reports. Most of these new reporting requirements do not apply to DG ECFIN. However, one that does concerns Financial Framework Partnerships longer than 4 years in duration.

In DG ECFIN, a total of 51 FPAs exceeding 4 years have been signed over the years 2014 (21), 2015 (24) and 2016 (6) (see Table 15 in Annex 3). These 51 cover the FPA with the EIB on the European Investment Advisory Hub signed on 22/07/2015 and valid until 31/12/2020 in line with the terms of the related applicable Regulations, and 50 FPAs with a duration of 6 years, related to the Business and Consumer Surveys programme. The main reasons for a duration of 6 years was to set-up long-term agreements with beneficiaries committed to deliver high quality and useful indicators using harmonised methodologies and ensuring structural stability of the collected time series.

No cases are to be reported concerning:

- "confirmation of instructions" (new FR art 92.3)
- financing not linked to costs (new FR art. 125.3)
- flat rates > 7% for indirect costs (new FR art. 181.6)

[14] These internal control objectives apply to financial income and costs and off-balance sheet disclosures as well.

– derogation from the principle of non-retroactivity (new FR ART 193.2).

1. *Effectiveness = the control results and benefits*

- ***Legality and regularity of the transactions***

DG ECFIN has set up internal control processes aimed at ensuring the adequate management of risks relating to the legality and regularity of its underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments concerned.

Based on control results and all other relevant information available, the Authorising Officer by Delegation (AOD) can conclude that for each segment of expenditure with a given risk profile and subject to the same or a similar control system, no reservation is to be disclosed.

<u>Error rates</u>

According to our materiality criteria (annex 4), the target error rate is 0% for operations with low inherent risks (MFA, expenses of an administrative nature, provisioning of funds, enforced budgetary surveillance) and 2% for action grants with the reimbursed cost mechanism and entrusted entities. The achieved error rates are measured through exceptions and non-compliance events (ex-ante controls) for direct management (complemented where necessary with the results of ex-post controls) and third-party assurance for indirect management.

During ex-post controls 15 transactions were sampled. These covered expenditure items and borrowing & lending transactions. No errors were found during ex-post controls.

Based on the controls results and on the inherent risks of the various transactions, the error rates for each key segment (or sub-segment) are as follows:

For MFA grants: 0% - MFA grants are not grants in the usual sense with eligible costs but a budget support mechanism to the countries included in basic acts.

For BCS, PERICLES and EIAH grants: 0%-2% - The range shows the minimum and maximum values of the estimated error rate. However, the actual amount, which was recovered based on actual checks undertaken and some use of pre-financing payments is well below the maximum value of the estimated error interval;

For procurement and other administrative expenses: 0.5% - Controls aim at systematically detecting and preventing breaches of legality and regularity; the first measure of the error rate is therefore the one resulting from the analysis of the recording of exceptions: control overrides and non-compliant events. The analysis of these exceptions shows that the pre-set target of 0 % or close to 0% was complied with. As a conservative estimate, 0.5% is used.

Guarantee Fund for External Actions: 0% - This percentage refers to the replenishment of the fund.

EFSI Guarantee Fund (including fees to EIF): 0% - This percentage refers to the replenishment of the fund and to payment of the fees to the EIF.

Enforced budgetary surveillance: 0% - The percentage refers to the payment to the European Stability Mechanism of fines already recovered and cashed.

Entrusted entities for financial instruments: 0%-2% - These percentages refer to payments at the level of the final beneficiaries. The range shows the minimum and maximum values of the estimated error rate. However, the actual amount which was recovered, based on actual checks undertaken, is well below the maximum value of the estimated error interval.

The calculated weighted overall Average Error Rate for DG ECFIN is 0%-0.05%.

Overrides and non-compliance events

Analysis of the registry of overrides and non-compliance events in 2018 revealed four transactions that caused non-compliance events in 2018. Three of them are related to the budget for procurement and other administrative expenses: two are due to late annual budgetary commitment for multi-annual contracts subject to automatic renewal of the legal commitment and one to budgetary commitments after receipt of payment requests for the reimbursement of travel costs. The fourth non-compliance is due to budgetary commitment after the receipt of the invoice for the fees to the EIF in the frame of the EFSI Management Agreement between the European Union and the EIB.

As for mitigating measures limiting the risk of repeating similar mistakes in the future, the Resources Directorate regularly holds bilateral meetings with DG ECFIN's operational directorates to raise awareness, *inter alia*, about just these kinds of non-compliance. In addition, unit R.2 continues to support operational units in the management of their contracts, particularly exceptional situations such as the case of fees to the EIF.

Negotiated procedures

In 2018, the proportion of negotiated procedures as a total of all procurement procedures over 60.000€ in DG ECFIN was high measured in contract numbers: almost 83% (5 out of 6 procedures), and 13 percentage points higher than in 2017 (see Annex 3, Table 11 and Table 12).

The aggregate value of the 5 negotiated procedures was 4.520.000€, representing 97% of the total value of the awarded contracts over 60.000€ in 2018 (4.661.500€). These negotiated procedures led to the signature of multi-annual contracts (4 framework and 1 direct), with an average theoretical expenditure assignment of around 1.300.000€ per year. The impact on the overall purchase expenditure is limited compared with a procurement budget between 9.000.000€ and 10.000.000€ per year.

To understand these figures, it must be understood that the number of new procedures initiated and new contracts signed per year by DG ECFIN is very limited, due mainly to the fact that whenever possible, procurement needs are satisfied using existing framework contracts (FWC) signed by ECFIN as lead DG or the FWCs of other DGs. In total, 38 specific contracts and order forms above 60.000€ were signed in 2018 for an overall total value of around 4.200.000€.

In other words, we are using already existing contracts, which in turn, were most often awarded through open calls for tender. This is valid for some of the still extant FWCs signed by ECFIN between 2015 and 2017. Their implementation through specific contracts reduced the need for new procurement under competition procedures in recent years, including in 2018.

For a range of specific needs, DG ECFIN can address its procurement requests only to highly specialised markets, where competition is limited to very few economic operators or is even completely absent. This is particularly true of subscriptions to specific financial databases and tools and the provision of data and services by internationally recognised Rating Agencies, including for their rating of the EU's creditworthiness, a requirement for operating in international financial markets.

All this explains why 4 new contracts were signed using negotiated procedures in 2018; three with the major Credit Rating Agencies (Fitch, Moody's and Standard & Poor's) for the provision of data supply, rating and research services and one subscription to a specific financial database.

The 5th negotiated procedure was used to increase the maximum amount of one DG

ECFIN framework contract, signed in 2016 following an open procedure, as there was increased interest by other DGs to make use of it.

Looking ahead, a high value open procedure for services was launched in 2018; it will be finalised in 2019, with an impact on the percentage of negotiated procedures in 2019.

Benefits of controls

Due to the limited ex-post capacity of DG ECFIN, it is not easy to quantify the benefits of controls.

What is quantifiable is that ex-ante controls caught 17 irregularities worth €135.717,43. Nine of those irregularities concerned non-eligible cost claims worth €39.302,62 and 8 covered credit notes worth €96.414,84. None of these irregularities pertained to any of the Relevant Control Systems (RCS) and sum to less in total than 0,006% of the DG's expenditure under direct and indirect management combined.

The unquantifiable benefits of DG ECFIN's controls by RCS are:

- RCS 1: Treasury and Asset Management, and Borrowing and Lending operations / Non-expenditure items
  The benefits expected from the controls are mostly to identify findings in the checks on compliance with rules and procedures, the absence of material errors and the average annual total value of significant errors prevented and detected within Treasury activities and Borrowing and Lending activities. The very low number of incidents resulted in an transaction error rate of 0,45% (non-expenditure transactions). The controls in place consisting of reporting, compliance reviews, internal and external controls and audits did not identify possible or confirmed fraud cases, corruption or illegal activity.

- RCS 2: Grants under the European Investment Advisory Hub / Grants direct management
  The purpose of these controls is to avoid overlaps with other existing advisory initiatives and assess the value of costs claimed by the beneficiary. The error rate is estimated to be 0% as the payment requests were duly supported by appropriate documentation and no final claim to be checked was necessary after the monitoring visit, conducted at the EIB. The reporting, compliance reviews, internal and external controls and audits did not identify possible or confirmed fraud cases, corruption or illegal activity.

- RCS 3: Financial Instruments managed via international financial institutions (period 2007-2013) / indirect entrusted management
  No material limit breaches were identified in the information reported by EIB/EIF. Third party audit certificates were issued in accordance with contractual arrangements in place. In 2018 the EIF provided a Statement of Assurance for the year 2017 for GIF and SMEG. There has been no exception reporting so far (the 2018 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 operations, no return to Trust Account linked to errors and no errors/discrepancies following the checks on the balance of the Trust Account.
  Due to the controls in place a wrongful bonus payment has been recovered from the EIF.

  For SMEG and GIF, no significant issues were identified during the several monitoring visits carried out and no issue is pending. The 2018 monitoring visit to the EIF (for SMEG 07) did not result in any finding. Similarly, the four monitoring visits carried out for ELENA in 2018 concluded with no major findings.

There were no known fraud cases in 2018.

– RCS 4: Guarantee Fund for external actions / indirect management
  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 the 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, DG ECFIN faced no material control issue.
  Benefits of the controls are 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 Guarantee Fund for external actions were done in line with the regulation.

  The reporting, compliance reviews, internal and external controls and audits did not identify possible or confirmed fraud cases.

– RCS 5: Management of the European Fund for Strategic Investments (EFSI) Guarantee Fund / direct management
  Benefits of the control system were that in 2018 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. Moreover, the adopted investment strategy, based on portfolio optimisation methodology, was implemented throughout the year.

  Assurance given by the EFSI Guarantee Fund external auditors comprises further assurance on the proper safeguarding of assets and information, as related checks form part of the audit of the annual accounts.

  Finally, the reporting, compliance reviews, internal and external controls and audits did not identify possible or confirmed fraud cases.

– RCS 6: Macro-Financial Assistance
  The control systems in place, such as the ex-ante operational assessments or the ex-post assessments, ensured an effective error rate for the MFA payments of 0%. There are no known cases of fraud, corruption or illegal activity. Another benefit is that MFA operations have a clear intervention logic, one that allows the Commission to evaluate their impact. The controls enable the confirmation of assurance and of attainment of policy objectives and priorities.

Conclusion

The internal control strategy at DG ECFIN foresees the implementation of further controls during subsequent years aimed at detecting and correcting errors only if such a procedure is cost-effective. Because the error rate has been consistently low and therefore financial corrections resulting from large scale audit missions would also be low, management has decided not to invest significantly in ex post controls. This is why an adequate, reliable and prudent approach is to consider that there is no adjusted corrective capacity for 2018 payments.

Given the materiality target threshold at DG ECFIN of 2%, management concludes that no reservation is needed and that the internal controls systems implemented provide sufficient assurance to adequately manage the risks relating to the legality and regularity of the underlying transactions.

In the context of the protection of the EU budget, at the Commission's corporate level, the DGs' estimated overall amounts at risk and their estimated future corrections are consolidated.

For DG ECFIN, the estimated overall amount at risk *at payment*[15] for the 2018 expenditure is 0 M€ to 1.08 M€. This is the AOD's best, conservative estimation of the amount of *relevant expenditure*[16] during the year (2245.1 M€) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made[17].

This expenditure will be subsequently subject to ex-post controls and a sizeable proportion of the underlying error will be detected and corrected in successive years. The conservatively estimated future corrections[18] for the 2018 expenditure are 0 M€. This is the amount of errors that the DG conservatively estimates to identify and correct from controls that it will implement in successive years.

The difference between those two amounts leads to the estimated overall amount at risk *at closure* for the 2018 expenditure of 0 M€ to 1.08 M€.

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[15] In order to calculate the weighted average error rate (AER), the *detected or equivalent* error rates have been used; *see note 6 to the table*.

[16] "*relevant expenditure*" during the year; *see note 5 to the table.*

[17] "*payments made*" or *equivalent; see note 2 to the table*.

[18] Even though to some extent based on the 7 years historic Average of Recoveries and financial Corrections (ARC), which is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years, the AOD has adjusted this historic average from 0.03% to 0.00%. Any ex-ante elements, one-off events, (partially) cancelled or waived ROs, and other factors from the past years that would no longer be relevant for current programmes (e.g. higher ex-post corrections of previously higher errors in earlier generations of grant programmes, current programmes with entirely ex-ante control systems) have been adjusted in order to come to the best but conservative estimate of the ex-post future corrections to be applied to the reporting year's relevant expenditure for the current programmes.

DG ECFIN considers that future corrections (and therefore adjusted ARC value) should be zero because DG ECFIN has a very limited range of ex-post controls each year. This is also fully supported by the ARC tables where recovered amounts are minimal (credit notes and non-eligible expenses are processed when processing the payment and their impact is therefore already shown at the level of the paid amount). While one could argue that zero would only be accurate if no recovery order would ever be issued against these expenses, zero is the best estimate. Thus zero is the best and most conservative estimate.

Table X - Estimated overall amount at risk at closure

DG ECFIN	"payments made" (FY; m€)	*minus* new prefinancing [*plus* retentions made*] (in FY; m€)	*plus* cleared prefinancing [*minus* retentions released* and deductions of expenditure made by MS] (in FY; m€)	**= "relevant expenditure" (for the FY; m€)**	Average Error Rate (*weighted* **AER**; %)	estimated overall amount at risk *at payment* (FY; m€)	Average Recoveries and Corrections (***adjusted* ARC**; %)	estimated future corrections [and deductions] (for FY; m€)	**estimated overall amount at risk *at closure* (m€)**
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*
Programme, Budget Line(s), or other relevant level	as per AAR annex 3, table 2	as per ABAC DWH BO report on prefinancing	as per ABAC DWH BO report on prefinancing	= (2) –/+ (3) +/- (4)	Detected error rates, or equivalent estimates	= (5) x (6)	*H-ARC* (as per ABAC DWH BO report on corrective capacity), but *adjusted*	= (5) x (8)	= (7) – (9)
MFA	5.1	0,0	0,0	5.1	0%	0	0%	0	0
BCS PERICLES EIAH Grants	21.2*	15.9**	6.9***	12.2	0%-2%	0 - 0.24	0%	0	0 - 0.24
Procurement and other administrative expenses	9.7	0.5	0.4	9.6	0.5%	0.05	0%	0	0.05
Guarantee funds for external actions	137.8	0.0	0.0	137.8	0%	0	0%	0	0
EFSI Guarantee Fund including fees to EIF)	2021.9	0.0	0.0	2021.9	0%	0	0%	0	0
Entrusted entities for financial instruments	49.9	10.3 ****	0.0	39.6	0%-2%	0 - 0.79	0%	0	0 - 0.79

Enforced budgetary surveillance	18.9	0.0	0.0	18.9	0%	0	0%	0	0
Overall, total	2264.5 mEUR	26.7 mEUR	7.3 mEUR	2245.10 mEUR	0% - 0.05%	= 0 - 1.08 mEUR; and a 0% - 0.05% of (5)	0%	= 0 mEUR; and 0% of (5)	= 0 - 1.08 mEUR; and 0% - 0.05% of (5)

** BCS (5.0) PERICLES (0.8) EIAH (15.4)*

*** BCS (2.1) PERICLES (0.4) EIAH (13.4)*

**** BCS (2.3) PERICLES (0.6) EIAH (4.0)*

***** Cross sub delegation ENER/ECFIN*

Notes to the table

(1) [*if possible*] differentiated for the relevant portfolio segments at a level which is lower than the DG total

(2) Payments made or equivalent, such as after the expenditure is registered in the Commission's accounting system, after the expenditure is accepted or after the pre-financing is cleared. In any case, this means after the preventive (ex-ante) control measures have already been implemented earlier in the cycle.
In all cases of Co-Delegations (Internal Rules Article 3), the "payments made" are covered by the Delegated DGs. In the case of Cross-SubDelegations (Internal Rules Article 12), they remain with the Delegating DGs.

(3) New pre-financing actually paid by out the department itself during the financial year (i.e. excluding any pre-financing received as transfer from another department). The "Pre-financing" is covered as in the context of note 2.5.1 to the Commission (provisional) annual accounts (i.e. excluding the "Other advances to Member States" (note 2.5.2) which is covered on a pure payment-made basis).
"Pre-financings paid/cleared" are always covered by the Delegated DGs, even in the case of Cross-SubDelegations.

(4) Pre-financing actually having been cleared during the financial year (i.e. their 'delta' in FY 'actuals', not their 'cut-off' based estimated 'consumption').

(5) For the purpose of equivalence with the ECA's scope of the EC funds with potential exposure to L&R errors (*see the ECA's 2017 AR methodological Annex 1.1 point 15*), also our concept of "relevant expenditure" includes the payments made, subtracts the new pre-financing paid out *[& adds the retentions made*], and adds the previous pre-financing actually cleared *[& subtracts the retentions released and those (partially) withheld; and any deductions of expenditure made by MS in the annual accounts*] during the FY. This is a separate and 'hybrid' concept, intentionally combining elements from the budgetary accounting and from the general ledger accounting.

(6) In order to calculate the weighted Average Error Rate (AER) for the total relevant expenditure in the reporting year, the detected error rates have been used – or equivalent.

For administrative expenditure, DG ECFIN has followed the Commission's recommendation to nevertheless use 0.5% as a conservative estimate.

(7) This is (5) multiplied by (6)

(8) Even though to some extent based on the 7 years historic Average of Recoveries and financial Corrections (ARC), which is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years, the AOD has adjusted this historic average from 0.03% to 0.00%.

Ex-ante elements, one-off events, (partially) cancelled or waived Recovery Orders, and other factors from the past years no longer relevant for current programmes have been adjusted in order to come to the best but conservative estimate of the ex-post future corrections to be applied to the reporting year's relevant expenditure for the current programmes.

(9) DG ECFIN considers that future corrections (and therefore adjusted ARC value) should be zero as DG ECFIN has a very limited range of ex-post controls each year. This is fully supported by the ARC tables where recovered amounts are minimal (credit notes and non-eligible expenses are processed when processing the payment and their impact is therefore already shown at the level of the paid amount). While one could argue that zero would only be accurate if no recovery order were ever issued against these expenses, zero is the best estimate. Zero is thus the best and most conservative estimate;

(10) For some programmes with no set *closure* point (e.g. EAGF) and for some multiannual programmes for which corrections are still possible afterwards (e.g. EAFRD and ESIF), all corrections that remain possible are considered for this estimate.

- ***Fraud prevention, detection and correction***

DG ECFIN has developed and implemented its own anti-fraud strategy (AFS) since January 2014 to prevent, detect and correct any fraud. The strategy was updated in October 2017 and is supposed to last until the end of 2020, subject to an adaptation that may be in order following the – pending – revision of the Commission Anti-Fraud Strategy (CAFS).

DG ECFIN's updated anti-fraud strategy is based on OLAF's updated "Methodology and guidance for DG's anti-fraud strategies"; in fact, drafts of the strategy were reviewed by OLAF, demonstrating our very close collaboration with OLAF. The implementation of the strategy is ensured by a concrete action plan that began in 2018. In the plan, DG ECFIN concentrates its efforts on promoting awareness amongst its staff of fraud, ethics and integrity as well as cooperation with external partners. The strategy is closely monitored: all one-off actions have been implemented; only regular annual actions remain to be done. The table below shows what main milestones of DG ECFIN's strategy were achieved in the course of 2018.

Main outputs in 2018:

Output:	**Indicator:**	**Result:**
Review and update list of sensitive functions in the DG**.**	Official note on the identification of potential sensitive functions, mitigating factors and the final designation of such functions approved by senior management.	Completed by end-2018.
Reviewed organisation and controls to **prevent and detect possible fraud from financial initiating agents.**	Written report approved by senior management.	Completed by end-2018.

In addition, other actions not initially planned in ECFIN's AFS have also been implemented related to the work on sensitive functions. A particularly good example is the introduction of an annual declaration of no conflict of interest by the portfolio traders in Directorate L, a position that could potentially be abused for personal gain.

<u>Benefits of controls</u>

In the DG's annual self-assessment of internal control (discussed further in section 2.1.3): all respondents agreed that the risk of fraud in the DG within the next year is low.

Directorate L, the directorate in DG ECFIN that manages the most complex activities involving financial instruments and considerable sums of money, has well-established and clear procedures which continue to be very firmly and actively controlled as well as continuously added to; as a result of ECFIN's rigorous ex ante and ex post controls as well as ongoing activities under the existing anti-fraud strategy, DG ECFIN has a low estimated residual fraud risk. We conclude that current anti-fraud controls and actions are adequate.

Indeed, DG ECFIN's control efforts associated with the use of financial instruments under the responsibility of Directorate L have been used by OLAF to help elaborate its updated risk assessment of financial instruments for the revision of the CAFS.

The above-described benefits of control are unquantifiable. Since there were no known fraud cases in DG ECFIN in 2018 it is not possible to quantify the benefits of control.

- ***Other control objectives: safeguarding of assets and information, reliability of reporting***

Treasury activities and borrowing and lending operations (off budget management):

The general aim is to generate the highest return available whilst maintaining a high degree of stability and security over the long-term, after having ensured there is sufficient liquidity to meet the obligations payable out of these funds. The control system relies on comprehensive rules and detailed manuals of procedures with respect to the investment policy. The investment process and the decision making process are overseen by dedicated governance structures: the Treasury Management Board (TMB), the Investment Committee, the Risk Committee and the Compliance Committee which all exercise different supervisory duties concerning the implementation of DG ECFIN's investment policy; in addition, there is adequate segregation of duties between front-office and back-office. Finally, the risk management team is independent of the processing of transactions whilst financial audits of the financial statements of the assets managed by DG ECFIN are performed annually by external audit firms.

To finance the lending activities decided by the Council or by Council and Parliament, the Commission is empowered to borrow funds from capital markets on behalf of both the European Union and Euratom using the guarantee of the EU budget. The aim is to obtain funds from the market at the best available rates due to the top 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, ensuring that the EU budget does not take any interest rate or foreign exchange risk. The target of obtaining funds at the best available rates for borrowing and lending activities has been achieved because those rates are in line with peer institutions (EIB, EFSM, and ESM), as confirmed by the ECA in 2016.

Treasury activities and borrowing and lending operations do not cover all financial assets and cash but only the outstanding loans and managed assets within the scope of consolidation. The reason for the difference is that while some items show as financial assets in accordance with the accounting rules, there are no assets as such to manage (for instance the equity investments or capital increase of EIF).

The objective of the controls for the Treasury activities and borrowing and lending operations is primarily to ensure that the Commission's revenue entitlements are protected, and that its assets ownership and liabilities and management reporting and information security are all established correctly and in the appropriate legal framework. The benefits expected from these controls are mostly to identify findings in the checks on compliance with rules and procedures and the average annual total value of significant errors detected or avoided and thus prevented in terms of borrowing and lending operations. The controls also permit the detection of the number of internal and external auditors' findings about incorrect registration of items and the number of bank reconciliation mismatches. The benefits of controls in off-budget management are not quantifiable other than through the low number of incidents and the full compliance with the existing internal rules and procedures. Given that off-budget activities do not, by nature, follow the budgetary ex-ante validation circuit, it is important to have the existing internal control environment in place.

The positive record of results flowing from the implemented control procedures, such as the limited number of incidents, no material audit findings, no control failure, no exception with financial impact, etc. demonstrate the compliance with the safeguarding of assets principle, as well as compliance with the target error rate of close to 0%. Moreover, the various measures described under RCS 1 (see Annex 5) and the positive results of these measures lead us to conclude positively on the achievements of the control objectives as regards "Safeguarding of Assets and Information" and "Reliability (true and fair view) of Reporting".

Contingent assets and liabilities (of off-budget management) are guarantees received or given in the framework of various financial instruments. This implies that these operations are essentially accounting bookings to reflect their maximum exposure to defaulting risks and, in that respect, the control objectives of the true and fair view and of the legality and regularity with a material threshold are complied with. These achievements are the result of the accounting control systems in place combined with further monitoring by the Commission Accounting Officer.

2. *Efficiency = the Time-to-… indicators and other efficiency indicators*

With respect to control efficiency, three main indicators are used: time to pay; time to inform; and time to grant. As reported in Annex 3, table 6, the average time-to-pay with suspension in 2018 was 17.7 days (16.3 days in 2017). The periods specified in article 116.1 of the Financial Regulation were complied with and 3.2% of transactions were in excess of the time-limits. While slightly higher than the average 3% for the family DGs and the Commission's 2% average, they represented 0% of the overall value of payments executed. The reasons for the late payments were punctual and specific circumstances, which have been analysed and clarified internally, showing no structural weaknesses in the system. Adequate measures should allow the situation to improve in the future.

The average time-to-inform (the time period starting from receipt of proposals and ending with the applicants learning about the outcome of the evaluation of their application) was 21 days for specific grant agreements (SGA). Meanwhile, the average time-to-sign (the time period starting from the date of informing the successful applicants and ending with the signing of the grant agreement at Commission level) was 11 days for SGA. The periods specified in article 194.2 of the Financial Regulation (a maximum of six months for informing all applicants and a maximum of three months for signing grant agreements with applicants) were therefore fully complied with.

3. *Economy = the cost of controls*

Considering all Relevant Control Systems (RCS) DG ECFIN's ratio of cost of control is 0,017%. The ratio is calculated as the total sum of costs of control (i.e. ex-ante controls; ex-post controls; FTEs for Budget and Accounting; Coordination incl. Strategic, Programming and Planning, internal control, assurance and quality management; as well as Anti-fraud), which was EUR 11.314.380 divided by the total amount of funds managed in the relevant control systems, which was EUR 65.690.717.751[19]. This means a cost of EUR 172 to control 1 Million Euros of funds managed (more detailed figures are to be found in table Y of Annex 10 and the remainder of Annex 10).

<u>RCS 1 - Treasury and Asset Management, and Borrowing and Lending operations / Non-expenditure items</u>

[19] The figures are based on the accounting systems and DG ECFIN's internal analysis of FTEs involved in the various control states and other related costs. While some figures, as for example the involved FTEs are estimates, the DG is convinced that the estimates are very good and thus the figures are very accurate. FTEs were analysed not just by control stage, but also differentiated by cost of job function and contract type.

The total cost of control for the Treasury and Asset Management, and Borrowing and Lending operations was EUR 4.754.372,33 for the EUR 57.732.285.282 funds managed which translates to a ratio of 0,0082%. EUR 4.654.489 were ex-ante related costs, while the remaining EUR 99.883,33 were ex-post related[20]. While the ratio is slightly higher than the previous year's value of 0,006% the Commission's methodology for calculating the costs of control changed and the change might be attributable to that. Another reason for slightly higher costs might be the addition of ex-post controls. Nevertheless, the ratio is considered to be extremely low.

<u>RCS 2 - Grants under the European Investment Advisory Hub / Grants direct management</u>

The total cost of control for the Grants under the European Investment Advisory Hub was EUR 343.851,67 for the EUR 15.400.000 funds managed which translates to a ratio of 2,23%. All of the costs were ex-ante control related. While the ratio is slightly higher than the previous year's value of 1,9% the Commission's methodology for calculating the costs of control changed and the change might be attributable to that. Most importantly the ratio is still considered to be sufficiently low.

<u>RCS 3 - Financial Instruments managed via international financial institutions (period 2007-2013) / indirect entrusted management</u>

The total cost of control for the Financial Instruments managed via international financial institutions (IFIs) was EUR 841.338,83 for the €1.479.781.767 funds managed which translates to a ratio of 0,057%. EUR 785.372,17 were ex-ante related costs, while the remaining EUR 55.966,67 were ex-post related[21]. While the ratio is slightly higher than the previous year's value of 0,05% the Commission's methodology for calculating the costs of control changed and the change might be attributable to that. Another reason for slightly higher costs might be the addition of ex-post controls. Nevertheless, the ratio is still considered to be very low.

<u>RCS 4 - Guarantee Fund for external actions / indirect management</u>

The total cost of control for the Guarantee Fund for external actions was EUR 3.135.470,33 for the EUR 2.506.658.813 funds managed which translates to a ratio of 0,13%. EUR 3.095.970,33 were ex-ante related costs, while the remaining EUR 39.500 were ex-post related. While the ratio is higher than the previous year's value of 0,01% the Commission's methodology for calculating the costs of control changed and the change might be attributable to that. Another reason for slightly higher costs might be the addition of ex-post controls. Nevertheless, the ratio is still considered to be very low.

<u>RCS 5 - Management of the European Fund for Strategic Investments (EFSI) Guarantee Fund / direct management</u>

The total cost of control for the EFSI Guarantee Fund (EFSIGF) was EUR 1.316.718,33 for the EUR 5.451.773.656 funds managed which translates to a ratio of 0,024%. EUR 1.301.718,33 were ex-ante related costs, while the remaining EUR 15.000 were ex-post related. The ratio is considered to be very low and even a reduction from previous year's ratio of 0,03%.

<u>RCS 6 – Macro-Financial Assistance</u>

The total cost of control for MFA was EUR 90.098,80 for the EUR 5.1M managed, which translates to a ratio of 1,77%. All of the costs were ex-ante control related. The ratio is

[20] Incl. participation of ex-post controller in monitoring visit for expertise building.

[21] Participation of ex-post controller in monitoring visit for expertise building.

considered to be low and a reduction from previous year's ratio of 2,2%.

Further details, also on remuneration fees payed, can be found in the table below and in Annex 10.

ECONOMY INDICATORS – Commission level OFF BUDGET MANAGEMENT			
Type of expenditure or management mode or RCS	**Stage**	**Indicators (annual indicators)**	**Description**
Treasury and assets management & Borrowing and lending operations	All	Overall costs (selection, protection, assurance, financial management)/ total of assets and outstanding loans and borrowings 0,008% or EUR 80 per EUR 1M	staff FTE * standard staff cost/total assets managed and total Borrowing and Lending operations EUR 4.654.489/EUR 57.732.285.282
Guarantee Fund for external actions	overall indicator	Overall internal and supervision costs /total assets of the fund 0,12% or EUR 1.235 per EUR 1M	staff FTE * standard staff cost + other outsourced supervision costs (outsourced audits and monitoring missions by EC) + management or administrative fees paid /total assets managed under supervision EUR 3.095.970/EUR 2,506,658,813

ECONOMY INDICATORS – Commission level Spending programmes managed by entrusted entities – Indirect Management			
Type of expenditure or management mode or RCS	**Stage**	**Annual Cost-Effectiveness Indicators**	**Description**
Financial instruments	overall indicator	overall supervision costs/total budget of managed programmes 0,05% or EUR 530 per EUR 1M	staff FTE * standard staff cost + other outsourced supervision costs (possibly outsourced audits and monitoring missions by EC) + management or administrative fees paid / total budget of managed programmes[22] EUR 785.372 /EUR1.479.781.767[23]

[22] Executed budget since beginning until 31/12/2015.
[23] EUR 1.146.689.792 (SMEG 07 + GIF) + EUR 333.091.975 (ELENA)

ECONOMY INDICATORS – Entrusted Entity level OFF BUDGET MANAGEMENT			
Type of expenditure or management mode or RCS	**Stage**	**Indicators (annual indicators)**	**Description**
Guarantee Fund for external actions	overall indicator	Remuneration fees paid to the entrusted entity/total assets of the fund 0,11% or EUR 1.127 per EUR 1M	All types of remuneration fees paid to entrusted entities during the year / total assets managed under supervision EUR 2.827.007/ EUR 2.506.658.813

ECONOMY INDICATORS – Entrusted Entity level – GUARANTEE FUND FOR EUROPEAN FUND FOR STRATEGIC INVESTMENTS			
Type of expenditure or management mode or RCS	**Stage**	**Indicators (annual indicators)**	**Description**
Guarantee fund for European Fund for Strategic Investments	overall indicator	Remuneration fees paid to external bodies/ total assets managed 0,0003% or EUR 3 per EUR 1M	All types of remuneration fees (outsourced audits fees, accounting support fees, etc.) paid to external bodies during the year/total assets managed EUR 15.000 /EUR 5.451.773.656

ECONOMY INDICATORS – Entrusted Entity level – TREASURY AND ASSETS MANAGEMENT AND BORROWING AND LENDING OPERATIONS			
Type of expenditure or management mode or RCS	**Stage**	**Indicators (annual indicators)**	**Description**
Treasury and Asset Management, and Borrowing and Lending operations	overall indicator	Remuneration fees paid to external bodies/ total assets managed and total Borrowing and Lending operations 0,0001% or EUR 1,4 per EUR 1M	All types of remuneration fees (outsourced audits fees, accounting support fees, etc.) paid to external bodies during the year/total assets managed and total Borrowing and Lending operations EUR 80.893/EUR 57.732.285.282

4. Conclusion on the cost-effectiveness of controls

Based on the most relevant key indicators and control results, DG ECFIN has assessed the effectiveness, efficiency and economy of the control system and reached a positive conclusion on the cost-effectiveness of controls.

The positive control cost-effectiveness of the **non-expenditure items** in 2018 is shown in the table above on *Economy indicators – Commission level – Off budget management* with the cost indicator for assets managed slightly up from EUR 66.3 per EUR 1 million in 2017 to EUR 80 per EUR 1 million in 2018.

The various controls (details in Annex 10) ensure a reasonable assurance of the legality and regularity of the implementation of the **financial instruments** under the 2007-2013

Competitiveness and Innovation Framework Programme (GIF & SMEG 07) in accordance with the principle of sound financial management and avoiding to the extent possible legal, financial and accountancy errors and mitigating reputational risk.

The quantification of the controls (e.g. number and/or amount of errors detected ex-ante, costs claimed, financial corrections and recoveries made on the basis of ex-post controls) are detailed in Annex 10.

The overall cost-effectiveness of controls in 2018 on Financial Instruments managed via international financial institutions, as measured by the proportion of overall cost of control over the total of the spending programmes, leads us to consider that our controls are sufficiently efficient and cost-effective. The cost ratio as shown in the table above on *Economy indicators – Commission level – Spending programmes managed by entrusted entities* is slightly up from EUR 523 per EUR 1 million in 2017 to EUR 530 per EUR 1 million in 2018.

The cost-effectiveness of controls on the **assets managed by the EIB** is also positive with the remuneration fees kept within the contractual boundaries and the cost indicator which has slightly increased from EUR 983 per EUR 1 million in 2017 to EUR 1.235 per EUR 1 million in 2018 (see table above on *Economy indicators – Entrusted Entity level - Off budget management)*.

Considering the absence of know fraud cases, the very low error rate and the extremely low ratio of cost-effectiveness of control it can be concluded that DG ECFIN's control strategy is very well suited to fulfil the intended control objectives efficiently and at a very reasonable cost.

2.1.2 Audit observations and recommendations

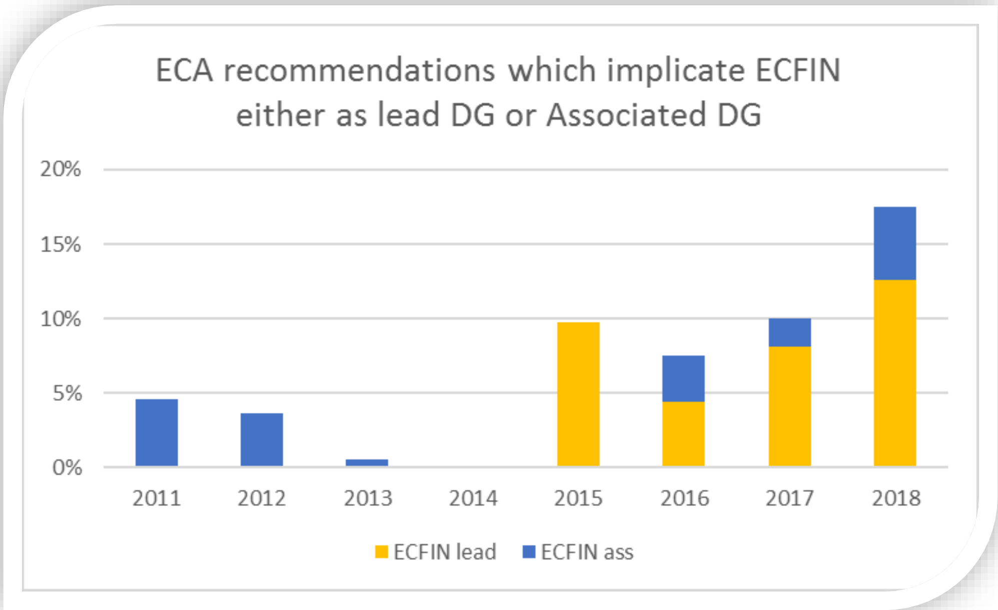
This section reports and assesses the observations, opinions and conclusions reported by auditors in their reports as well as the limited conclusion of the Internal Auditor on the state of internal control, which could have a material impact on the achievement of the internal control objectives, and therefore on assurance, together with any management measures taken in response to the audit recommendations.

DG ECFIN is audited by both internal and external independent auditors: the IAS and the ECA.

Overall, there is no cause for concern regarding the state of Internal Control in DG ECFIN. Good progress has been made to close open audit recommendations received from our various auditors in timely fashion, no critical risks have been identified by ECFIN services and the ex-post controls of the DG's own direct expenditure have revealed no significant issues of concern.

Over the period in question, DG ECFIN successfully closed 41 audit recommendations: 29 from the European Court of Auditors (ECA), 6 from the European Parliament discharge, 3 from Council conclusions, and 3 from the Internal Audit Service.

Meanwhile, the scrutiny of ECFIN by ECA continued to grow in 2018, with a doubling of recommendations compared to 2017. As a result, ECFIN was the target of 12,5% of all ECA recommendations to any Commission service in 2018, an all-time high for DG ECFIN, and the highest number of recommendations received by any DG in the Commission from ECA in 2018. The figure below shows how the situation has evolved over the last 8 years.



Largely based on the recommendations from ECA, the Council and the European Parliament also make their own recommendations. Over the reporting period 2018, ECFIN has accepted 30 new recommendations in total: 4 from the European Parliament's 2016 discharge, 23 from ECA (13 from SPECIAL REPORT No 03 2018 "Audit of the Macroeconomic Imbalance Procedure (MIP)", 9 from SPECIAL REPORT No 18 2018 "Is the main objective of the preventive arm of the Stability and Growth Pact delivered", and 1 from SPECIAL REPORT No 09 2018 "Public Private Partnerships in the EU - Widespread shortcomings and limited benefits") as well as 3 from the IAS.

By the end of 2018 DG ECFIN had no overdue recommendations.

The timeliness of ECFIN responses to audit recommendations remains on track.

IAS Audits

Over this reporting period, the IAS carried out and completed a new consulting engagement and started a new performance audit:

- A consulting engagement on "document management system and procedures in DG ECFIN";
- and an audit on DG ECFIN's performance management system.

The consulting engagement was finished by the end of 2018. The preliminary survey of the audit on DG ECFIN's performance management system was still ongoing at the end of this report's reporting period. The final report is expected in July 2019.

Meanwhile, the IAS closed 2 audit recommendations, i.e. on the "BCS Control Strategy" and the "Coverage of the evaluation plans".[24]

[24] One overdue Important recommendation on assessment and monitoring of DG ECFIN's IT security measures was closed on 19.01.2018 and was already reported on in AAR 2017.

7At the end of the reporting period, there were two open important recommendations to be implemented by DG ECFIN. One on the reporting of the evaluation limitations and the other on the organisation of the evaluation process.[25]

Limited conclusion regarding IAS audits: It is the limited conclusion of the IAS that the internal control systems in place in DG ECFIN for the audited processes are effective.

Council Conclusions: Over the reporting period, DG ECFIN successfully closed the recommendations from 3 Council conclusions. Two of them had asked to Commission to report back to the Council on how it had taken forward the recommendations of ECA Special Reports 18/2015 and 10/2016. The third was related to SR 19/2016 and asked the Commission to provide comparable data on the actual leverage effect of all financial instruments using a single and clear definition of the leverage effect across the EU budget.

European Parliament Discharge Recommendations

In 2018, DG ECFIN received 4 recommendations by the European Parliament from their resolutions on the 2016 discharge. At the same time, DG ECFIN successfully closed 6 recommendations by the European Parliament that flowed from EP resolutions on discharge. 4 from the 2015 discharge and already 2 from the 2016 discharge.

European Court of Auditors (ECA) Audits

DG ECFIN was subject of 3 Special Reports by the European Court of Auditors and thus received 33 recommendations of which it accepted 23.

The 3 Special Reports were:

- SPECIAL REPORT No 03 2018 Audit of the Macroeconomic Imbalance Procedure (MIP);
- SPECIAL REPORT No 09 2018 Public Private Partnerships in the EU - Widespread shortcomings and limited benefits
- SPECIAL REPORT No 18 2018 Is the main objective of the preventive arm of the Stability and Growth Pact delivered?

Overall, the European Court of Auditors issued 263 recommendations to 23 Commission DGs in 2018. That means that DG ECFIN's share was 12,5% of all recommendations. No other DG received more recommendations.

Still, DG ECFIN managed to close 29 ECA recommendations in 2018 from the following documents:

- European Court of Auditors - Annual reports concerning the financial year 2015
- SPECIAL REPORT No 03 2019 European Fund for Strategic Investments Action needed to make EFSI a full success
- SPECIAL REPORT No 09 2018 Public Private Partnerships in the EU - Widespread shortcomings and limited benefits
- SPECIAL REPORT No 17 2017 The Commission's intervention in the Greek financial crisis
- SPECIAL REPORT No 18 2015 Financial assistance provided to countries in difficulties
- SPECIAL REPORT No 18 2018 Is the main objective of the preventive arm of the Stability and Growth Pact delivered?

[25] See also Annex 12.

Conclusion regarding ECA audits: As a result of the assessment of the risks underlying the auditors' observations together with the management measures taken in response, as well as the availability of ECA's preliminary findings in its on-going audits, at the time of drafting this 2018 Annual Activity Report there is no reason to believe that the recommendations issued to DG ECFIN impair its Declaration of Assurance. Furthermore, outstanding recommendations are being implemented as part of DG ECFIN's on-going and continuous efforts to improve further in line with audit recommendations.

2.1.3 Assessment of the effectiveness of the internal control systems

The Commission has adopted an Internal Control Framework based on international good practice, aimed to ensure the achievement of policy and operational objectives. In addition, as regards financial management, compliance with the internal control framework is a compulsory requirement.

DG ECFIN has put in place the organisational structure and the internal control systems suited to the achievement of the policy and internal control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

Assessment of the internal control systems

During 2018 DG ECFIN worked with the newly implemented Internal Control Principles, fully applicable as of 01/01/2018. 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. They should not be seen as fixed; going forward, they could evolve as experience with their use accumulates. In this Annual Activity Report, however, the assessment of the effectiveness and functioning of DG ECFIN's internal control systems is based on the current 34 indicators.

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 (management self-assessment of the state of Internal Control);
- reported instances of exceptions and non-compliance events and internal control weaknesses,
- the internal Annual Financial Management Report based on the Annual reports from individual Authorising Officers by sub-delegation (AOSDs) to describe the main facts and developments in the budgetary and financial sphere;
- an update of the DG's financial circuits;
- relevant audit findings;
- the continuous review of sensitive functions and a review of sensitive posts;
- the Risk Management exercise, including the mid-term review of the risk register and an update of the risk management procedure;

- results of work by the 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))
- and results of the ex-post control work;
- finally, the IAS opinion on the state of internal control and information from audits carried out by the European Court of Auditors have been taken into account as well.

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 or high risks in the DG. In total 42 ECFIN-specific risks were identified, of which 57% were linked to internal risks, the remaining 43% to external ones. Of the internal risks, risks related to IT and other support systems appear the most numerous comprising 29% of all internal risks, with risks related to financial processes and budget allocation coming 2nd at 21%. Only 4 risks identified out of the 42 total reported were considered medium (meaning impact x likelihood score of 10, 11 or 12). Of the medium ECFIN-specific risks identified, one each concerned the risks related to "external partners", "operational processes", "financial processes and budget allocation", and "IT and other support systems". Mitigating controls are in place and will be reviewed by senior managers. The results of the risk management exercises are regularly shared with the DG's senior and top management as well as with the Cabinet.

In addition, DG ECFIN set up a Risk T4T in January 2018, essentially an informal brainstorming exercise within ECFIN comprising senior officials to identify and discuss (non-) mainstream and forward-looking risks that could significantly affect European economies over the short to medium-term horizon. The Risk T4T also comments on the periodic ECFIN forecast risk assessment and contributes, upon request, to other related ECFIN output.

Furthermore, in early 2018, an all-staff event, ECFIN team time Reflection Day, was held. This was the culmination of an extensive engagement process across the DG exploring the question 'How can we make ECFIN an even better place to work?'.

10 concrete projects were identified as priorities to focus on initially ranging from improvements to work processes, to information flows, to improvements to the buildings. Project teams were established and work has continued to bring these ideas to fruition throughout 2018.

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 data from the 2018 Staff Opinion Survey and the assessed data on internal control related matters, all 34 internal control monitoring criteria either meet or exceed their target values.

DG ECFIN has assessed its internal control system during the reporting year and has concluded that it is effective and that the components and principles are present and functioning as intended.

2.1.4 Conclusions on the impact as regards assurance

This section reviews the assessment of the elements reported above (in Sections 2.1.1, 2.1.2, and 2.1.3.), the sub-conclusions above, and draws the overall conclusion supporting the declaration of assurance and whether it should be qualified with reservations.

The declaration of assurance from the Director General is based on this chapter 2. This declaration covers the full scope of the budget (direct and indirect management) and off-budget operations delegated to him as reflected in Annex 3 to the AAR.

All five control objectives were met for all three major control systems at DG ECFIN (direct; indirect and off-budget managements) as shown in section 2.1 and with full details provided under Annex 5 and Annex 10.

The available audit results and observations did not highlight critical or very high risks that would qualify the Declaration of Assurance, as shown in section 2.1.2.

Similarly, management assessments of the implementation of internal control principles and standard did not identify deficiencies with a negative impact on the declaration as shown in section 2.1.3.

These comprehensive assessments support positively and provide sufficient guarantee with respect to the five statements included in the declaration of assurance (true and fair view, resources used for the intended purpose, sound financial management, legality and regularity and non-omission of significant information) as well as to the other internal control objectives (safeguarding of assets and information; and the prevention, detection and correction of fraud and irregularities) for both expenditure, revenue and off-budget operations.

Overall Conclusion

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

2.1.5 Declaration of Assurance

DECLARATION OF ASSURANCE

I, the undersigned,

Director-General of Economic and Financial Affairs

In my capacity as authorising officer by delegation

Declare that the information contained in this report gives a true and fair view[26].

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, the work of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

I confirm that I am not aware of anything not reported here which could harm the interests of the institution.

Brussels, 28 March 2019

****Signed****

Marco Buti

[26] True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG/Executive Agency.

2.2 Other organisational management dimensions

This section looks at key objectives, indicators and expected outputs presented in DG ECFIN's Annual Management Plan 2018 to see how they evolved and thereby illustrate how the DG has performed over the last year in terms of its organisational management.

Examples of economy and efficiency identified in DG ECFIN's Annual Management Plan 2018: developments in 2018

The introduction of **an electronic workflow for the management of payments,** introduced in 2017, **was extended in 2018 to all financial transactions.** The system is fully managed electronically via ARES, ensuring that the ARES and EMAS requirements of centralised traceability and paper reduction is achieved. It also simplifies and saves time for a DG situated in different Member States. The DG consequently benefits from greater efficiency and assurance.

Meanwhile, ECFIN once again held its on-site **annual summer school**, leveraging internal knowledge and ensuring an intense period of training at a time and place that is convenient for colleagues.

Finally, ECFIN is **fully embracing the potential of the new corporate tool ATLAS** (Activity & Task Logging for the Allocation of Staff) to replace its in-house Workload Management Tool, thereby continuing to improve the management and monitoring of its resource allocation whilst using less internal resources following HR centralisation.

More can be read on the latter 2 examples in section 2.2.1 below.

Other examples of economy and efficiency introduced by DG ECFIN in the course of 2018

In the last quarter of 2018, a **revised financial circuit** was adopted and implemented, introducing the separation of the verification functions between the operational staff (Operational Verification) and the financial staff (Financial Verification). The aim of the new system is to streamline a transparent, documented collaborative approach between the different actors involved in the preparation and verification of financial transactions, providing greater assurance to the Authorising Officers before their validation. In 2019, DG ECFIN services will continue to benefit from the new financial circuit described in the box above.

The budget planning preparation process for 2019 was implemented as a corporate overall analysis of the needs per thematic clusters (e.g. portfolio management, data acquisition, studies, grants, organisation of events, subscriptions, technical assistance). The aim was to identify possible synergies and cost savings, to reduce the risk of projects' overlapping and to ensure that the allocation of resources focuses on the achievement of the DG's priorities, mission and objectives.

In 2018, DG ECFIN elaborated and improved **the governance framework for its publication programme** to underpin the DG's reputation as an authoritative and credible source of economic policy proposals based on high-quality research and analysis (see section 2.2.4 for more details).

2.2.1 Human resource management

Ensuring alignment between resources and priorities

To ensure that HR priorities and staff allocation are in line with and fully underpin DG ECFIN's evolving policy priorities, and thus equip the DG to deliver on its mission, emphasis was placed on regularly reviewing and assessing the staff allocation and organisational structure. This has a forward-looking perspective, looking to optimise the alignment of ECFIN's political and operational priorities. Key to this approach are the regular meetings of ECFIN's HR Board. In 2018, this approach enabled priority areas of ECFIN work to be reinforced with posts identified by the HR Board as available for reallocation on the basis of a review of objective HR data. In addition, adjustments were made to the allocation of country desks to certain Directorates to ensure a better workload balance and give the appropriate focus and resources to priority countries.

In 2018, in addition to ongoing Teams for Themes, DG ECFIN also piloted limited projects designed to test ways of ensuring an optimal use of resources (AST back-ups and statistical assistants' pool). This is also the objective of the cross-DG ECFIN team time project (see below), "Pooling resources around tasks", which is exploring how the DG can move towards a more task-based organisation and allocation of resources, across and within Directorates, to address decreasing resources, ensure a fair distribution of tasks and creatie new opportunities and increased flexibility through greater team-work. DG

ECFIN has now moved to using the full version of the Commission's new corporate tool ATLAS which replaces the annual screening exercise and will, ultimately, provide a resource management tool. It is being linked to DG ECFIN's Strategic Plan 2016-2020 and its Management Plans. To demonstrate ECFIN's intention to make full use of the potential of ATLAS, DG ECFIN has been a member of DG HR's ATLAS steering committee to design and develop the tool from its beginning; in that spirit, ECFIN was one of 3 DGs (with TRADE and GROW) to volunteer for the ATLAS pilot project finalised in early 2018.

Matching talent with business needs

With a view to more systematically developing staff talents in accordance with business needs, ECFIN's Learning and Development Advisory Group (established in 2016 and comprising representatives from across the DG) continued to advise on learning needs and training solutions essentially in the areas of economic, finance and quantitative techniques. ECFIN's Learning and Development Framework for 2018 was successfully implemented with the support of this input (130 learning activities in total). Learning needs and priorities for 2019 have been identified, based on needs identified via a staff survey and Directorate discussions, and developed, with a view to the adoption of the Learning and Development Framework for 2019.

In 2018, once again, DG ECFIN ran its highly successful intensive Summer School, offering a broad range of training activities (41 in total of which 30 relating to economics, finance and quantitative techniques) delivered for the most part by ECFIN colleagues.

In addition, ECFIN continued to address specific development needs and competence gaps, with targeted initiatives:

- For AST administrative colleagues, a targeted training course to help develop confident oral communication skills was organised in Brussels and Luxembourg.
- For colleagues aspiring to a middle management posts and currently in DHoU and HoS positions, individual coaching was offered.
- For middle managers, support continued to be provided through individual and team coaching, as well as team events, particularly for newly appointed Heads of Unit.

- For senior managers, a facilitated workshop was held with the support of a highly experienced trainer to focus on collective and inclusive approaches for working as a senior management team.
- Networking activities designed to support talent at different levels of the organisation continued in 2018, including regular meetings of ECFIN's Middle Management Club, informal gatherings of colleagues in pre-management positions, the network of statistical and research assistants and working groups set up to implement the outcomes of the event for ECFIN's administrative and secretarial assistants held in 2017.
- Emanating from the ECFIN team time project (see below), a job-shadowing initiative "Mondays at the Cabinet" was launched as a means of providing ECFIN colleagues with hands-on experience of the reality of work in the Cabinet.
- Finally, DG ECFIN continued to offer half-day modules on personal and career development in 2018.

Staff Engagement

In early 2018, an all-staff event, ECFIN team time Reflection Day, was held. This was the culmination of an extensive engagement process across the DG exploring the question 'How can we make ECFIN an even better place to work?'

To prepare for the day, a senior management retreat and middle management meeting were followed by a series of unit conversations and focus groups on the challenges and opportunities facing ECFIN. The information generated during these sessions was used by a team of volunteers from across the DG to help design the day and the discussions that took place. Building on this effort, the main purpose of the team time ECFIN Reflection Day was to engage ECFIN staff in developing ideas in response to what was identified during the preparatory sessions. In all, 69 proposals were generated, 37 were voted on and 10 concrete projects were identified as priorities to focus on initially. Project teams were established and work has continued to bring these ideas to fruition throughout 2018.

Other staff engagement initiatives resulting from ECFIN team time have included the launch of an ECFIN Buddys scheme to support newcomers and weekly staff picnics during the summer months.

A continued offer of a broad variety of sports and wellbeing activities in line with the Commission's fit@work initiative and coordinated social events for ECFIN staff, coordinated with the support of HR.AMC1. The ECFIN choir, The ECFonics, continued as a permanent well-being activity throughout 2018.

2.2.2 Better regulation

DG ECFIN is committed to ensuring EU policy objectives are achieved effectively and efficiently. The principles of Better Regulation are applied across all areas of the DG.

The ECFIN multi-annual evaluation plan is prepared in line with the DG's strategic objectives and priorities to ensure activities are regularly evaluated. In 2018, 85% of the primary Directives and Regulations managed by ECFIN had been subject to an evaluation over the previous five years.

2.2.3 Information management aspects

DG ECFIN took timely care in the course of 2018 to prepare for both the entering into force of the new Internal Data Protection Regulation (IDPR, Regulation 2018/1725) in December 2018 and the implementation of the Commission's data protection action plan. Specifically, it programmed the following actions which were either completed in the course of 2018, or are on-going, or are scheduled to begin in the near future:

- The setting up of an internal network of Data Protection correspondents in each Directorate as well as the setting up of a collaborative workspace for information exchange (completed);
- Stock-taking and compliance checking of all personal data collection carried out by ECFIN (until end 2018, now completed).
- A tour headed by the Director of ECFIN directorate R of all ECFIN Directorates to raise awareness of the business of directorate R, including a presentation of the new regulatory situation by ECFIN's Data Protection Coordinator (4th Quarter of 2018 and ongoing);
- Training sessions for managers (Controllers) and DP correspondents with regard to their responsibilities;
- Conversion of existing Data Protection notifications into the new Data Protection Management System (DPMS) scheduled to start in the 1st half of 2019. This work is ongoing;
- An annual written report setting out the state of implementation of the new IDPR to the Director-General by mid-year (it will be done for the first time in July 2019);
- An internal assessment revealed that at this moment it is not necessary to establish internal rules concerning restrictions of data subjects.

ECFIN constantly seeks improvements in the area of document and information management. To signal our desire to be increasingly active in this area, DG ECFIN requested the nomination of Ms. Kerstin Jorna, Deputy Director-General of ECFIN, as a full member of the Information Management Steering Board (IMSB) in June 2018. She was welcomed onto the Board in December.

It is also in this spirit that DG ECFIN invited the Internal Audit Service (IAS) to conduct a consulting engagement on document management in DG ECFIN in the course of 2018. The IAS work, welcomed with ECFIN's full support and cooperation, culminated in a report identifying issues where ECFIN could usefully act to improve further its performance in the field of document management. The ECFIN Document Management team is currently preparing an action plan based on their findings involving stakeholders at all levels of staff to work on more tailored instructions and to further raise awareness of document management rules.

In the area of document management, ECFIN's overall performance is comparable with previous years. In particular, the number of unfiled documents and empty files are in line with the defined targets. The number of unused files is down to 13.7% but still needs the attention of the units concerned. ECFIN continued to promote the use of the Ares e-Signatory which increased from 62% in 2017 to 79% in 2018.

The number of files shared with other DGs shall be reviewed, taking into consideration corporate objectives and the finalisation/implementation of the information security package.

2.2.4 External communication activities

External communication activities proactively and strategically supported the policy work of DG ECFIN and the Commission throughout the year. Using communication as a strategic tool and closely linking it to the annual policy-making cycle, external communication supported key messages shared by the Commission and DG ECFIN, in particular as they related to the achievements of the political priorities of the Juncker Commission. The focus continued to be on priority 1 on jobs, growth and investment, and on priority 5 on a deeper and fairer EMU.

Support for communication on priority 1 included, in close cooperation with DG COMM, the creation of infographics and up-to-date web presentations for milestones such as the economic forecasts, the Juncker investment plan for Europe, EFSI 2.0 and InvestEU, the revamped EIPP portal, euro area statistics, and European semester steps and packages. The latter included social media and infographic support for the Country reports, SGP decisions, CSRs, the draft budgetary plan, as well as key publications throughout the year. Support for communication on priority 5 included contributing to and providing communication material and social media visuals highlighting key narrative aspects of the euro area dimension of economic policy-making. Milestones were the Commission's proposals in May on deepening EMU, the Communication on the international role of the euro, and the EUROat20 campaign to mark the 20th anniversary of the euro on 1 January 2019.

DG ECFIN contributed to communicate on the benefits of the euro and the importance of completing EMU throughout the year. For the former, the communication unit arranged a high-profile seminar on 3 December on 20 years of EMU and the euro, highlighting both challenges and achievements of the past as well as the way ahead to further deepen EMU and strengthen the euro's international role. For the latter, the communication unit produced a general public video in all EU languages on how EMU can be made united, democratic and efficient.

The 2018 Brussels Economic Forum of 5 June had a record high participation of 964 people (on site participation), while more than 16 000 viewers followed at least part of the debates online. The BEF focused on the future of the European economy in an era of digital disruption. It provided again a high-level platform to discuss EU economic policy priorities and topical issues around the future of work in a digitalised economy, how in the digital era the financial system for a deeper EMU should be designed, and how EMU can lead to more resilience and convergence. In addition, a BEF breakfast debate, hosted by POLITICO, on *Womenomics* explored the gender dimension of economics.

DG ECFIN engaged with a wide spectrum of stakeholders and journalists, leading to an extensive coverage in print and online media. Strong social media outreach, including social media 'takeovers' of ECFIN's Twitter account by outside organisations before the event, combined with actively involving social media before and during the debates, an event app, more than 3 200 mentions of the official hashtag #EUBEF18, and more than 5 200 tweets ensured a high level of engagement with the Forum. The #EUBEF2018 hashtag was trending in Belgium throughout the day. The BEF has thus evolved considerably over the last three years and in 2018 we went a step further, improving the content, format and experience of the event. The BEF is becoming an unmissable date for our stakeholders in Brussels and in some Member States that follow the event in person or online.

DG ECFIN's stakeholder and journalist seminar programme reached out to new contacts among key stakeholders and multipliers and was adapted based on the findings of our external continuous monitoring taking place throughout the year. Topics and speakers were chosen to support topical developments as to priorities 1 and 5 and, in line with the new communication strategy, not only to inform but also to listen and encourage the exchange of ideas to shape a better-informed policy debate.

With the same aim, DG ECFIN's external communication assisted the network of European Semester officials (ESOs) financially and logistically, in close cooperation with the expert units, providing speakers and specific information material, as well as a weekly information package.

In 2018, DG ECFIN further developed its corporate web presence, arranging with DG COMM to enhance where possible accesses to major sections of our content, such as ECFIN publications, the SGP procedures, and the European semester overview. The communication unit also developed further the enhanced governance framework for our publication programme to underpin DG ECFIN's reputation as an authoritative and credible source of economic policy proposals based on high-quality research and analysis. Overseen by an editorial board, this was achieved by regularly reviewing the set of planned titles, providing editorial and subediting service for drafts of key manuscripts, preparing SWOT (strengths, weaknesses, opportunities, threats) analyses on communication for monthly Editorial Board meetings, and efficiently disseminating and promoting 60 publications with specific notification emails and tweets. Likewise, inviting external speakers to information events was instrumental in fostering ECFIN's academic outreach and readiness for debate. A bi-weekly e-newsletter promoted DG ECFIN publications and summarised the most relevant news on key economic policy developments.

Moreover, ECFIN's communication continued to reach out to the interested, non-expert citizens with videos in its series "European Economy explained". These episodes render complex EU economic issues more accessible and understandable, and are promoted with the help of partner DGs and stakeholders. This helped achieving more than 167 000 unpaid online views for a rather specific target audience on EFSI 2.0. A further set of very short clips for best uptake in social media on the benefits of the euro supported the EUROat20 information campaign towards the end of the year. In total, DG ECFIN produced seven episodes in all EU languages. In cooperation with some partner DGs, DG ECFIN financed and oversaw the production of a series of 13 journalistic, short "Real Economy" videos by Euronews to bring the complexities of economic matters in the EU closer to a daily audience of TV and online viewers.

External communication also included managing DG ECFIN's inter-institutional relations. Smooth and proactive relations with the Council, the European Parliament, the European Economic and Social Committee, the Committee of the Regions and other EU institutions have been instrumental to promote and underpin the Commission's policy stance. Last, but not least, the communication unit has also been in charge of briefing coordination. DG ECFIN colleagues in many units produce a high amount of briefings for the President, the Vice-Presidents and our Commissioner within the deadlines fixed by the Cabinets. The communication unit contributes to this work by ensuring that speaking notes are tailored to the appropriate language for discussions at the level of ministers and members of the Commission. This helps us to seize every opportunity to advance our policies externally. The communication unit, in its role as briefing coordinator, was at the frontline to use BASIS to the full, based on an ambitious action plan, including arrangements for additional editing work by the unit, support material and training sessions with Cabinet members.