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2018

Annual Activity Report

Annexes

Directorate General for Economic and Financial Affairs

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

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

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

Brussels, 28 March 2019

****Signed****

Michaela Di Bucci

[1] C(2017)2373 of 19.04.2017.

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

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

For **Human Resources** indicator number one (female representation in middle management) latest known results will be available early January on the Collaborative Workspace. Latest known results for indicator number 3 will be available soon through the results of the Staff Survey launched at the end of 2018.

Objective: The DG deploys effectively its resources in support of the delivery of the Commission priorities and core business, has a competent and engaged workforce, which is driven by an effective and gender-balanced management and which can deploy its full potential within supportive and healthy working conditions.			
Main outputs in 2018:			
Output	Indicator	Target	Latest known results
A dedicated talent management campaign to encourage female AD staff to apply for management positions	Share of female candidates applying for middle-management positions	>40%	47,3% for middle management positions published since 01/07/2017 despite the fact that due to the specialised nature of many Head of Unit positions, there's a lack of eligible female staff who could apply. DG ECFIN strives to ensure gender balance throughout the whole selection process (selection panel, candidates interviewed).
Team time process, reflection day and working groups	Level of staff participation	90%	The overall participation rate in the Reflection Day was 93.6% and staff participation has continued to be instrumental in the follow-up. 8 staff-led project teams have been set up in relation to the top 10 priority actions identified. One ECFIN All Staff meeting was held in 2018 to follow-up the process and to report on the progress made. Regular newsletters were disseminated and project progress has been presented and discussed in senior management meetings. Concrete actions have already been implemented: Mondays at the Cabinet, Picnic in the Park, review of the induction programme for newcomers, creation of Happy Spaces for ECFIN staff.
Organisation of physical well-being	Percentage of staff who feel that the Commission cares	50% by 2019	58% compared to the Commission average of 52% and DG ECFIN's previous staff

activities, social events and targeted workshops	about their well-being (source of data: DG HR – Commission staff survey) Number of activities/events organised	5 activities / events	survey result of 41% in 2016. Well-being activities are organised on a weekly basis in the ECFIN well-being room. A new salsa programme was launched in 2018, as was an ECFIN community choir, The ECFonics. In addition, the 2018 Summer School included two well-being workshops on "Creating healthy relationships at work" and "Developing your emotional intelligence".

Better Regulation

Objective 1: Prepare new policy initiatives and manage the EU's acquis in line with better regulation practices to ensure that EU policy objectives are achieved effectively and efficiently			
Indicator 1: Percentage of Impact assessments submitted by DG ECFIN to the Regulatory Scrutiny Board that received a favourable opinion on first submission. ***Explanation:*** *The opinion of the RSB will take into account the better regulation practices followed for new policy initiatives. Gradual improvement of the percentage of positive opinions on first submission is an indicator of progress made by the DG in applying better regulation practices.* **Source of data: RSB**			
Baseline (2015)	Target (2020)		Latest known results (2018)
N/A as ECFIN has not submitted any IA to the RSB.	Positive trend compared to the DG's 2016 situation		100% (Two ECFIN Impact Assessments (IA) were submitted to the RSB in 2018. Both IAs received a positive opinion on first submission).
Indicator 2: Percentage of the DG's primary regulatory acquis covered by retrospective evaluation findings and Fitness Checks not older than five years. **Source of data: ECFIN**			
Baseline (2015)	Target (2020)		Latest known results (2018)
71%	Positive trend compared to baseline		85%
Main outputs in 2018:			
Description	**Indicator**	**Target**	**Latest known results**
Evaluations	Percentage of DG acquis covered by evaluations not older than	Positive trend compared to baseline	85%

	five years.		

Objective: Information and knowledge in your DG is shared and reusable by other DGs. Important documents are registered, filed and retrievable.			
Main outputs in 2018:			
Output	Indicator 30/06/2018	Target	Latest known results (2018)
Policy officers increased level of Data, Information, and Knowledge Management tools literacy	Number of training sessions on relevant IT tools	≥4	6 on Document Management
Reduce unfiled documents	Percentage registered documents not filed, 0.14%	< 0.5%	0.25%
Reduce number of empty files	Percentage empty files, 0.68%	< 5%	0.82%
Reduce number of unused active files	Percentage unused files, 20.70%	< 7.5%	13.73%
Maintain registration of emails via Areslook	2017 percentage of documents registered in ARES via Areslook, 49.5%	> 35 %	46%

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

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

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

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

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

Baseline (2015)	Target (2020)	2018 (Standard Eurobarometer 88, autumn 2018)
Total "Positive": 39% Neutral: 37 % Total "Negative": 22%	Positive image of the EU ≥ 50%	Total "Positive": 43% Neutral: 36 % Total "Negative": 20%

Main outputs in 2018:

Description	Indicator	Target	Latest known results (2018)
Outreach programme for stakeholders and journalists	Satisfaction rate as measured in questionnaires	8.0 out of 10	Stakeholders on average 8.1 (journalists 8.0)

	Number of participants stating their likelihood to share the information learnt	70% very or fairly likely	Stakeholders on average 99% (journalists 98%)
	Number of participants who have a better opinion of the EU and/or its institutions as a results of the event	50%	Stakeholders on average 58% (journalists 50%)
Brussels Economic Forum 2018	Number of participants	800	893 including 71 journalists from 21 countries
	Satisfaction rate	7.5 out of 10	8.2 According to our external consultant, the respondents were highly satisfied.
	Number of respondents satisfied with the promotion of the event	80%	97%
Social media*)	Twitter follower growth	25% growth or 20 new/day	11.71% or 13/day
	Facebook follower growth	20% or 16 new/day	21.5% or 15/day
	Twitter post engagement (total)	3 300	9 886

	Facebook post engagement (total)	1 500	3 012
2018 targets had to be updated from rates to total numbers.			
"European Economy Explained" video series	Number of total views per video in first quarter	10 000	One clip exceeded by far this target ("EFSI 2.0" since: 9/3/2018: 167 800 views on AV portal); another one did not meet the target ("Making the Economic and Monetary Union united, democratic and efficient" since 22/3/2018: 3 557 views on AV portal + 546 views in Social media);
	Twitter: Fan engagement rate (average)	6.5% on average	11.5% organic (i.e. unpaid promotion)
	Facebook: Fan engagement rate (average)	1.5% on average	2.8% organic (i.e. unpaid promotion)
Real Economy *)	Video on demand streaming performance 2018Q1 – all *Euronews* episodes combined	15 000	19 439
	Video on demand streaming completion rate – all *Euronews* episodes combined	65%	65%
Economic publications **)	Number of publication page views of the "Publications" website section, for all four series	n.a.	118 086

	(Institutional Papers, Economic Briefs, Discussion Papers, Technical Papers)		
	Number of quotations in economic and general press (media coverage) per Institutional Paper/Flagship publication	10	As measured for key publications by external and specific internal monitoring, far more quotations for key publications.
	Number of new subscriptions to the ECFIN publication mailing list	10% increase	Decrease in the number of subscriptions from 7 276 on 22/12/2017 to 7 155 now. This is a decrease of 1.6%.
ECFIN E-newsletter	Number of external subscribers	10% increase (currently 8569)	Increase (by 31/12/2018) to 9388 subscribers. This is an increase of 9.5%.
	Number of people who declare the publication met their expectations/ overall satisfaction (annual survey)	7.5 out of 10	N/A as survey is ongoing. The last result was 7.5 as was calculated in Occurrence's external continuous monitoring report of April 2017)
Website	Number of visits, monthly average	Piwik 100 000	Piwik 156 822
	Number of page views, monthly average	Piwik 250 000	Piwik 327 587

In this annex, it is also mandatory to include a sentence on the annual communication budget spent in 2018 (i.e. the total amount spent on all communication actions undertaken by the DG). The following table should also be filled.

Annual communication spending (based on estimated commitments):			
Baseline (2017):	Target (2018):	Total amount committed	Total of FTEs working on external communication
€ 2 500 000.-	€ 2 500 000.-	€ 2 241 000.-	18.5

ANNEX 3: Draft annual accounts and financial reports

The Financial Regulation requires certain information to be provided in the AAR; regarding the compliance with payment time limits (Article 116.1 FR) and suspension of time limits (Art. 116.4 FR), negotiated procedures (Art. 74.10 FR), the contractors to whom building contracts have been awarded (FR Annex 1, point 3), the contracts declared secret (FR Annex 1, point 11), the waivers of recovery orders above and below 60,000 EUR (Art. 101.5 FR), the average time to grant and average time to inform applicants of the outcome of the evaluation of the application (Art. 194.2 FR). Some further information (e.g. % on-time) has been added to these reports in order to support the information required by the FR.

Annex 3 Financial Reports - DG ECFIN - Financial Year 2018

Table 1 : Commitments

Table 2 : Payments

Table 3 : Commitments to be settled

Table 4 : Balance Sheet

Table 5 : Statement of Financial Performance

Table 5 Bis: Off Balance Sheet

Table 6 : Average Payment Times

Table 7 : Income

Table 8 : Recovery of undue Payments

Table 9 : Ageing Balance of Recovery Orders

Table 10 : Waivers of Recovery Orders

Table 11 : Negotiated Procedures (excluding Building Contracts)

Table 12 : Summary of Procedures (excluding Building Contracts)

Table 13 : Building Contracts

Table 14 : Contracts declared Secret

Table 15 : FPA duration exceeds 4 years

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2018 (in Mio €)					
			Commitment appropriations authorised	Commitments made	%
			1	2	3=2/1
Title 01 Economic and financial affairs					
01	01 01	Administrative expenditure of the 'Economic and financial affairs' policy area	6,17298968	6,16532408	99,88 %
	01 02	Economic and monetary union	59,98520864	31,8255236	53,06 %
	01 03	International economic and financial affairs	258,386722	148,105342	57,32 %
	01 04	Financial operations and instruments	2127,426017	2097,29101	98,58 %
Total Title 01			2451,970938	2283,3872	93,12%
Title 04 Employment, social affairs and inclusion					
04	04 03	Employment, Social Affairs and Inclusion	0,15	0,15	100,00 %
Total Title 04			0,15	0,15	100,00%
Total DG ECFIN			2452,120938	2283,5372	93,12 %

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

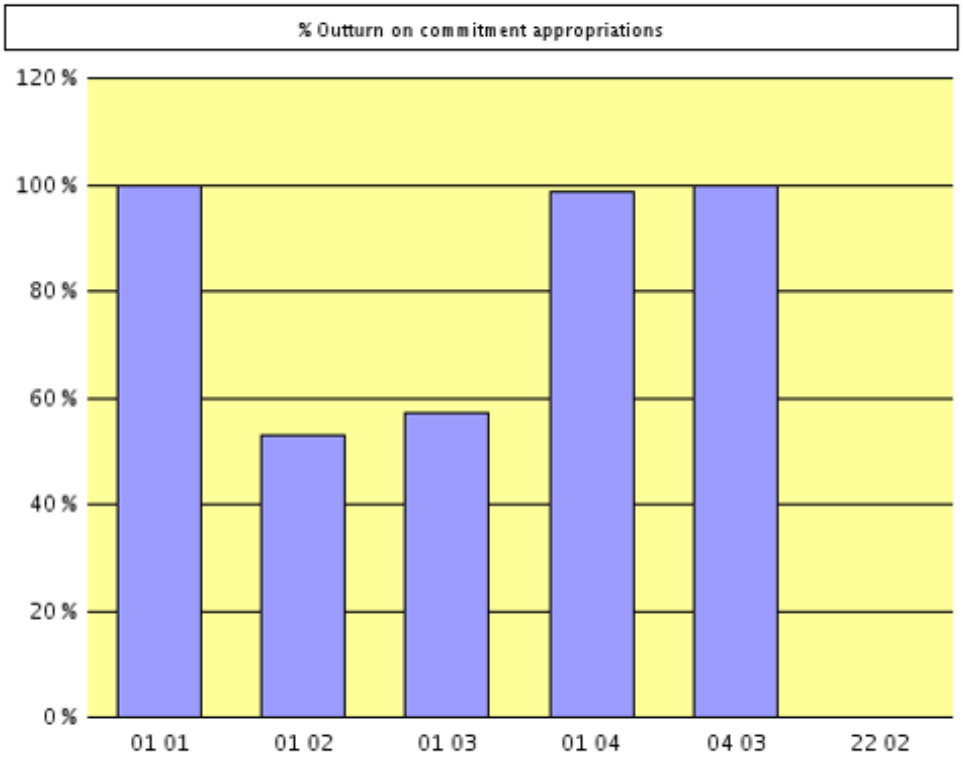

TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2018 (in Mio €)					
Chapter			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
Title 01 Economic and financial affairs					
01	01 01	Administrative expenditure of the 'Economic and financial affairs' policy area	3,56248818	2,0981329	58,90 %
	01 02	Economic and monetary union	60,22795891	31,25755392	51,90 %
	01 03	International economic and financial affairs	257,986722	142,9028554	55,39 %
	01 04	Financial operations and instruments	2118,180916	2088,000817	98,58 %
Total Title 01			2439,958085	2264,259359	92,80%
Title 04 Employment, social affairs and inclusion					
04	04 03	Employment, Social Affairs and Inclusion	0,15	0,15	100,00 %
Total Title 04			0,15	0,15	100,00%
Title 13					
13	13 03	European Regional Development Fund and other regional operations	0,07	0,07	100,00 %
	13 04	Cohesion Fund (CF)	0,03	0,03	100,00 %
Total Title 13			0,1	0,1	100,00%
Title 22 Neighbourhood and enlargement negotiations					
22	22 02	Enlargement process and strategy	0,06	0,045	75,00 %
Total Title 22			0,06	0,045	75,00%
	Total DG ECFIN		2440,268085	2264,554359	92,80 %

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

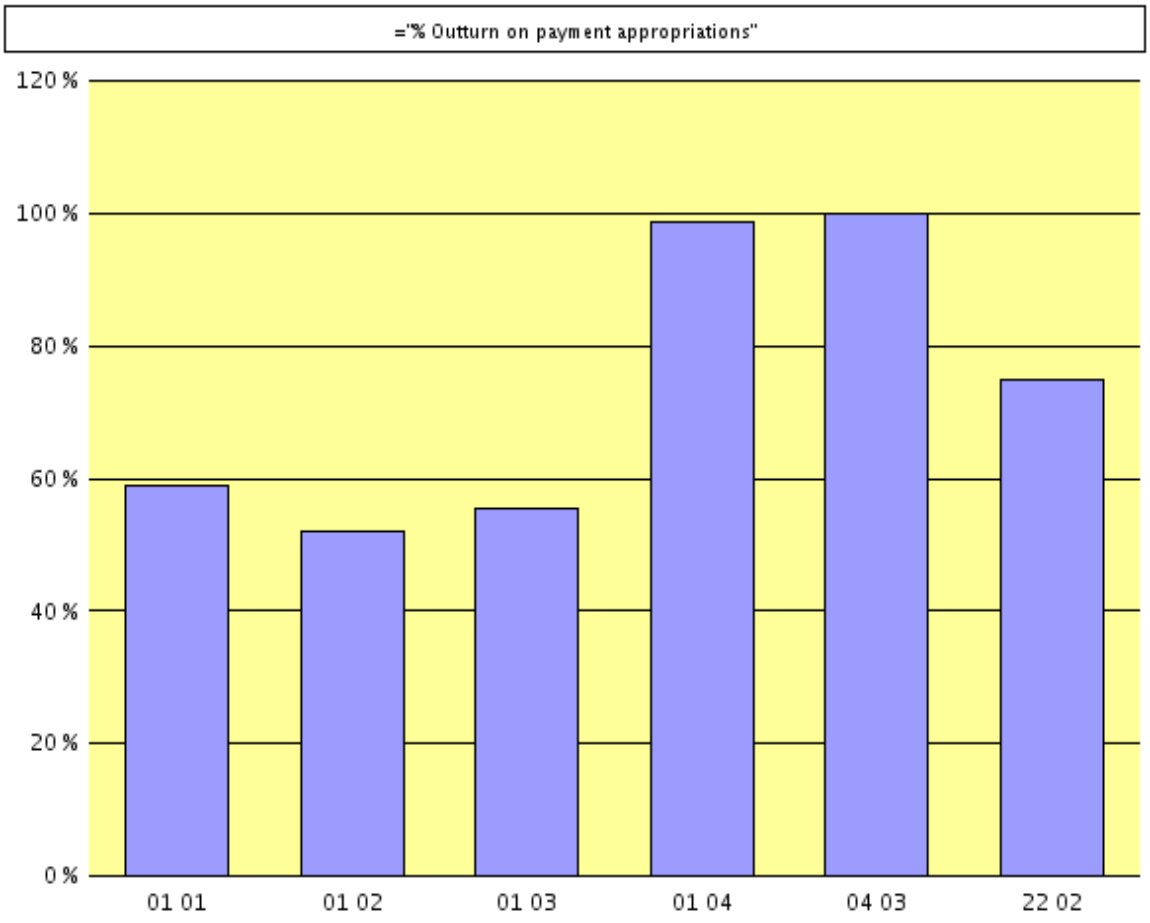
="% Outturn on payment appropriations"
120 %
100 %
80 %
60 %
40 %
20 %
0 %
01 01
01 02
01 03
01 04
04 03
22 02

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2018 (in Mio €)										
Chapter			2018 Commitments to be settled				Commitments to be settled from	Total of commitments to be settled at end	Total of commitments to be settled at end	
			Commitments 2018	Payments 2018	RAL 2018	% to be settled	financial years previous to 2018	of financial year 2018	of financial year 2017	
			1	2	3=1-2	4=1-2/1	5	6=3+5	7	
Title 01 : Economic and financial affairs										
01	01 01	Administrative expenditure of the 'Economic and financial affairs' policy area	6,16532408	3,77	2,39122695	38,79 %	0,00	2,39	2,92	
	01 02	Economic and monetary union	31,82552361	24,40	7,43013048	23,35 %	2,04	9,47	10,43	
	01 03	International economic and financial affairs	148,105342	142,87	5,23370368	3,53 %	40,12	45,35	40,16	
	01 04	Financial operations and instruments	2097,291007	74,95	2022,344491	96,43 %	863,79	2.886,13	2928,40	
Total Title 01			2283,387196	245,99	2037,399552	89,23%	905,9535684	2943,35312	2981,90562	
Title 04 : Employment, social affairs and inclusion										
04	04 03	Employment, Social Affairs and Inclusion	0,15	0,00	0,15	100,00 %	0,00	0,15	0,15	
Total Title 04			0,15	0,00	0,15	100,00%	0	0,15	0,15	
Title 13 :										
13	13 03	European Regional Development Fund and other regional operations	0	0,00	0	0,00 %	0,00	0,00	0,07	

	13 04	Cohesion Fund (CF)	0	0,00	0	0,00 %	0,00	0,00	0,03
Total Title 13			0	0,00	0	0,00%	0	0	0,1
Title 22 : Neighbourhood and enlargement negotiations									
22	22 02	Enlargement process and strategy	0	0,00	0	0,00 %	0,34	0,34	0,39
Total Title 22			0	0,00	0	0,00%	0,34132919	0,34132919	0,38632919
	Total DG ECFIN		2283,537196	245,99	2037,549552	89,23 %	906,2948976	2943,844449	2982,54195

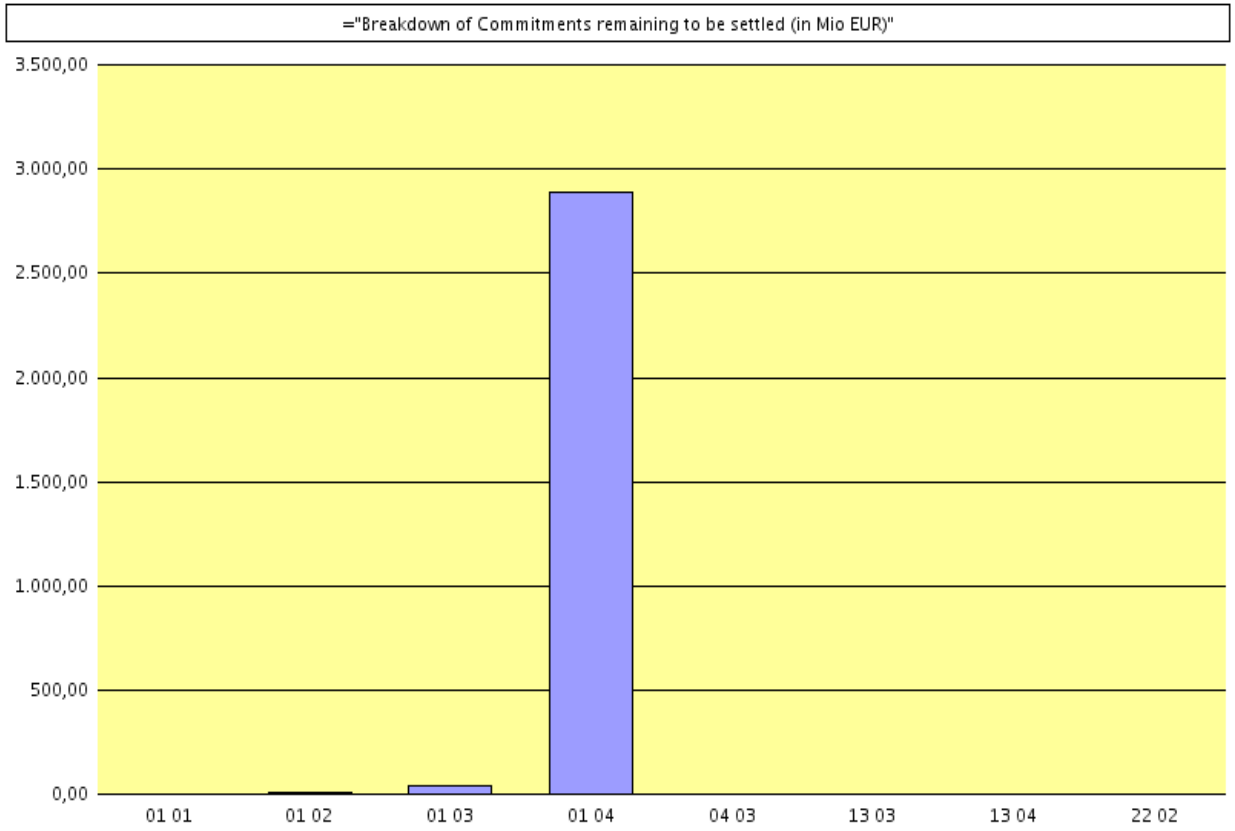
="Breakdown of Commitments remaining to be settled (in Mio EUR)"
3.500,00
3.000,00
2.500,00
2.000,00
1.500,00
1.000,00
500,00
0,00
01 01
01 02
01 03
01 04
04 03
13 03
13 04
22 02

TABLE 4 : BALANCE SHEET

BALANCE SHEET	2018	2017
A.I. NON CURRENT ASSETS	62288785371	57530550768
A.I.1. Intangible Assets	0,00	0,00
A.I.2. Property, Plant and Equipment	0,00	0,00
A.I.3. Invstmnts Accntd For Using Equity Meth	590.647.846,91	581.217.022,97
A.I.4. Non-Current Financial Assets	61.697.313.353,79	56.948.126.387,76
A.I.5. Non-Current Pre-Financing		0,00
A.I.6. Non-Cur Exch Receiv & Non-Ex Recoverab	824.170,17	1.207.357,20
A.II. CURRENT ASSETS	5101883926	8877630031
A.II.1. Current Financial Assets	3.714.275.186,19	8.116.838.270,78
A.II.2. Current Pre-Financing	75.701.174,71	27.875.721,84
A.II.3. Curr Exch Receiv &Non-Ex Recoverables	41.928.150,25	60.172.925,72
A.II.6. Cash and Cash Equivalents	1.269.979.415,04	672.743.112,93
ASSETS	**67390669297**	**66408180799**
P.I. NON CURRENT LIABILITIES	-53879812671	-50609858391
P.I.2. Non-Current Provisions	-186.842.537,40	-251.575.332,40
P.I.3. Non-Current Financial Liabilities	-53.692.970.133,83	-50.358.283.058,43
P.III. NET ASSETS/LIABILITIES	-4581910701	-4455554093
P.III.1. Reserves	-4.581.910.701,32	-4.455.554.092,70
P.II. CURRENT LIABILITIES	-2779516808	-7084833891
P.II.2. Current Provisions	-206.268.822,69	-204.252.953,69
P.II.3. Current Financial Liabilities	-2.365.682.723,01	-6.702.624.642,23
P.II.4. Current Payables	-179.206.244,35	-154.536.403,26
P.II.5. Current Accrued Charges &Defrd Income	-28.359.018,30	-23.419.891,56
LIABILITIES	**-61241240181**	**-62150246374**
NET ASSETS (ASSETS less LIABILITIES)	**6149429116**	**4.257.934.424,93**

P.III.2. Accumulated Surplus/Deficit	1.911.818.055,51	1758313542

Non-allocated central (surplus)/deficit*	-8.061.247.171,67	-6016247967

TOTAL	**0,00**	**0,00**

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

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

TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE	2018	2017
II.1 REVENUES	-1791592273	-1695370526
II.1.1. NON-EXCHANGE REVENUES	-26866179	-19317785,82
II.1.1.4. FINES	-26.820.000,00	-18.930.000,00
II.1.1.5. RECOVERY OF EXPENSES		-387.785,82
II.1.1.6. OTHER NON-EXCHANGE REVENUES	-46.179,00	
II.1.2. EXCHANGE REVENUES	-1764726094	-1676052741
II.1.2.1. FINANCIAL INCOME	-1.615.798.472,36	-1.613.936.291,50
II.1.2.2. OTHER EXCHANGE REVENUE	-148.927.621,74	-62.116.449,10
II.2. EXPENSES	1725040103	1646769435
II.2. EXPENSES	1725040103	1646769435
II.2.10.OTHER EXPENSES	135.965.600,38	131.199.662,98
II.2.2. EXP IMPLEM BY COMMISS&EX.AGENC. (DM)	22.282.671,57	24.773.833,65
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	2.118.359,00	
II.2.5. EXP IMPLEM BY OTHER ENTITIES (IM)	2.299.386,00	
II.2.8. FINANCE COSTS	1.562.374.085,85	1.490.795.938,62
STATEMENT OF FINANCIAL PERFORMANCE	**-66.552.170,30**	**-48.601.091,17**

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

TABLE 5bis : OFF BALANCE SHEET

OFF BALANCE	2018	2017
OB.1. Contingent Assets	253.932.671,54	249.794.705,63
GR for Financial Instruments	253.857.847,94	249.794.705,63
GR for pre-financing	74.823,60	
OB.1.4. CA Other	0,00	0,00
OB.2. Contingent Liabilities	-36.287.240.750,51	-30.113.416.808,51
OB.2.1. Guarantees given for EU FI		0,00
OB.2.2. Budgetary Guarantees given	-36.273.360.710,51	-30.099.536.768,51
OB.2.4. CL Fines	0,00	0,00
OB.2.7. CL Legal cases OTHER	-13.880.040,00	-13.880.040,00
OB.3. Other Significant Disclosures	-69.277.633.036,00	-55.971.563.867,00
OB.3.1. Undrawn commitments	-1.180.000.000,00	-710.000.000,00
OB.3.3.8.Budgetary Guarantees Ceiling	-66.315.403.036,00	-53.479.333.867,00
OB.3.4. Contributions to rel. organisations	-1.782.230.000,00	-1.782.230.000,00
OB.4. Balancing Accounts	105.310.941.114,97	85.835.185.969,88
OB.4. Balancing Accounts	105.310.941.114,97	85.835.185.969,88
OFF BALANCE	**0,00**	**0,00**

TABLE 6: AVERAGE PAYMENT TIMES FOR 2018 - DG ECFIN

Legal Times							
Maximum Payment Time (Days)	**Total Number of Payments**	**Nbr of Payments within Time Limit**	**Percentage**	**Average Payment Times (Days)**	**Nbr of Late Payments**	**Percentage**	**Average Payment Times (Days)**
30	548	530	96,72 %	12,28679245	18	3,28 %	48,94444444
40	1	1	100,00 %	15			
45	9	9	100,00 %	15,88888889			
60	33	33	100,00 %	26,12121212			
90	59	56	94,92 %	50,08928571	3	5,08 %	96,33333333

Total Number of Payments	**650**	**629**	**96,77 %**		**21**	**3,23 %**	
Average Net Payment Time	**17,70307692**			**16,43402226**			**55,71428571**
Average Gross Payment Time	**22,27230769**			**20,94753577**			**61,95238095**

Suspensions							
Average Report Approval Suspension Days	**Average Payment Suspension Days**	**Number of Suspended Payments**	**% of Total Number**	**Total Number of Payments**	**Amount of Suspended Payments**	**% of Total Amount**	**Total Paid Amount**
0	41	72	11,08 %	650	4.936.017,27	1,91 %	258.830.918,89

Late Interest paid in 2018			
DG	**GL Account**	**Description**	**Amount (Eur)**
ECFIN	65010100	Interest on late payment of charges New FR	523,51
			523,51

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2018								
Chapter		Revenue and income recognized			Revenue and income cashed from			Outstanding balance
		Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total	
		1	2	3=1+2	4	5	6=4+5	7=3-6
52	REVENUE FROM INVESTMENTS OR LOANS GRANTED, BANK AND OTHER INTEREST	0	5056481	5056481	0	5056481	5056481	0
55	REVENUE FROM THE PROCEEDS OF SERVICES SUPPLIED AND WORK CARRIED OUT	1239598,83	0	1239598,83	1239598,83	0	1239598,83	0
57	OTHER CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH THE ADMINISTRATIVE OPERATION OF THE INSTITUTION	161,07	321558	321719,07	161,07	0	161,07	321558
64	CONTRIBUTIONS FROM FINANCIAL INSTRUMENTS	152247219,6	0	152247219,6	118319212,3	0	118319212,3	33928007,28
66	OTHER CONTRIBUTIONS AND REFUNDS	83207985	404990,64	83612975,64	83201000	387515,4	83588515,4	24460,24
71	FINES AND PENALTIES	45750000	0	45750000	45750000	0	45750000	0
85	REVENUE FROM CONTRIBUTIONS BY GUARANTEE BODIES	3087566	0	3087566	3087566	0	3087566	0
Total DG ECFIN		**285532530,5**	**5783029,64**	**291315560,1**	**251597538,2**	**5443996,4**	**257041534,6**	**34274025,52**

TABLE 8 : RECOVERY OF PAYMENTS
(Number of Recovery Contexts and corresponding Transaction Amount)

Year of Origin (commitment)	Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
2002			1	75053		
2003			1	23887,56		
2006			3	41438721,19		
2008			1	147800		
2009			1	999680,57		
2010			5	39561815,28		
2013			3	50038263,07		
2016			1	6985		
2017			1	30800000		
No Link			3	1239598,83		
Sub-Total			**20**	**164331804,5**		

EXPENSES BUDGET	Error		Irregularity		OLAF Notified		Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES												
NON ELIGIBLE IN COST CLAIMS			9	39302,62			**9**	**39302,62**	9	39.302,62	100,00%	100,00%
CREDIT NOTES			8	96414,81			**8**	**96414,81**	8	96.414,81	100,00%	100,00%
Sub-Total			**17**	**135717,43**			**17**	**135717,43**	**17**	**135717,43**	**100,00%**	**100,00%**

GRAND TOTAL			**17**	**135717,43**			**17**	**135717,43**	**37**	**164467521,9**	**45,95%**	**0,08%**

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2018 FOR DG ECFIN

	Number at 1/01/2018	Number at 31/12/2018	Evolution	Open Amount (Eur) at 1/01/2018	Open Amount (Eur) at 31/12/2018	Evolution
2012	2	2	0,00 %	328.110,49	328.110,49	0,00 %
2014	1	1	0,00 %	10.922,75	10.922,75	0,00 %
2015	1		-100,00 %	18.930.000,00		-100,00 %
2017	4		-100,00 %	9.043.996,40		-100,00 %
2018		6			37.534.992,28	
	8	9	12,50 %	28.313.029,64	37.874.025,52	33,77 %

TABLE 10 : RECOVERY ORDER WAIVERS IN 2018 >= EUR 60.000						
	Waiver Central Key	**Linked RO Central Key**	**RO Accepted Amount (Eur)**	**LE Account Group**	**Commission Decision**	**Comments**

Total DG	

Number of RO waivers	

TABLE 11 : CENSUS OF NEGOTIATED PROCEDURES - DG ECFIN - 2018

Internal Procedures > € 60,000

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Art. 134.1(b) (Without prior publication) Work of art, technical reasons or protection of exclusive rights	4	3.520.000,00
Art. 134.1(e) (Without prior publication) Additional services and works which, through unforeseen circumstances, have become necessary	1	1.000.000,00
Total	**5**	**4.520.000,00**

TABLE 12 : SUMMARY OF PROCEDURES OF DG ECFIN EXCLUDING BUILDING CONTRACTS

Internal Procedures > € 60,000

Procedure Legal base	Number of Procedures	Amount (€)
Exceptional Negotiated Procedure without publication of a contract notice (Art. 134 RAP)	5	4.520.000,00
Open Procedure (Art. 104(1) (a) FR)	1	141.500,00
Total	**6**	**4.661.500,00**

TABLE 13 : BUILDING CONTRACTS

Legal base	Contract Number	Contractor Name	Description	Amount (€)

TABLE 14 : CONTRACTS DECLARED SECRET

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

TABLE 15 : FPA duration exceeds 4 years - ECFIN

FPA Central Identifier	FPA In Force From Date	FPA Expiry Date	FPA Duration	Duration in Days	FPA Local Identifier	FPA User Reference	FPA Version Type	FPA Status Code	FPA Status Desc
CE-0683900	14-12-2014	13-12-2020		2191	CZ-GFK - FPA ECFIN/196/2014_02	CZ-GFK FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/196/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-0684061	05-01-2015	04-01-2021		2191	CZ-CZSO - FPA ECFIN/195/2014_01	CZ-CZSO FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/195/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-0684100	19-12-2014	18-12-2020		2191	AT-GFK - FPA ECFIN/189/2014_05	AT-GFK FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/189/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-0684205	17-12-2014	16-12-2020		2191	AT-WIFO - FPA ECFIN/190/2014_01	AT-WIFO FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/190/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-0684217	19-12-2014	18-12-2020		2191	BE-BNB - FPA ECFIN/191/2014_01	BE-BNB FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/191/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-0684253	05-01-2015	04-01-2021		2191	BG-GFK - FPA ECFIN/192/2014_02	BG-GFK FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/192/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-0684280	19-12-2014	18-12-2020		2191	BG-NSI - FPA ECFIN/193/2014_01	BG-NSI FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/193/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-0684427	05-01-2015	04-01-2021		2191	CY-UOC&RAI - FPA ECFIN/194/2014_02	CY-UOC&RAI FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/194/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-0684434	05-01-2015	04-01-2021		2191	DE-IFO - FPA ECFIN/198/2014_01	DE-IFO FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/198/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-0684480	16-12-2014	15-12-2020		2191	DE-GFK SE - FPA ECFIN/197/2014	DE-GFK SE FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/197/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-0684513	12-01-2015	11-01-2021		2191	LT-STATISTICS LITHUANIA - FPA ECFIN/210/2014	LT-STATISTICS LITHUANIA FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/210/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-0684518	19-12-2014	18-12-2020		2191	DK-DST - FPA ECFIN/199/2014 (3420672)	DK-DST FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/199/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-0684882	05-01-2015	04-01-2021		2191	NL-EIB - FPA ECFIN/217/2014_01	NL-EIB FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/217/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-0684884	05-01-2015	04-01-2021		2191	NL-CBS - FPA ECFIN/216/2014_01	NL-CBS FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/216/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force

CE-068489 0	05-01-2015	04-01-2021		2191	EE-EKI - FPA ECFIN/200/2014	EE-EKI FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/200/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068491 9	10-12-2014	09-12-2020		2191	PL-GFK - FPA ECFIN/219/2014 (3422310)_02	PL-GFK FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/219/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068493 4	19-12-2014	18-12-2020		2191	MT-MCCEI - FPA ECFIN/215/2014_03	MT-MCCEI FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/215/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068496 0	19-12-2014	18-12-2020		2191	EL-IOBE - FPA ECFIN/201/2014	EL-IOBE FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/201/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068496 9	19-12-2014	18-12-2020		2191	TR-CBRT - FPA ECFIN/228/2014_02	TR-CBRT FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/228/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068499 3	05-01-2015	04-01-2021		2191	TR-TURKSTAT&CBRT - FPA ECFIN/229/2014	TR-TURKSTAT&CBRT FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/229/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068502 2	02-02-2015	01-02-2021		2191	PL-STATISTICS POLAND - FPA ECFIN/218/2014_03	PL-CSO FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/218/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068503 6	05-01-2015	04-01-2021		2191	PT-INE - FPA ECFIN/220/2014_01	PT-INE FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/220/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068530 8	12-01-2015	11-01-2021		2191	SE-SCB - FPA ECFIN/225/2014_02	SE-SCB FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/225/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068534 0	17-12-2014	16-12-2020		2191	SE-NIER - FPA ECFIN/224/2014_02	SE-NIER FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/224/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068536 3	12-01-2015	11-01-2021		2191	RO-GFK - FPA ECFIN/221/2014_04	RO-GFK FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/221/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068543 4	05-01-2015	04-01-2021		2191	RO-NIS - FPA ECFIN/222/2014	RO-NIS FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/222/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068547 9	05-01-2015	04-01-2021		2191	ES-MINETUR/MINETAD/MINCOTUR - FPA ECFIN/202/2014_02	ES-MINETUR/MINETAD/MINCOTUR FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/202/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068549 4	17-12-2014	16-12-2020		2191	ES-SIMPLE LOGICA - FPA ECFIN/203/2014	ES-SIMPLE LOGICA FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/203/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068555 0	19-12-2014	18-12-2020		2191	FI-STATISTICS FINLAND - FPA ECFIN/205/2014_01	FI-STATISTICS FINLAND FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/205/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068556 9	19-12-2014	18-12-2020		2191	FI-EK(CFI) - FPA ECFIN/204/2014_01	FI-EK(CFI) FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/204/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068568 5	05-01-2015	04-01-2021		2191	FR-INSEE - FPA ECFIN/206/2014_02	FR-INSEE FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/206/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068570 8	05-01-2015	04-01-2021		2191	SI-SORS - FPA ECFIN/226/2014	SI-SORS FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/226/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force

CE-068575 7	05-01-2015	04-01-2021		2191	IT-ISTAT - FPA ECFIN/209/2014_02	IT-ISTAT FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/209/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068577 6	17-12-2014	16-12-2020		2191	MK-IPSOS - FPA ECFIN/214/2014_02	MK-IPSOS FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/214/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068581 4	19-12-2014	18-12-2020		2191	RS-SORS - FPA ECFIN/223/2014_01	RS-SORS FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/223/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068583 7	19-12-2014	18-12-2020		2191	HR-IPSOS - FPA ECFIN/207/2014_01	HR-IPSOS FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/207/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068585 5	19-12-2014	18-12-2020		2191	HU-GKI - FPA ECFIN/208/2014	HU-GKI FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/208/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068586 1	05-01-2015	04-01-2021		2191	SK-SUSR - FPA ECFIN/227/2014_01	SK-SUSR FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/227/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068586 9	19-12-2014	18-12-2020		2191	LU-STATEC - FPA ECFIN/211/2014	LU-STATEC FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/211/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068587 5	05-01-2015	04-01-2021		2191	LV-CSB - FPA ECFIN/212/2014_01	LV-CSB FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/212/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068588 2	19-12-2014	18-12-2020		2191	LV-LATVIAN FACTS - FPA ECFIN/213/2014_01	LV-LATVIAN FACTS FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/213/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068703 4	23-02-2015	22-02-2021		2191	UK-GFK U.K.LIMITED - FPA ECFIN/232/2014	UK-GFK U.K. LIMITED FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/232/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068707 1	14-01-2015	13-01-2021		2191	UK-EXPERIAN - FPA ECFIN/231/2014_01	UK-EXPERIAN FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/231/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-068709 5	05-01-2015	04-01-2021		2191	UK-CBI - FPA ECFIN/230/2014_02	UK-CBI FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/230/2014 BUSINESS AND CONSUMER SURVEYS 01.05.2015 - 30.04.2021	CURRENT	VLF	In Force
CE-072965 5	22-07-2015	31-12-2020		1989	EIB - FPA ON THE EUROPEAN INVESTMENT ADVISORY HUB	FINANCIAL SUPPORT FOR PROVIDING TECHNICAL ADVICE ON THE USE AND SET UP OF INNOVATIVE FINANCIAL INSTRUMENTS	CURRENT	VLF	In Force
CE-076748 8	23-02-2016	22-02-2021		1826	MT-GRANT THORNTON - FPA ECFIN/013/2016_03	MT-GRANT THORNTON/EMCS FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/013/2016 BUSINESS AND CONSUMER SURVEYS 01.05.2016 - 30.04.2021	CURRENT	VLF	In Force
CE-076757 4	31-03-2016	30-03-2021		1825	AL-BANK OF ALBANIA- FPA ECFIN/008/2016 (3958568)	AL-BANK OF ALBANIA FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/008/2016 BUSINESS AND CONSUMER SURVEYS 01.05.2016 - 30.04.2021	CURRENT	VLF	In Force
CE-076759 1	13-04-2016	12-04-2021		1825	IE-BANK OF IRELAND- FPA ECFIN/009/2016 (3958589)	IE-BANK OF IRELAND FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/009/2016 BUSINESS AND CONSUMER SURVEYS 01.05.2016 - 30.04.2021	CURRENT	VLF	In Force
CE-076759 5	26-02-2016	25-02-2021		1826	LU-BANQUE CENTRALE DU LUXEMBOURG-FPA ECFIN/010/2016 (3958595)_01	LU- BANQUE CENTRALE DU LUXEMBOURG FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/010/2016 BUSINESS AND CONSUMER SURVEYS 01.05.2016 - 30.04.2021	CURRENT	VLF	In Force
CE-076759 6	31-03-2016	30-03-2021		1825	ME - CBCG - FPA ECFIN/012/2016_01	ME - CENTRAL BANK OF MONTENEGRO - FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/012/2016 BUSINESS AND CONSUMER SURVEYS 01.05.2016 - 30.04.2021	CURRENT	VLF	In Force

CE-076884 3	31-03-2016	30-03-2021		1825	ME-IPSOS D.O.O - FPA ECFIN/011/2016	ME-IPSOS D.O.O - FRAMEWORK PARTNERSHIP AGREEMENT ECFIN/011/2016 BUSINESS AND CONSUMER SURVEYS 01.05.2016 - 30.04.2021	CURR ENT	VLF	In Forc e

ANNEX 4: Materiality criteria

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

The materiality criteria must be established by all DGs, independent of the existence of a reservation.

They must be defined for each significant budget area of the DG, i.e. for expenditure or revenue operations, as applicable. This requirement also applies to the authorisation of recoveries for assigned revenue.

DGs are reminded that this should also cover possible reputational events (cf. materialy criteria of 'awareness & duration'). See type 5 of possible significant weaknesses.

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

1. Qualitative criteria

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

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

This could be the case notably,

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

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

The DG would consider a reservation in this regard if

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

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

Issues outlined by the European Court of Auditors (ECA) or the Internal Audit Service (IAS) or OLAF - A critical observation made by the ECA, the IAS or OLAF could lead to a reservation[2]

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

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

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

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

2. Quantitative criteria

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

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

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

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

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

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

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

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

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

ANNEX 5: Relevant Control Systems for budget implementation (RCSs)

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

Background and purpose See Annex 10

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

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

Main risks **It may happen (again) that…**	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)[3]** Effectiveness Efficiency Economy
Risk of decision making latitude in the initiation of the treasury transactions (the so-called 'front-office' function of the treasury). By their nature, i.e. need for quick decisions by the 'front office', these operations are initiated and authorised in a tight time-frame and, for reasons of timing, they cannot be subject to independent centralised ex-ante verifications as in the case of the budgetary transactions. The activity is also highly dependent on a sophisticated software platform (SAP shared with DG BUDG).	• There are comprehensive rules concerning the type of investments that can be made and the limits of financial risk (e.g. credit risk) that can be assumed in the portfolios under management. • The strategical decisions are supervised by the Treasury Management Board (TMB) chaired by the Director of the responsible Directorate and the Principal Advisor to the DDG. The role of the TMB is to make strategical proposals to the senior management following discussion and input received from the Investment Committee and Risk	• The TMB is regularly informed and provides feedback on the design and implementation of the investment strategy. It also approves proposals of strategical nature before submission to the senior management. • A dedicated financial risk management function is placed in a unit independent from the treasury unit. It monitors compliance with internal rules (e.g. manuals of procedures, respect of credit limits with counterparties, limits concerning the credit quality of securities purchased, etc.) and regularly performs sample-based ex-post checks	**Effectiveness:** Control results: Number of incidents. Number of material audit findings. Benefits: Absence of material errors **Efficiency:** N/A **Economy:** Estimation of cost of staff FTE involved in the controls

[3] Results are provided under Annex 10

Main risks It may happen (again) that…	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)[3]** Effectiveness Efficiency Economy
	Committee. The Investment Committee is in charge with the Tactical Asset Allocation (TAA) and the Risk Committee is in charge with the Strategical Asset Allocation (SAA). • There is a transparent method for selecting and renewing the list of possible counterparties for deposit placements. • Operations are carried out in line with good banking practice, in particular there is segregation of duties, four-eye principle, daily cash account reconciliation, monthly securities account reconciliation, avoidance of conflicts of interest by rules implemented by the Compliance Committee, etc. • Exceptions from the procedures are documented, followed and signed off at senior level (usually Director). • For private placements, it is required to have documented competing bids for the treasury transactions to the extent possible under market circumstances. • There are detailed manuals of procedure which are regularly updated. • Establishment of IT and information security 'culture' and rules.	of transactions. Risk management produces a monthly risk report to the TMB..	

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

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

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

[4] Results are provided under Annex 10

Main risks It may happen (again) that…	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)[4] Effectiveness Efficiency Economy
	procedures are documented, followed and signed off at senior level (usually Director). • It is required to have documented competing bids for the borrowing transactions to the extent possible under market circumstances. • There are detailed manuals of procedure which are regularly updated. • Establishment of IT and information security 'culture' and rules.	Security Officer.	

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

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

Main risks It may happen (again) that…	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)[5] Effectiveness Efficiency Economy

[5] Results are provided under Annex 10

Main risks **It may happen (again) that…**	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)[5]** Effectiveness Efficiency Economy
A/ The implementation of the legal bases or equivalent rules and legal documents entails weaknesses, which lead to the Commission's legal rights in terms of revenue entitlements, assets ownerships, liabilities or information security not being duly protected and/or registered and/or reliably reported. B/ EU accounting rules are not respected.	A/ A dedicated risk management team reports on financial risks and ensures compliance with the principles and limits as defined in the individual investment guidelines and the Risk Management policy and Manual In addition the asset management is supported by accountants, back-office and specialised lawyers B/ a) EU Accounting rules are properly followed. Updates to the EU Accounting rules and accounting instructions are timely communicated by BUDG. Changes are analysed and information is shared among officials concerned. b) Closure accounting instructions are provided by BUDG. Information is shared among the officials concerned, internal and external preparatory meetings take place. Accounting procedures manual is available and regularly updated. c)Accounting revision programme is regularly updated in view of the results of the Accounting quality overview and of the evolution in the accounting environment. d) Segregation of duties and four eyes principle are systematically	A/ Risk Management maintains and monitors counterparty limits and provides regular risk and performance reporting – monthly to the TMB, quarterly to senior management B/ a) Updates on irregular basis depending on the evolution of the accounting environment. The accounting team produces a monthly balance sheet report and a yearly audited set of financial statements on the outstanding net assets and liabilities to senior management. b) Yearly (October-December) c) Yearly (May) Revision programme followed throughout the year, update sent to the Director General once a year (May) d) Continuous e) Regular debt service carried out by dedicated back-office team	**Effectiveness**: Control results: - Number of control failures. - Number of litigation settlement and court cases lost (e.g. due to lack of evidencing documents); amounts of the items concerned. - Number of internal and external auditors findings about incorrect registration of items. - Number of exceptions (bank reconciliation incidents) Benefits: The value of errors prevented or detected within the treasury activities and borrowing and lending operations. **Efficiency**: N/A **Economy**: Estimation of cost of staff FTE and missions involved. Cost of

Main risks **It may happen (again) that…**	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)[5]** Effectiveness Efficiency Economy
	applied. Formalised supervision and review procedures are in place for all accounting activities. e) Documentation of legal rights of COM reflected in Loan Facility Agreements		the contracted (legal, IT, advisory) services.

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

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

Main risks It may happen (again) that…	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)[6]** Effectiveness Efficiency Economy
Processes might be weak or not working as designed. The system might provide poor adequacy.	• Supervision by responsible Heads of Unit and senior management. • Oversight by the TMB. • Financial risk management verification includes ex post transactional controls. • Annual financial audits are performed by external audit firm on the financial statements of ECSC i.e., EFSM, BoP, MFA, Euratom, BUFI, H2020, EFSD (from 2018) and EFSI GF (dedicated RCSs chapter). • Other controls are performed by central ex-post control function. • Audit and consultancy work is performed by the Commission's Internal Audit Service (IAS), the European Court of Auditors, DG BUDG and in the discharge procedure. Past recommendations made by these bodies have been followed up systematically. Overview of recent audits: • In 2017, the Bloomberg AIM project management system concerning the acquisition and implementation of a "licence" for a new Treasury Portfolio Management System was launched. The AIM system was successfully implemented and is currently used for the portfolio management activities.	• According to the annual work plans of the IAS, BUDG C3 and the ECA. • Annual ECA audits • Reports are made to the Treasury Management Board (meetings every two months). • Quarterly risk reports to senior management are produced by the risk manager. • Annual external audits on ECSC i.e., BOP, EFSM, MFA, Euratom and EFSD (from 2018) • Annual external audits on BUFI and H2020	**Effectiveness:** Control results: - Percentage of sampled non-expenditure operations checked by the financial risk management which are in compliance with internal procedures (e.g. reconciliation items, bank accounts, etc.). - Number of recommendations from the audit bodies (see under Mitigating controls) which have been followed up systematically. Benefits: The benefits of controls are not quantifiable other than through the low number of incidents caused in ECFIN and the existing full compliance with internal rules and procedures. Given that the off-budget activities are by nature not following the budgetary ex-ante validation circuit, it is important to have the existing internal control environment in place. The absence of material errors. **Efficiency:** N/A **Economy:** Estimation of cost of staff FTE and other costs (audit fees, evaluation costs) involved. Cost of the contracted audit services.

[6] Results are provided under Annex 10

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

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

Main risks It may happen (again) that…	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)[7]** Effectiveness Efficiency Economy
Undue or erroneous financial operations or payments Default of payment from a loan beneficiary	• There is a variety of legal frameworks (ECSC, EU, Euratom) and contractual arrangements (different mandates, etc.). • Specific procedures are in place creating a clear framework of controls to be performed by the Financial Unit. The various documents to be provided as well as the controls performed by the financial and the verifying agents are detailed in these procedures. • The financial complexity of the instruments used (bonds, short-term deposits, borrowings and loans) is moderate. • Whilst being off-budget, these non-expenditure financial operations can generate budgetary operations, which have to be treated according to the requirements of the Financial Regulation. • In order to ensure the prompt payment to the creditors of the EU/Euratom, if a loan beneficiary fails to reimburse in due time, there is recourse to call on DG BUDG cash resources for temporary cover of the shortfall[8]. A set of procedures, set by DG ECFIN and DG BUDG,	• All non-expenditure/off-budget financial operations are controlled by a dedicated team possessing the required specialized competences (back office and account reconciliation). • Complementary a posteriori controls are carried out by external auditors in the context of their audit of the financial statements for the off-budget activities having been prepared by a dedicated team of accountants in DG ECFIN.	**Effectiveness:** Control results: Number of errors caused by a counterparty financial institution and detected during the reconciliation of bank accounts. Benefits: The benefits of controls are not quantifiable other than through the low number of incidents caused in ECFIN and the existing full compliance with internal rules and procedures. Given that the non-expenditure activity is not following the budgetary ex-ante validation circuit, it is important for reputational reasons to have the existing internal control environment in place. **Efficiency:** N/A **Economy:** Estimation of cost of staff FTE dedicated to control-

[7] Results are provided under Annex 10

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

Main risks It may happen (again) that…	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)[7] Effectiveness Efficiency Economy
	further operationalises this temporary budgetary cover. • Although the repayment of all borrowings is ensured in fine by the EU budget, in the case of lending to third countries the Guarantee Fund for external actions acts as liquidity buffer protecting the EU budget against the risk of calls resulting from payment defaults.		related tasks and external costs (audit fees, evaluation costs).

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

Background and purpose: Annex 10

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

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

Main risks It may happen (again) that…	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)[9] Effectiveness Efficiency Economy
The Work Programme proposed by the EIB does not adequately reflect the	1. Consultation of Commission services on the draft Work	For each Specific Grant Agreement (SGA) to be signed	**Effectiveness:** Control results: Avoid overlaps with

[9] Results are provided under Annex 10

Main risks It may happen (again) that…	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)[9]** Effectiveness Efficiency Economy
Commission's/ EU's policy objectives, and priorities, and it is incoherent and/or the essential eligibility, selection and award criteria are not adequate to ensure the achievement of the EIAH's objectives. The budget foreseen overestimates the costs necessary to carry out the action	Programme. 2. The EIAH Coordination Committee consisting of four members (two members appointed by the Commission and two by the EIB) reviews the work programme before adoption and monitors closely its implementation. 3. Hierarchical validation within the authorizing department of the draft Work Programme.	with the EIB: 1. The Commission's EFSI Inter-service Group including all relevant DGs is consulted on the draft work programme before the review of the Coordination Committee. 2. As set up in the EIAH's Framework Partnership Agreement (FPA), the Coordination Committee shall meet at least twice a year. (a) review and agree strategy and policy relating to the EIAH; (b) review, on a regular basis, progress on and implementation of the Work Programme of the EIAH; (c) consider and if appropriate, propose for inclusion in the Work Programme, the extension of existing programmes and/or creation of new services funded by the EIAH Budget or termination of such services. 3. The work programme is annexed to the Specific Grant Agreement.	other existing advisory initiatives Benefits: Fill in the identified gaps. **Efficiency:** Average time between the adoption of the Financing Decision and the signature of the Specific Grant Agreement [time to grant]. **Economy:** Estimation of cost of staff involved in the preparation and validation of the annual Work Programme and in the adoption and contracting processes.

Stage 2: Monitoring the execution

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

Main risks **It may happen (again) that…**	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)[10]** Effectiveness Efficiency Economy
The actions foreseen are not, totally or partially, carried out in accordance with the technical description and requirements foreseen in the grant agreement and/or the amounts paid exceed the amounts that are due in accordance with the applicable contractual and regulatory provisions.	1. The EIB has to provide periodically technical reports with detailed information on the EIAH activity and its technical assistance assignments. Moreover, the financial statements to be provided will contain detailed information on EIB's expenses and revenues in a given period. 2. Oversight of the Coordination Committee (CC). 3. Tracking the EIAH activity by the Commission staff. 4. Based on the above reporting, the staff will conduct operational and financial checks before payment is authorised. 5. For cases where issues are discovered, the Commission could apply a suspension/ interruption of payments.	1. As per Article 6 of the FPA, the EIB shall provide the EU with: (a) a half-yearly technical report (its frequency can be reviewed by the Coordination Committee). (b) a financial statement drawn up in accordance with the structure of the estimated budget. (c) no later than six months after the end of each year: (i) an annual audited financial statement; and (ii) an annual technical report. 2. The CC oversight is mainly exercised during the periodic CC meetings.	**Effectiveness**: Control results: - Number of projects that received EIAH's support. - Number of control failures; budget amount of the errors concerned. - Number of projects with cost claim errors; budget amount of the cost items rejected. Benefits: Value of the costs claimed by the beneficiary, but rejected by the project officers. **Efficiency**: Time to payment **Economy**: Estimation of cost of staff involved in the actual monitoring

[10] Results are provided under Annex 10

Main risks It may happen (again) that…	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)[10] Effectiveness Efficiency Economy
		3. The Commission staff tracks EIAH's activity on an ongoing basis.	of the execution.

Stage 3: Review, audits and monitoring

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

Main risks It may happen (again) that…	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)[11] Effectiveness Efficiency Economy
The ex-ante controls fail to prevent, detect and correct erroneous payments or attempted fraud. Processes are weak or not working as designed. Poor adequacy of the system. EU accounting rules are not respected (especially relevant if other institutions, e.g. National Promotional Banks, will be contracted to deliver	1. Monitoring strategy: On an annual basis, an ex-ante verification (e.g. monitoring visit) will be conducted at the EIB. An on-site monitoring visit will also be done at the beneficiaries level annually, if needed. 2. Within three years from entry into force of the EFSI Regulation, the EU will conduct an independent mid-term evaluation of the functioning of EIAH. In 2017 the evaluation of the application of the EFSI Regulation	1. During the monitoring visits done on an yearly basis for the EIB and, of needed, more often for the TA beneficiaries, the Commission staff will check for a number of projects/ TA assignments chosen randomly the following documentation: • the initial contacts with the beneficiary • the formal document defining	**Effectiveness**: Control results: - Number of projects with errors. - Number of ex-ante control failures. Amount of budget of errors concerned. Action plans established following the ECA/ex-post control recommendations; number of recommendations agreed in the Action Plan, implemented or addressed. Benefits: Budget value of the

[11] Results are provided under Annex 10

Main risks It may happen (again) that…	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)[11] Effectiveness Efficiency Economy
decentralised advisory services under the EIAH's umbrella).	2015/1017 was launched and its results were published in June 2018[12]. The evaluation assessed the relevance, efficiency and effectiveness of the European Fund for Strategic Investments, the European Investment Project Portal and the European Investment Advisory Hub.	the Terms of Reference/ the assignment; • the TA deliverables 2. As per Article 6(3) of the FPA.	errors detected by the staff. **Efficiency**: N/A **Economy**: Estimation of cost of staff involved in the monitoring visits and mission costs. Average annual cost of external evaluation compared with amounts being audited and evaluated.

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

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

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

These tasks are outlined in the respective Cooperation/Delegation Agreements or Financial and Management Agreements for the different financial instruments (altogether defined as Cooperation Agreements). Selection at the level of IFIs: the eligible IFIs are determined in the legal bases. The Cooperation Agreements between the EC and the IFIs contain provisions for the implementation of the tasks entrusted to the IFI, including the control and reporting arrangements foreseen. The individual projects/financial intermediaries are proposed by the IFIs utilising their

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

business network and due diligence process. They have to comply with the criteria defined in the guidelines foreseen in the Cooperation Agreements and be approved by the competent governing bodies/services of the IFIs. As regards the CIP Programme, the selection was subsequently approved by the Commission (no further approvals after the end of the MFF). For ELENA the project proposals of the IFIs are sent to the Commission for approval. The IFI Facilities were closed in 2016, therefore in 2017 no standard operational actions took place.

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

Main risks **It may happen (again) that…**	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)[13]** Effectiveness Efficiency Economy
IFIs may not be eligible FIs may not be eligible Final Beneficiaries (FBs) may not be eligible Agreements with IFI/FIs do not cover the set of required provisions (eligibility of FBs, of operations, financial parameters, and so on). For TA facilities, consultants may not be selected according to international standards (open tenders, publications, exclusion, selections award criteria, value for money) or contracted according to the rules of the relevant facility.	Detective and corrective measures include: 1**) Ex-ante controls**: in addition to the detailed appraisal made by the IFIs, individual analysis and approval of each FI proposal by our Front-Offices 2) **Due diligence**: The IFI has to check the fulfilment of the eligibility conditions of potential FIs based on agreed procedures and/or the IFI's own procedures. Certain IFIs perform their own on-site verification **3) IFI reporting**: the IFIs draw up regular programme implementation and	1**) Ex-ante controls:** for CIP and IFI / ELENA Facilities, all proposals for operations to be signed by the EIF or other IFIs (IFI in charge as 'operating body') undergo a preliminary formal approval by DG ECFIN, which is based on a formal template and analysis, as foreseen in DG ECFIN manual of procedures. 2) **set-up of a standard framework and underlying contractual documents** to be used by the IFI : - FMA with EIF - SLA with EIF - standard Agreement EIF-FI template - sample check by ECFIN DDG2.02-03 on agreements between the IFI and the FI/consultant. **3) reporting framework from IFI to DG ECFIN**: quarterly reports, annual reports, monitoring reports, employment survey	**1 + 2)** **Effectiveness:** Control results: - Correct filling-in of the standard check-list - number of missing check-lists - Quality of the selection work, analysis, approval notes, reports, etc. (Implementation status). - Exhaustiveness of approval request coverage Benefits: - Adequate selection of IFI/FIs - Compliance of the FI agreements with the provisions foreseen in the Fiduciary Management Agreements (FMA) with the IFI (CIP: FMA signed with EIF 20/9/2007; EPMF: FMA signed with EIF 1/7/2010) - Full compliance achievement; avoidance of discrepancies in the

[13] Results are provided under Annex 10

Main risks It may happen (again) that…	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)[13]** Effectiveness Efficiency Economy
	financial reports and a final report at the end of the facility. The IFIs have to provide annually a financial audit certificate concerning the trust account balances. **4) DG ECFIN reporting framework** **5) ex-ante assessment of IFIs and follow up of their Internal Control System (ICS)**	report. All of which are checked/analysed by DG ECFIN **4) DG ECFIN reporting framework**; reporting tools include: * the yearly AOSD reports to the Director-General the mid-term assessment of the AMP * bi-annual reports on the follow up of ex-post/audit recommendations * the regular risk management exercise * the AAR yearly report * the yearly Programme Statement * the yearly Entrepreneurship & Innovation Programme (EIP) and CIP implementation reports * the yearly EIP Performance Report * the yearly Reporting Package on Financial Instruments **5) Ex-ante assessments** For the EIF, the ex-ante assessment has been carried out before implementation with respect to the conformity of its procedures in the field of accounting, audit, internal control and procurement with international standards (as prescribed by Article 53d(1) of the Financial Regulation). This has been made on the basis of a methodology and corresponding questionnaire developed by an international audit firm. For the grant/TA facilities managed by IFIs, a monitoring visit to each IFIs checking	Agreements - Spot check sample compliance verification of Financing Agreements on Monitoring Visits. - Number of discrepancies (Agreements' compliance default towards FMA, Programmes' Legal Basis) in agreements (DG ECFIN) - number of approvals/signed agreements **Efficiency:** - Timeliness and quality of the drafting of approval selection notes & briefing - Systematic analysis of each file submitted to DG ECFIN for approval (approval request analysis), with 20 working days processing deadline **Economy**: - very low man-months/managed budget cost ratio - consultation for ELENA with DG ENER followed by approval of Head of Unit in DG ECFIN responsible for the programme. **3) Reporting framework from IFI to DG ECFIN** **Effectiveness:** Control results:- compliance of the reports with FMA provisions (deadline, content,

Main risks It may happen (again) that…	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)[13]** Effectiveness Efficiency Economy
		inter alia the evolution in their internal control systems is carried out almost in a yearly basis. 6) Meetings and related reports discussed at bilateral meetings.	coverage) and SLA signed with the IFI (EIF) - Number of reports not received or incomplete or not in line with template foreseen in the FMA/ SLA - Number of discrepancies in content - Number of discrepancies in format - Number of discrepancies in timeliness Benefits: - Follow-up of implementation of the Facility (operational, compliance, financial) - Soundness of the implementation (operational, compliance, financial) **Efficiency:** Timely follow-up of reports received as regards their exhaustiveness (all reports shall be received), content and format (shall be the same as defined in FMA/SLA with IFI) **Economy**: covered by IFI remuneration (CIP, EPMF : EIF and ELENA) **4) ECFIN reporting framework:** **Effectiveness** Control results: - adequate and satisfactory (in line with provisions foreseen in the FR) content of the reports under 'FR

Main risks It may happen (again) that…	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)[13] Effectiveness Efficiency Economy
			reporting package' to the Budget Authority Benefits: **-** increased visibility of financial instruments at Commission, Parliament, Budgetary Authority levels - sound financial management **Efficiency:** - on-time delivery of the reports under 'FR reporting package' to the Budget Authority - timelines, quality of content, coverage of the reports: AAR, MP and AOSD reports delivered on time and with the content required under DG ECFIN and DG BUDG rules and procedures - on-time delivery of the reporting package to the Budget Authority under the relevant provisions of the Financial Regulation with the content and coverage required by these provisions. **Economy**: Estimate of cost of staff involved **5) Ex-ante assessments and evaluations** **Effectiveness:** Control results: - conduct of the ex-ante assessment for the SME Initiative

Main risks It may happen (again) that…	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)[13] Effectiveness Efficiency Economy
			(2013) - the latest evaluation of the CIP programme reiterated that the financial instruments appeared to be on track to achieve the targets set and confirmed that the effectiveness of the financial instruments has increased over time. Benefits: - ensure the adequacy of EU Programmes to the market needs - enhance the efficiency of EU Programmes - ensure the compliance of the Programmes with EU rules **Efficiency:** N/A **Economy**: Estimate of cost of staff involved

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

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

Main risks It may happen (again) that…	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)[14]** Effectiveness Efficiency Economy
Financial Intermediaries may not be eligible. Agreements with FIs do not cover the set of required provisions (eligibility of Final Recipients of operations, financial parameters, and so on). Guarantee calls/investments/Grant allocations are not in line with contractual provisions. Final Recipients might not be eligible.	**1) Preventive measures:** Each agreement between the Commission and the IFIs and between the IFIs and FIs contains control (e.g. audit rights of the Commission) and reporting obligations. In some programmes, there are certain risk-sharing arrangements built into the design of the programmes as well as financial incentives to ensure alignment of interest at the IFI level. **2) Monitoring policy of the Commission services**: The designated operational Commission services assess the implementation of the action and the corresponding expenditure on the basis of a Monitoring Policy that has been defined by the Monitoring Policy Group associating DG ECFIN, DG NEAR, and DG GROW. In addition, the Policy DGs have been closely associated to the Delegation Agreements/ FMAs negotiation, including the relevant monitoring provisions. Monitoring instruments	**1) Preventive measures :** for CIP, IFI Facilities and ELENA all agreements signed by the IFIs (IFI in charge as 'operating body') undergo a preliminary formal approval by DG ECFIN, which is based on a formal template and analysis, as foreseen in DG ECFIN manual of procedures. **2) Monitoring policy by the Commission services:** the monitoring is based on the provisions foreseen in the Monitoring Manuals complemented by the yearly Monitoring Plan, validated by the management. This defines the types and numbers of monitoring visits and tasks to be performed, and covers the rules for selecting the FIs, the operations samples, etc. **3) Reporting framework from IFI to DG ECFIN**: EIF quarterly reports, annual and semi-annual reports, monitoring reports, employment survey report	**Effectiveness 1) + 2):** Control results: **-** number of analysis check-lists/set of sample-check-lists/ monitoring reports/letter to the IFIs - number of findings and/or minor observations reported to the IFIs - key indicators (number of Final Recipients; number of jobs created or maintained; total investment/loan volume leveraged) of achievement Benefits: - assuring the compliance of the implementation of the agreements with the provisions foreseen in the Agreement/FMA/Legal Basis, namely with regard to the eligibility criteria of Final Beneficiaries and operations, EU visibility and promotion, policy objectives of the Facility, financial rules, - ensuring legality and regularity of the operations - ensuring sound operational and financial management of the Facility **Efficiency 1) + 2):** Monitoring the timely use of budget available within the availability period **Economy 1) + 2)**: Estimate of cost of

[14] Results are provided under Annex 10

Main risks It may happen (again) that…	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)[14] Effectiveness Efficiency Economy
	include a Steering Committee, checks prior to approval of project proposals, documentary checks, reporting, monitoring visits, audit reports and management letters. Monitoring visits take place at different levels (at IFI level, at FI level and at FB level) and are carried out by the operating unit as well as by the ex-post control function in ECFIN. The findings and results are followed up by the operating unit in different ways, e.g. technical meetings with the IFIs, communications setting out weaknesses to be addressed, etc.		staff involved

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

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

Main risks It may happen (again) that…	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)[15] Effectiveness Efficiency Economy

[15] Results are provided under Annex 10

Main risks It may happen (again) that…	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)[15]** Effectiveness Efficiency Economy
1) processes are weak or not working as designed 2) poor adequacy of the System	1) The verification that processes are working as designed is ensured through several information channels: -management's knowledge about the state of the DG's internal control systems, gathered through the day-to-day work and experiences; -the DG's formal supervision, follow-up and monitoring arrangements; - the results from the annual ICS review ('full compliance with baseline requirements'); - the results of the annual Risk Assessment exercise; - the ex-ante and ex-post controls, including reports of exceptions and/or internal control weaknesses; - the results from the DG's external financial audits; - evaluations of the programmes carried out by external evaluators. - The audited financial statements received from IFIs - The Statements of Assurance received from EIF. - Contractual monitoring obligations for the IFI 2) All activities of the DG are audited by the IAS and the ECA.	1) According to the annual work-plan of the IAS DG ECFIN ex-post control and the ECA. 2) Follow-up of the implementation of OLAF's recommendations in two cases (see more in Annex 10). Several ex-post controls are regularly performed on the projects (for the results, see under Annex 10).	**Effectiveness:** Control results: **-** Number of controls and quality; results of the controls listed in column 2 → see ECA/ IAS/OLAF/ex-post controls. - Action plans established following ECA, IAS or ex-post control recommendations; number of recommendations agreed in the Action Plan, implemented or addressed. - Number of closed findings - Number of OLAF inquiries - Number of open recommendations in action plans established following ECA, IAS or ex-post control recommendations Benefits: - to get reasonable assurance in the implementation of the Programmes - to ensure legality and regularity of the operations - financially speaking, this covers the (average annual) total budget amount entrusted to the entity, possibly at 100% (significant errors would otherwise be detected). **Efficiency:** N/A **Economy**: Costs for our internal control tasks and follow-up of ex posts controls

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

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

Main risks It may happen (again) that…	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)[16]** Effectiveness Efficiency Economy
Undue or erroneous payments (amount, eligible beneficiaries)) Undue or erroneous recoveries/re-payments	1) **Ex-ante controls**: The payments from DG ECFIN to the trust accounts and recovery from the trust accounts of the IFIs are subject to the normal financial circuit of the DG, including independent ex-ante verification. 2**) Due diligence:** The IFI has to check the project implementation and the fulfilment of the conditions triggering payments out of (or recoveries to) the trust account based on agreed procedures and/or the IFI's own procedures. 3**) IFI reporting**: the IFIs draw up regular programme implementation and financial reports and a final report at the end of the facility. The IFIs have to provide annually a financial audit certificate concerning the trust account balances. 4) Approval of management fees and eligible expenses of the IFI	Ex-ante verification of commitments 100% / Ex-ante verification of payments 100%. Ex-post control reports (recommendations "taken on board") Verification of IFI transactions (sample checks). All fees and eligible expenses are verified before payment against contractual conditions and supporting documentation required under the CA/Delegation Agreement. Reports to DG BUDG on Trust accounts for every financial year, final balance year n-1 equals starting balance year n.	**Effectiveness:** Control results: - improvement on procedures - compliance with budget procedures and financial management procedures & Financial Regulation - number of operations outside official procedures - number of erroneous operations - return to Trust Account linked to errors - results on the checks on the balance of the Trust Account Benefits: - reduce or avoid errors on payments/recoveries/repayments - sound financial management sample checks performed give sufficient assurance that transactions are in-line with rules and regulations - financially speaking, the (average annual) total budget amount entrusted to the entity, possibly at 100% (significant errors would otherwise be detected). **Efficiency:** N/A **Economy**: Estimate of cost of staff involved.

[16] Results are provided under Annex 10

Stage 5 (Programme financial management): Audit and evaluations

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

Main risks **It may happen (again) that…**	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)**[17] Effectiveness Efficiency Economy
1) processes are weak or not working as designed 2) poor adequacy of the system 3) errors in the implementation of the programmes as compared to the provisions foreseen in the legal basis, Cooperation Agreements FMAs and/or financial operations	1) The verification that processes are working as designed is ensured through several information channels: -management's knowledge about the state of the DG's internal control systems, gathered through the day-to-day work and experiences; -the DG's formal supervision, follow-up and monitoring arrangements; - the results from the annual ICS review ('full compliance with baseline requirements'); - the results of the annual Risk Assessment exercise; - the ex-ante and ex-post controls, including reports of exceptions and/or internal control weaknesses; - the results from the DG's external financial audits;	See above Stage 3	**Effectiveness:** Control results: **-** Number of controls and quality**;** results of the controls listed in column 2 (see also stage 3) - Action plans established following ECA, IAS or ex-post control recommendations - Number of recommendations agreed in the Action Plan, implemented or addressed. - Positive DAS for the exercise Benefits: - To get reasonable assurance in the implementation of the Programmes - To ensure legality and regularity of the operations - Sample checks performed give sufficient assurance that transactions are in-line with rules and regulations - Financially speaking, this covers the (average annual) total budget amount entrusted to the entity, possibly at 100% (significant errors would otherwise be detected).

[17] Results are provided under Annex 10

	- evaluations of the programmes carried out by external evaluators. 2) All activities of the DG are audited by the IAS and the ECA		**Efficiency:** N/A **Economy**: - Estimate of cost of DG ECFIN staff involved in our internal control tasks and follow-up of ex-post controls. - Estimate of cost of IAS, ECA and other staff involved if applicable

RCS 4: Guarantee Fund for external actions / indirect management

Background and purpose: Annex 10
Management of the Fund's assets
Roles: The EIB manages the Fund's portfolio. The Commission services oversee the investment policy, its implementation and agree with the EIB on the main investment guidelines.
The **features of the activity** are the following:

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

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

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

Main risks It may happen (again) that…	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)[18]** Effectiveness Efficiency Economy
The management modes foreseen in the Financial Regulation for the use of budget funds are not directly applicable in the context of the management of the GFEA portfolio. The legal basis determines that the assets of the Fund shall be managed by the EIB. The main risks are: - Risks commonly associated to the treasury management operations, including delegation of asset management to an external entity (EIB). - Operational risk: risk of errors during the ascertaining and calculation of amounts due or the payment operations from/into the GFEA following calls on defaulting loans	As regards the management of the Guarantee Fund's assets by the EIB, the Agreement signed between the EIB and the Commission defines the eligible assets and other prudential rules. The annual investment strategy is proposed by the EIB to the Commission for approval. Management of the Guarantee Fund's assets by the EIB : There is a policy concerning the type of investments that can be made and the limits of financial risk (e.g. credit risk) that can be assumed in the portfolios under management. The compliance with these rules is ensured by several control mechanisms: - *reporting:* the EIB submits monthly, quarterly and annual data and reports on the management of the portfolio to the Commission; - *compliance review*s: DG ECFIN's financial risk management, by using these data, verifies for the reporting dates the EIB's compliance with the investment guidelines and policy; - *audits:* the EIB provides an audit certificate issued by its external	DG ECFIN performs internal control activities based on, and complementing, the internal control systems of the EIB. The risk management of the EIB produces a quarterly report to DG ECFIN. Respect of limits is controlled on a sample basis by the financial risk management in DG ECFIN which is independent from the unit in charge of the GFEA. The implementation by the EIB of the investment policy is supervised by the operational unit in charge and the Treasury Management Committee chaired by the Director concerned, who receives the EIB reports Annual financial audit certificate by EIB's external auditors on the key figures such as guaranteed amounts outstanding, etc.	**Effectiveness**: Control results: - Compliance with budget procedures and financial management procedures & Financial Regulation. Benefits: - Achievement of the control objectives, qualitative and quantitative estimations of the errors and irregularities prevented as a result of the control failures detected and reported in the course of the control procedure. **Efficiency**: N/A **Economy**: - Estimate of cost of staff involved in the process verification - Estimate of the cost implied by the audit fees of the fund, estimate of the part of the management fees corresponding to the internal control of the EIB.

[18] Results are provided under Annex 10

Main risks It may happen (again) that…	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)[18] Effectiveness Efficiency Economy
	auditor. Operational risk: appropriate review and verification procedures are in place, including checklists.		

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

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

Main risks It may happen (again) that…	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)[19] Effectiveness Efficiency Economy
Processes might be weak or not working as designed. The system might provide poor adequacy.	DG ECFIN financial risk management performs sample checks on compliance with investment guidelines based on the reporting by EIB on their portfolio management activities. DG ECFIN receives quarterly reports from EIB. Supervision by heads of unit and senior management responsible. Procedures documented in unit manuals of DG ECFIN units concerned. IAS audits. Audits are performed by external auditors,	Annual financial audit certificate by EIB's external auditors on the quarterly reporting by EIB. Annual financial audit certificate by EIB's external auditors on the financial statements of the GFEA in compliance with the accounting rules adopted by the Commission's Accounting Officer. Annual audits by ECA of the GFEA related operations. IAS audits. Annual financial audit certificate by	**Effectiveness**: Control results: Compliance with budget procedures and financial management procedures & Financial Regulation. Benefits: Achievement of the control objectives, qualitative and quantitative estimates of the errors and irregularities prevented as a result of the control failures detected and reported in the course of the control procedure. **Efficiency:** N/A

[19] Results are provided under Annex 10

Main risks It may happen (again) that…	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)[19] Effectiveness Efficiency Economy
	the Commission's Internal Audit Service (IAS) and the European Court of Auditors. Recommendations made by these bodies are followed up systematically.	EIB's external auditors on the key figures such as guaranteed amounts outstanding, etc. Annual audits by ECA of the GFEA related operations.	**Economy:** - Estimate of cost of staff involved in the process verification - Estimate of the cost implied by the audit fees of the fund, estimate of the part of the management fees corresponding to the internal control of the EIB.

Stage 3: Sound financial management

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

Main risks It may happen (again) that…	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)[20] Effectiveness Efficiency Economy
Undue or erroneous financial operations or payments Default of payment from a beneficiary	DG ECFIN receives quarterly reports from EIB, which contain i.a. reporting on limit breaches. Annual report adopted by the Commission and addressed to the budgetary authority on guarantees covered by the EU budget. Annual report adopted by the Commission and addressed to the budgetary authority on the GFEA and its management. Comprehensive report on the functioning of the GFEA.	Annual financial audit certificate by EIB's external auditors on the key figures such as guaranteed amounts outstanding, etc. Annual audits by ECA of the GFEA related operations.	**Effectiveness**: Control results: Compliance with budget procedures and financial management procedures & Financial Regulation. Benefits: Achievement of the control objectives, qualitative and quantitative estimates of the errors and irregularities prevented as a result of the control failures detected and reported in the course of the control procedure. **Efficiency:** N/A **Economy:** - Estimate of cost of staff involved in the process verification

[20] Results are provided under Annex 10

Main risks It may happen (again) that…	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)[20] Effectiveness Efficiency Economy
	Inclusion of data in the consolidated EU balance sheet. Evaluation of the GFEA target rate by an external consultant.		- Estimate of the cost implied by the audit fees of the fund, estimate of the part of the management fees corresponding to the internal control of the EIB.

RCS 5: Management of the European Fund for Strategic Investments (EFSI) Guarantee Fund / direct management

Background and purpose: Annex 10

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

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

Main risks It may happen (again) that…	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)[21] Effectiveness Efficiency Economy
Risk of decision making latitude in the initiation of the treasury transactions (the so-called 'front-office' function of the treasury). By their nature, i.e.	• The Asset Management Guidelines as adopted by the Commission on 21/1/2016[22] define the framework for the asset management activity. In particular they define the eligible asset classes, the risk preference, certain limits and the investment horizon.	• The Treasury Management Board, the Investment Committee, the Compliance Committee and the Risk Committee monitor the	**Effectiveness:** Control results: - Number of incidents. - Number of

[21] Results are provided under Annex 10
[22] C(2016)165

Main risks It may happen (again) that…	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)[21]** Effectiveness Efficiency Economy
need for quick decisions by the 'front office', these operations are initiated and authorised in a tight time-frame and, for reasons of timing, they cannot be subject to independent centralised ex-ante verifications as in the case of the budgetary transactions. Non availability of the highly sophisticated software platform (SAP shared with DG BUDG). Operational risk: Risk of errors during the ascertaining and calculation of amounts due or during the payment operations from/into the EFSI Guarantee Fund following calls on the EU guarantee.	• There are comprehensive rules concerning the type of investments that can be made and the limits of financial risk (e.g. credit risk) that can be assumed in the portfolios under management. • Detailed investment strategies are developed on an annual basis, incorporating short term developments (expected market movements, etc.) effecting the eligible asset classes. • The strategical decisions are supervised by the Treasury Management Board (TMB) chaired by the Director of the responsible Directorate and the Principal Advisor to the DDG. The role of the TMB is to make strategical proposals to the senior management following discussion and input received from the Investment Committee and Risk Committee. The Investment Committee is in charge with the Tactical Asset Allocation (TAA) and the Risk Committee is in charge with the Strategical Asset Allocation (SAA). • There is a transparent method for selecting and approving possible counterparties for deposit placements and establishing limits for the placements. • Operations are carried out in line with good banking practice, in particular there is segregation of duties, four-eye principle, daily cash account reconciliation, monthly securities account reconciliation etc. • Exceptions from the procedures are documented, followed and signed off at senior level (usually Director). • It is required to have documented competing bids for the treasury transactions to the extent possible under market circumstances.	implementation of the investment strategy and any deviations from it. • A dedicated financial risk management function is placed in a unit independent from the treasury unit. It sets the various limits (per asset class, currency, ratings, etc.) resulting from the risk tolerance of the EFSI Guarantee Fund and monitors compliance with internal rules (e.g. manuals of procedures, respect of credit limits with counterparties, limits concerning the credit quality of securities purchased, etc.). Risk management produces a quarterly risk report to senior management. The Internal Control function performs sample-based checks of transactions.	material audit findings. Benefits: The absence of material errors **Efficiency:** N/A **Economy**: Estimate of cost of staff FTE involved in the controls.

Main risks It may happen (again) that…	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)[21] Effectiveness Efficiency Economy
	• There are detailed manuals of procedure which are regularly updated. • Evaluation of the use of the EU guarantee and the functioning of the guarantee fund. • Establishment of IT and information security 'culture' and rules. • Sufficient availability of consultants for the sophisticated software platform. • Operational risk: Appropriate review and verification procedures are in place.		

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

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

Main risks It may happen (again) that…	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)[23] Effectiveness Efficiency Economy

[23] Results are provided under Annex 10.

Main risks **It may happen (again) that…**	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)[23]** Effectiveness Efficiency Economy
A/ The implementation of the legal bases or equivalent rules and legal documents entails weaknesses, which lead to the Commission's legal rights in terms of revenue entitlements, assets ownerships, liabilities or information security not being duly protected and/or registered and/or reliably reported. B/ EU accounting rules are not respected.	A/ A dedicated risk management function reports on financial risks and ensures compliance with the principles and limits as defined in the individual investment guidelines and the Risk Management Policy and Manual. In addition the asset management is supported by accountants, back-office and specialised lawyers. B/ a) EU Accounting rules are properly followed. Updates to the EU Accounting rules and accounting instructions are timely communicated by BUDG. Changes are analysed and information is shared among officials concerned. b) Closure accounting instructions are provided by BUDG. Information is shared among the officials concerned, internal and external preparatory meetings take place. Accounting procedures manuals are made available and are regularly updated. c) Accounting revision programme is regularly updated in view of the results of the Accounting quality overview and of the evolution in the accounting environment. d) Segregation of duties and four eyes principle are systematically applied. Formalised supervision and review procedures are in place for all accounting activities.	A/ Risk Management maintains and monitors counterparty limits and provides regular risk and performance reporting – monthly to the Treasury Management Board, quarterly to senior management B/ a) Updates on irregular basis depending on the evolution of the accounting environment. The accounting team produces a monthly balance sheet report and a yearly audited set of financial statements on the outstanding net assets and liabilities to senior management. b) Yearly (October-December) c) Yearly (May or earlier) Revision programme followed throughout the year. d) Continuous	**Effectiveness**: Control results: - Number of control failures. - Number of litigation settlement and court cases lost (e.g. due to lack of evidencing documents); amounts of the items concerned. - Number of internal and external auditors findings about incorrect registration of items. - Number of exceptions (bank reconciliation incidents). Benefits: - The value of errors prevented or detected within the activities of the EFSI Guarantee Fund management **Efficiency**: N/A **Economy**: Estimate of cost of staff FTE. Cost of the contracted (legal, IT, advisory) services.

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

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

Main risks It may happen (again) that…	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)[24]** Effectiveness Efficiency Economy
Processes might be weak or not working as designed. Undue or erroneous financial operations or payments. The system might not be adequate.	• Supervision by Heads of Unit and senior management responsible. • Oversight by the Treasury Management Board. • Internal control verification includes ex post transactional controls. • Specific procedures are in place creating a clear framework of controls to be performed by the Financial Unit. The various documents to be provided as well as the controls performed by the financial and the verifying agents are detailed in these procedures. • Procedures are documented in unit manuals of DG ECFIN units concerned. • Annual financial audits are performed by an external audit firm on financial statements of the EFSI Guarantee Fund. • Audit and consultancy work is performed by the Commission's Internal Audit Service (IAS), the European Court of Auditors, DG BUDG and in the discharge procedure and feedback is provided by them.	• In the framework of the regular quarterly checks on compliance with rules and procedures, the financial risk management verifies samples and produces quarterly risk reports to senior management. • All non-expenditure/off-budget financial operations are controlled by a dedicated team possessing the required specialized competences (back office and account reconciliation). • Reports are made to the Treasury Management Board. • Frequency of controls is determined by the annual work plans of the IAS, DG BUDG and the ECA. • IAS audits. • Annual ECA audits. • Complementary a posteriori controls are carried out by external auditors in the context of their audit of the financial statements for the EFSI Guarantee	**Effectiveness**: Control results: - Percentage of sampled operations checked by the financial risk management which are in compliance with internal procedures (e.g. reconciliation items, bank accounts, etc.). - Number of recommendations from the audit bodies (see under Mitigating controls) which have been followed up systematically. Benefits: - The absence of material errors. - The benefits of controls are not quantifiable other than through the low number of incidents caused in DG ECFIN and the existing full compliance with internal rules and procedures. **Efficiency**: N/A **Economy**: Estimate of cost of staff FTE dedicated to control-related tasks

[24] Results are provided under Annex 10

Main risks It may happen (again) that…	Mitigating controls	Coverage, frequency and depth of controls	Cost-Effectiveness indicators (three E's)[24] Effectiveness Efficiency Economy
	• Recommendations made by these bodies are followed up systematically.	Fund having been prepared by a dedicated team of accountants in DG ECFIN. • Agreed upon procedure review by EIB's external auditors on key figures such as guaranteed amounts outstanding, etc.	and of other costs (audit fees, evaluation costs) involved.

RCS 6: Macro-Financial Assistance

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

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

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

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

Main risks **It may happen (again) that…**	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)**[25] Effectiveness Efficiency Economy
The financial and control framework deployed by the beneficiary country is not fully mature to guarantee achieving all 5 ICOs (legality and regularity, sound financial management, true and fair view reporting, safeguarding assets and information, anti-fraud strategy).	Commission assessment of management and control systems in the beneficiary countries. For each beneficiary country, an ex-ante operational assessment of the financial circuits and control environment is carried out by the Commission with technical support from consultants. An analysis of accounting procedures, segregation of duties and internal/external audit of the Central bank and the Ministry of Finance are carried out to ensure a reasonable level of assurance for sound financial management. Should weaknesses be identified, they are translated into conditions, which have to be implemented before the disbursement of the assistance. Also, when needed, specific arrangements for payments (e.g. ring-fenced accounts) are put in place.	**Coverage:** Verification of information provided in the ex-ante operational assessments. Depth: Desk checks and/or on-the-spot audits based on risk assessment.	**Effectiveness:** - Number, amount and % (with respect to total commitment) of MFA operations stopped or suspended as a result of a negative operational assessment. **Efficiency**: - Cost of operational assessments (% of proposed amounts of MFA operations) **Economy:** - Cost of external ex-ante operational assessments (outsourced to consultants) - Estimation of cost of Commission staff involved in the assessment of management and control systems in beneficiary country, including analysis of operational assessment report, own audit work, and drafting of interruption letters Benefits: errors prevented [unquantifiable]

[25] Results are provided under Annex 10

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

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

Main risks	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)**[26] Effectiveness Efficiency Economy
The macro-financial assistance does not adequately reflect the EU policy objectives or priorities. Delayed implementation of the MFA operation negatively impacts the effectiveness and efficiency of the assistance.	Internal consultation, hierarchical validation at DG-level of each action. Given the complexity of the instrument, a comprehensive Vademecum has been put in place setting out the procedures and controls to be followed by the competent DG ECFIN services in the preparation of each operation. Inter-service consultation (including all relevant DGs) Inter-institutional agreement required Adoption by Legislative (Council and Parliament) Decision/Commission Decision, where foreseen by EU law.	**Coverage and Frequency:** 100%. **Depth:** Checklist, guidelines and lists of requirements in the relevant regulatory provisions. (cf. Genval criteria)	**Effectiveness:** - Average time between the adoption of the Decision and the signature and ratification of MFA documents (Memorandum of Understanding (MoU), Loan and/or Grant Agreement) *(the shorter the time the more relevant the decision in relation to the country's needs and EU policy objectives)* **Efficiency:** - Average cost of analysis and adoption/approval of an MFA operation - Average time between a proposal by the Commission for a Decision to the adoption of the Decision by the co-legislators *(this measures the efficiency of the inter-institutional process)* **Economy:** Estimation of cost of staff involved in the negotiation and adoption of the MFA proposals. Benefits: MFA operations have a clear intervention logic, allowing the Commission to evaluate their impact.

[26] Results are provided under Annex 10

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

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

Main risks **It may happen (again) that…**	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)[27]** Effectiveness Efficiency Economy
The management verifications and subsequent audits/controls have failed to detect non-implementation of conditionalities. The Commission services have failed to take appropriate measures to safeguard EU funds, based on the information it received.	Commission checks of periodic beneficiary country declarations. The payment is subject to (1) monitoring by DG ECFIN staff, in close coordination with the EU Delegations and with the external stakeholders, like the IMF, of the implementation of the agreed conditionalities, and (2) the normal control procedure provided for by the financial circuit (model 2) used in DG ECFIN, including the verification by the financial unit of the fulfilment of conditions attached to the disbursement of the assistance mentioned above. The disbursement relating to MFA operations may be subject to additional independent ex-post (documentary and/or on-the-spot) verifications by officials of the ex-post control team of the DG. Such verifications may also be initiated at the request of the responsible AOSD. Interruptions and suspensions of payments Financial corrections (implemented by Commission) Recoveries may be practiced where needed (it has not occurred so far), and are explicitly foreseen in the financing agreements with the beneficiary countries.	**Coverage:** Verification of information provided in the periodic beneficiary country declarations. **Depth:** Desk checks and/or on-the-spot audits based on risk assessment.	**Effectiveness:** - % of MoU conditions successfully implemented - % of financial allocation disbursed* **Efficiency:** - Time-to-payment (time between adoption of decision on disbursement and actual disbursement) **Economy:** - cost of Commission staff checking conditionalities Benefits: errors prevented [unquantifiable]

* where relevant/if applicable, for 2014-2020

[27] Results are provided under Annex 10

Stage 4 – Audit and evaluation

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

Main risks **It may happen (again) that…**	**Mitigating controls**	**Coverage, frequency and depth of controls**	**Cost-Effectiveness indicators (three E's)[28]** Effectiveness Efficiency Economy
The Commission has not sufficient information from independent sources on the beneficiary country's achievements, which may reflect negatively on the Commission's governance reputation and quality of reporting.	The verification that processes are working as designed is ensured through several information channels: the ex-ante and ex-post controls, including reports of exceptions and/or internal control weaknesses; the results from the DG's external financial audits; the audit and consultancy work performed by the DG's Internal Audit Capability. Ex-post evaluations of the MFA operations are carried out by external evaluators.	**Coverage:** Verification of information provided in the ex-ante operational assessments. **Depth:** Desk checks and/or on-the-spot audits based on risk assessment.	**Effectiveness:** - Assurance being provided (via management/audit reporting); **Efficiency:** - Total (average) annual cost of own audits and evaluations compared with MFA amounts being audited/evaluated (ratio). **Economy:** - Cost of external ex-post evaluations (outsourced to consultants) - Estimation of cost of Commission staff involved in the ex-post controls and audits. **Benefits:** Confirmation of assurance and of attainment of policy objectives and priorities [unquantifiable]

[28] Results are provided under Annex 10

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

Not applicable.

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

Not applicable.

ANNEX 8: Decentralised agencies (if applicable)

Not applicable.

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

	Study project ID	Title of the study	Study internal ID	Study overview	Study reason	Associated services	Study Cost	Notes	Reference
I. Evaluations finalised or cancelled in 2018									
a. Evaluations finalised in 2018	3325	Evaluation of Macro Financial Assistance to Ukraine I & II	L	The ex-post evaluation assessed the Ukraine I & II macro-financial assistance programmes related to Decision 2002/639/EC of the Council, Decision 646/2010/EU of the European Parliament and the Council and Decision 2014/215/EU of the Council.	Evaluation	SG, SGUA, EEAS	134224,00	Evaluation undertaken as planned.	SWD(2018) 390 SWD(2018) 391 https://ec.europa.eu/info/evaluation-reports-economic-and-financial-affairs-policies-and-spending-activities/ex-post-evaluation-mfa-operations-ukraine_en
	3326	Evaluation of MFA Jordan	L	The ex-post evaluation assessed the Jordan macro-financial assistance programme related to Decision No 1351/2013/EU of the European Parliament and of the Council.	Evaluation	NEAR, EEAS	126512,00	Evaluation undertaken as planned.	SWD(2018) 398 SWD(2018) 399 https://ec.europa.eu/info/evaluation-reports-economic-and-financial-affairs-policies-and-spending-activities/ex-post-evaluation-mfa-operations-jordan_en
	8394	Evaluation of the European Fund for Strategic Investment (EFSI) regulation.	MFF	The evaluation assessed the application of the European Fund for Strategic Investment regulation, The European Investment Advisory Hub and the European Investment Proejct Portal.	Evaluation	SG, REGIO, BUDG	229475,00*	Evaluation undertaken as planned.	SWD(2018) 316 https://ec.europa.eu/info/evaluation-reports-economic-and-financial-affairs-policies-and-spending-activities/independent-evaluation-european-fund-strategic-investments-european-investment-advisory-hub-and-european-investment-project-portal_en
* The cost includes a back-to-back impact assessment and evaluation									
b. Evaluations cancelled in 2018		N/A							

II. Other studies finalised or cancelled in 2018									
a. Other studies finalised in 2018		N/A							-
b. Other studies cancelled in 2018	8395	Study to estimate net coin migration in the euro area	O	The proposed study was to quantify net coin migration in order to quantify by extension the financial transfers and the excesses in production and stocks caused by net coin migration.	General Study		N/A	Study did not proceed as adequate methodolgy could not be developed. Alternative ways to gather information now being considered.	N/A

ANNEX 10: Specific annexes related to "Financial Management"

Table Y Overview of the estimated cost of controls <u>at Commission (EC) level</u>:

* ratio possibly "*Not Applicable (N/A)*" if a RCS specifically covers an Internal Control Objective such as safeguarding sensitive information, reliable accounting/reporting, etc.

** any 'holistic' control elements (e.g. with 'combined' ex-ante & ex-post characteristics) can be mentioned in the total column (without being in either one of the ex-ante or ex-post columns), provided that a footnote clarifies this (their nature + their cost). *Example: MS system audits in shared management.*

RCS 1: Treasury and Asset Management, and Borrowing and Lending operations / Non-expenditure items							
Ex ante controls			**Ex post controls**			**Total****	
EC total costs (in EUR)	**funds managed (in EUR)***	**Ratio (%)*:** *Total ex ante control cost in EUR ÷ funds managed in EUR*	**EC total costs (in EUR)**	**total value verified and/or audited (in EUR)**	**Ratio (%):** *Total ex post control cost in EUR ÷ total value verified and/or audited in EUR*	**EC total estimated cost of controls (in EUR)**	**Ratio (%)*:** *Total cost of controls ÷ funds managed*
€ 4.654.489,00	€ 57.732.285.282,00	0,0081%	€ 99.883,33[29]	€ 57.732.285.282,00[30]	0,0002%	€ 4.754.372,33	0,0082%
RCS 2: Grants under the European Investment Advisory Hub / Grants direct management							
Ex ante controls			**Ex post controls**			**Total****	
EC total cost (in EUR)	**funds managed (in EUR)***	**Ratio (%)*:** *Total ex ante control cost in EUR ÷ funds managed in EUR*	**EC total costs (in EUR)**	**total value verified and/or audited (in EUR)**	**Ratio (%):** *Total ex post control cost in EUR ÷ total value verified and/or audited in EUR*	**EC total estimated cost of controls (in EUR)**	**Ratio (%)*:** *Total cost of controls ÷ funds managed*
€ 343.851,67	€ 15.400.000,00	2,23%	N/A €	N/A	N/A	€ 343.851,67	2,23%

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

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

RCS 3: Financial Instruments managed via international financial institutions (period 2007-2013) / indirect entrusted management							
Ex ante controls			**Ex post controls**			**Total****	
EC total cost (in EUR)	**funds managed (in EUR)***	**Ratio (%)*:** *Total ex ante control cost in EUR ÷ funds managed in EUR*	**EC total costs (in EUR)**	**total value verified and/or audited (in EUR)**	**Ratio (%):** *Total ex post control cost in EUR ÷ total value verified and/or audited in EUR*	**EC total estimated cost of controls (in EUR)**	**Ratio (%)*:** *Total cost of controls ÷ funds managed*
€ 785.372,17	€ 1.479.781.767,00	0,05%	€ 55.966,67[31]	N/A	N/A	€ 841.338,83	0,057%
RCS 4: Guarantee Fund for external actions / indirect management							
Ex ante controls			**Ex post controls**			**Total****	
EC total cost (in EUR)	**funds managed (in EUR)***	**Ratio (%)*:** *Total ex ante control cost in EUR ÷ funds managed in EUR*	**EC total costs (in EUR)**	**total value verified and/or audited (in EUR)**	**Ratio (%):** *Total ex post control cost in EUR ÷ total value verified and/or audited in EUR*	**EC total estimated cost of controls (in EUR)**	**Ratio (%)*:** *Total cost of controls ÷ funds managed*
€ 3.095.970,33	€ 2.506.658.813,00	0,12%	€ 39.500,00	€ 2.506.658.813,00[32]	0,0016%	€ 3.135.470,33	0,13%
RCS 5: Management of the European Fund for Strategic Investments (EFSI) Guarantee Fund / direct management							
Ex ante controls			**Ex post controls**			**Total****	
EC total cost (in EUR)	**funds managed (in EUR)***	**Ratio (%)*:** *Total ex ante control cost in EUR ÷ funds managed in EUR*	**EC total costs (in EUR)**	**total value verified and/or audited (in EUR)**	**Ratio (%):** *Total ex post control cost in EUR ÷ total value verified and/or audited in EUR*	**EC total estimated cost of controls (in EUR)**	**Ratio (%)*:** *Total cost of controls ÷ funds managed*
€ 1.301.718,33	€ 5.451.773.656,00	0,024%	€ 15.000,00	€ 5.451.451.773.656,00[33]	0,0003%	€ 1.316.718,33	0,024%

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

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

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

RCS 6: Macro-Financial Assistance							
Ex ante controls			**Ex post controls**			**Total****	
EC total cost (in EUR)	**funds managed (in EUR)***	**Ratio (%)*:** *Total ex ante control cost in EUR ÷ funds managed in EUR*	**EC total costs (in EUR)**	**total value verified and/or audited (in EUR)**	**Ratio (%):** *Total ex post control cost in EUR ÷ total value verified and/or audited in EUR*	**EC total estimated cost of controls (in EUR)**	**Ratio (%)*:** *Total cost of controls ÷ funds managed*
€ 90.098,80	€ 5.100.000,00	1,77%	N/A	N/A	N/A	€ 90.098,80	1,77%
OVERALL estimated cost of control at EC level							
Ex ante controls			**Ex post controls**			**Total****	
EC total cost (in EUR)	**funds managed (in EUR)***	**Ratio (%)*:** *Total ex ante control cost in EUR ÷ funds managed in EUR*	**EC total costs (in EUR)**	**total value verified and/or audited (in EUR)**	**Ratio (%):** *Total ex post control cost in EUR ÷ total value verified and/or audited in EUR*	**EC total estimated cost of controls (in EUR)**	**Ratio (%)*:** *Total cost of controls ÷ funds managed*
€ 10.271.500,30	€ 67.190.999.518,00	0,015%	€ 210.350,00	€ 65.690.717.751,00	0,0003%	€ 11.314.380,30[34]	0,017%

[34] Total cost of control also includes FTEs for Budget and Accounting (€127.350); Coordination incl. Strategic, Programming and Planning, internal control, assurance and quality management (€671.600); as well as Anti-fraud (€33.580). Since this is not attributable to a single RCS it was added to the overall value.

A. Grants, procurements and administrative expenses

Macro-financial assistance (MFA)

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

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

Control objectives -

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

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

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

financial and budgetary statements are automatically generated by ABAC/SAP[35] for MFA's grants.

- *Safeguarding of assets and information*: The MoU and the Grant Agreement foresee detailed provisions regarding 1) regular checks by the beneficiary's authorities to prevent irregular use of financing provided by the EU as well as appropriate measures to prevent fraud, corruption or any other irregularities; 2) the authorisation to the Commission, including the OLAF, to carry out appropriate checks and inspections; and 3) early repayment clauses in case the borrower has engaged in any act of fraud, corruption or any other illegal activity detrimental to the financial interests of the EU.

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

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

DIRECT MANAGEMENT – MFA GRANTS- TIME-BASED EFFICIENCY INDICATORS				
N°	**Type of expenditure or management mode or RCS**	**Stage**	**Efficiency indicators**	**Description**
2	MFA grants	up to legal commitment	Average time to grant (Art. 194.2FR) 5 days[36]	average time to sign agreements or to notify grant decisions (Art. 194.2FR)

Relevant Control System (RCS): 6

Business Consumer Surveys (BCS)

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

Control system and conclusion: We faced no material control issue. We can

[35] Accrual Based Accounting (ABAC)

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

conclude that there are no material control weaknesses affecting the assurance building in terms of the five internal control objectives – see further down for each objective.

Control objectives -

- *Legality and regularity*: The control approach has strengthened ex-ante checks with:
- Reinforced ex ante controls of the budget estimates of the grants. At the budget submission stage, staff costs are standardised using pre-defined staff categories and instructions on how to calculate the daily rates. Staff costs deemed excessive or deviating from past figures for the related profiles are investigated further. This also shows that in respect of cost-effectiveness these controls are more cost-effective.
- Partners are requested to provide and explain their method to calculate staff costs (staff in a broad sense i.e. including human resources which are possibly listed under another heading than staff costs) and to calculate the apportionment of costs to the BCS action during the ex-ante verification of the estimated budgets. This ex-ante analysis is complemented on a case-by-case basis by on-the-spot visits to partners where (except possible operational issues) questions about costs documentation and apportionment to the BCS action remain and cannot be clarified through email/telephone contacts.

This approach has contributed to fairly significant savings in 2018 for some grants. These savings were generated both at the budget estimates stage as well as the final payment stage. The target residual error rate is 2% of the payments. The ex-ante checks when processing the requests or final payments for grants were applied to all grants and showed that the applied methodology by partners for recognising eligible costs, the staff costs structures and other relevant items were acceptable and that corrections brought (an indicator of potential error rate) were within the 2%. In addition, almost half of the amounts paid are pre-financing payments where the error rate is zero. On this basis and even if the 2% threshold cannot be fully demonstrated through a representative sample of audited transactions, a maximum of 2% is nevertheless the best estimate of the error rate.

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

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

  - *Safeguarding of assets and information*: The pre-financing payments which remain to be cleared show as assets on our balance sheet. Safeguarding is achieved through two main means: the financial capacity of the partner is assessed before entering into a framework partnership with them and throughout

the year the operational unit regularly monitors whether data is delivered on time. Since 2016, a final technical report has to be filled in by the beneficiaries at the end of the action period. This report has to be accompanied by copies of the questionnaire(s) used during the grant period together with any written instructions to the respondents and an overview of the sample size (effective, i.e. in terms of completed interviews) over the action's duration.

- *Fraud prevention and detection*: In line with the established charter of ex-post control activities and the 2018 ex-post control work programme a number of controls were initiated. In respect of the grant expenditure on the Business and Consumer Surveys, two partners in one Member State were audited and reports issues with recommendations that are followed-up by the managing AOSD (ECFIN A.3). There were no findings requiring recovery action.

Cost-efficiency indicators

The overall cost effectiveness of controls in 2018 on BCS expenses as measured by the proportion of overall costs of controls over the payments lead us to consider that the controls are sufficiently efficient and cost-effective. Compared to 2017, the (ex-ante) cost ratio declined slightly from 4 to 3,55 FTE (+0,33 FTE ex-post).

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

Direct Management - BCS				
N°	**Type of expenditure or management mode or RCS**	**Stage**	**Indicators (annual indicators) per type of entrusted entity (FI, executive agency…)**	**Description**
1	BCS	overall indicator	Full cost 9,65% (0,483M€/5M€)	3,55 FTE (FIA/FVA/OVA/OIA and deliverables quality control) + 0,33 FTE ex-post control

Direct Management - BCS				
No	**Type of expenditure or management mode or RCS**	**Stage**	**Efficiency indicators**	**Description**
1	BCS grants	up to legal commitment	average time to inform applicants of the outcome of the evaluation of the application (Art. 128.2FR) SGA's 14 days FPA's N/A	average time to inform applicants of the outcome of the evaluation of the application (Art. 194.2 FR)
2	BCS grants	up to legal commitment	Average time to grant (Art. 128.2FR) SGA's 8 days FPA's N/A	average time to sign agreements or to notify grant decisions (Art. 194.2FR)

***RCS:* N/A**

Pericles Programme

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

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

Control objectives -

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

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

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

- Beneficiaries are requested to provide the apportionment of costs to the Pericles action during the ex-ante verification of the estimated budgets. Also explanations regarding staff cost calculations, ex-post, is complemented on a case-by-case basis clarification through email/telephone contacts. This approach has resulted in savings in 2018 for some grants with for instance, some hotel costs being reduced. Savings were generated both at the budget estimate stage and at final

payment stage. The target residual error rate is below 1% of the payments. The ex-ante checks when processing the requests or final payments for grants were applied to all grants and showed that the applied methodology by partners for recognising eligible costs, the staff costs structures and other relevant items were acceptable and that corrections were within the 1%. Hence, a maximum of 1% is the best estimate of the error rate.

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

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

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

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

- *Cost-effectiveness indicators*: The overall cost effectiveness of controls in 2018 on Pericles expenses is measured by the proportion of overall costs of controls over the payments. This leads us to consider that although the control costs ratio is above the average the implementation is sufficiently efficient and cost-effective. The mid-term review of the Pericles 2020 Programme will address also the efficiency.

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

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

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

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

Direct Management - PERICLES				
N°	**Type of expenditure or management mode or RCS**	**Stage**	**Annual indicator**	**Description**
1	Pericles	overall indicator	Full cost 24,2% (EUR 0.194 million/EUR 0.8 million)	1,55 FTE (FIA/FVA/OVA/OIA and quality control)

Direct Management -PERICLES				
N°	**Type of expenditure or management mode or RCS**	**Stage**	**Efficiency indicators**	**Description**
1	Pericles grants	up to legal commitment	Average time to inform applicants of the outcome of the evaluation of the application (Art. 128.2FR) 54 calendar days (37 working days)	average time to inform applicants of the outcome of the evaluation of the application (Art. 194.2 FR)
2	Pericles grants	up to legal commitment	Average time to grant (Art. 128.2FR) 29 calendar days (21 working days)	average time to sign agreements or to notify grant decisions (Art. 194.2FR)

***RCS:* N/A**

European Investment Advisory Hub (EIAH)

Short description: 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 EIAH offers a single point of entry to a comprehensive offer of advisory and technical assistance for project promoters, to help ensure that good ideas can be turned into viable projects that result into extra financing reaching the real economy. In doing so, the EIAH should help to strengthen Europe's investment and business environment. The EIAH should provide strengthened support for project development and preparation across the Union, by building on the expertise of the Commission, the EIB, national promotional banks or institutions and the managing authorities of the EFSI. For the purposes of implementing the EIAH, specific grants may be awarded to the EIB annually on the basis of a request including the proposed work programme for the subsequent year and estimated budget to be submitted by the EIB. The work programme shall contain, *inter alia*, an indication of the type of advisory services that will be available in a given period and the allocated resources. A fourth Specific Grant Agreement (SGA) was signed between the EU and the EIB in August 2018 for the year 2018. The total EIAH grant amount is EUR 19.3 million. The EIAH Framework Partnership Agreement was amended in April 2018 in order to adjust the descriptions of the actions alongside with the EFSI 2.0 priorities. A third amendment to the 2016 SGA was signed in September 2018 to allow the European Bank for Reconstruction and Development (EBRD) to act as a third party in order to implement its Advice for Small Businesses Programme initially in Romania, Bulgaria and Greece also in Croatia.

Control system and conclusion:

As of end-2018, 1091 requests were received from all Member States. Only 50% of the requests were for technical assistance alongside a simultaneous request for funding support. The third complete year of EIAH has been dedicated to provide technical assistance support and continue to develop its presence and network, expand to Croatia its agreement with the EBRD to provide the ERBD Advice for Small Businesses Programme (originally in Romania, Bulgaria and Greece) on the behalf of the EIAH, increase stakeholders awareness, and follow up the Call for proposal targeting NPBIs. So far, the Hub has engaged in strategic guidance and technical support in 26% of the project related requests received. There were one annual technical and financial report, two semi-annual technical reports (H2 2017 and H1 2018) submitted to the Commission in 2018 and no audit report.

A first pre-financing payment was carried out following the signature of the EIAH 2018 Specific Grant Agreement for an amount of EUR 7.720.000, a subsequent pre-financing payment for an amount of EUR 2.333.500 under the EIAH 2017 Specific Grant Agreement, a subsequent (third) pre-financing payment for an amount of EUR 3.378.927 under the EIAH 2016 Specific Grant Agreement and a final balance payment for an amount of EUR 1.978.768 under the EIAH 2015 Specific Grant Agreement. We can conclude that there are no material control weaknesses affecting the assurance building in terms of the five internal control objectives – (see further down for each objective).

Control objectives -

- *Legality and regularity*: (cf RCS 2, stages 1, 2 and 3):): The best estimate of the error rate is 0% given that the payment requests were supported by documents, including audited financial statement. DG ECFIN conducted a monitoring visit to the EIB in 2018 and there was no final claim to be checked after the visit. Moreover, in December 2018 the final payment under the 2015 Specific Grant Agreement was done.

- *Sound financial management*: (cf RCS 2, stages 1, 2 and 3): The existing

mechanisms and processes were adequate to the functioning of the EIAH.

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

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

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

Cost-effectiveness indicators –

The overall cost- and time-effectiveness of controls on Grants under the EIAH in 2018, as measured by the proportion of overall cost of control (based on the FTEs involved) over total expenditure and by the average time to sign, lead us to consider that the controls are sufficiently efficient and cost-effective. The periods specified in Article 128.2 of the Financial Regulation[37] were fully complied with.

DIRECT MANAGEMENT – EIAH GRANTS- TIME-BASED EFFICIENCY INDICATORS				
N°	**Type of expenditure or management mode or ICS**	**Stage**	**Efficiency indicators**	**Description**
1	Grants under the European Investment Advisory Hub	up to legal commitment	Average time to inform: FPA 56 days SGA 90 days Average time to sign: FPA 9 days SGA 11 days	Average time to inform and to sign the Framework Partnership Agreement and the Specific Grant Agreement (Art. 194.2 FR)

Relevant Control System (RCS): 2

Procurement and other administrative expenses

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

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

Control objectives -

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

- - *Legality and regularity:* With the other direct management expenditures, the pre-set target of materiality is 0%. In other words, controls aim at systematically detecting and preventing breaches of legality and regularity. Having well-trained, highly-skilled and competent staff performing these tasks in a central financial unit, coupled with adequate instructions and procedures provide the required reasonable assurance in that respect. Validation of financial transactions is documented by detailed check-lists showing the controls carried out and control material is available.

- The error rate is assessed by analysis of the following items:

    - Recording of exceptions and non-compliance events;
    - opinions and audits from independent supervisory bodies as the IAS or ECA;
    - ex-post control as a quality assurance activity.

  In 2016, the IAS conducted an audit on DG ECFIN's grants and procurements which resulted in the following summary conclusion: "Overall, DG ECFIN's management of grants, procurement and the related financial transactions comply with the applicable rules and regulations. DG ECFIN manages the calls for proposals and tenders effectively and has in place adequate controls to review, monitor and report on the expected results." On the basis of the exceptions register, we can conclude that the target of 0% or very close to 0% of error rate has been met.

- - *Sound financial management*: This is essentially achieved through the adequate selection of contractors through competition and the use of relevant selection and award criteria (and where necessary relevant deliverables). This is complemented by the monitoring of the implementation of the projects and the related deliverables by the operational units. In addition, requests to spend funds are screened before the start of the budget year by an independent committee to assess their (policy-) relevance, usefulness and cost-effectiveness (ACUR).

- - *Reliability of financial reporting*: To ensure a true and fair view of the state of affairs, all payments are subject to a verification of their amounts and accounting classes. Furthermore, horizontal accounting verification and reporting are performed quarterly. All financial and budgetary statements are automatically generated by ABAC/SAP.

- - *Safeguarding of assets and information*: No local system is used to store financial information, only DG Budget's IT systems.

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

  Cost-efficiency indicators –

  The overall cost effectiveness of controls in 2018 on the procurement and other other administrative expenses as measured by the proportion of overall costs of controls over the payments lead us to consider that the controls are sufficiently efficient and cost-effective. Compared to 2017, the cost ratio has remained mostly stable at 11,2%. It should be kept in mind that the costs of all stages are included even filing and archiving but compared only to the payment stage

amounts and that no high-value transactions form part of this table. It is also worth mentioning that for these expenses no economies of scale can be achieved at the level of the controls: total amounts are low and broken down in many transactions.

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

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

Direct Management – Procurement and other administrative expenses				
N°	**Type of expenditure or management mode or RCS**	**Stage**	**Annual indicator**	**Description**
1	Other administrative expenses	overall indicator	Full cost 11,2% (1,08M€/9,7M€)	8,85 FTE (FIA/OIA/VA and quality control) and 0,17 FTE ex-post control

***RCS:* N/A**

B. Entrusted entities

Short description: Payments of EUR 49,9 million were made for financial instruments under the Competitiveness and Innovation Programme (CIP), implemented in indirect management via the European Investment Fund (EIF). For ELENA, payments of EUR 9.2 million were made in 2018 to two entrusted entities: EIB and KfW.

1.1. Entrusted Entities

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

ECFIN has entrusted the EIF with the implementation of some financial instruments from the previous Multiannual Financial Framework (2007-2013). Monitoring of the implementation of these instruments is performed by the EIF in the first line, as further detailed in Fiduciary Management Agreements concluded with the EIF. DG ECFIN carries out additional monitoring activities, including

monitoring of the financial and operational progress of the facility on the basis of reports provided by the EIF as well as through visits to the EIF and to the financial intermediaries selected by the EIF.

On top of the EIF, which is the international financial intermediary implementing DG ECFIN budget lines, the EIB, the EBRD, KfW and the CEB are implementing programmes where DG ECFIN is cross sub-delegated by other DGs, e.g. DGs ENER, NEAR and MOVE.

Financial instruments under the 2014-2020 Multiannual Financial Framework are managed, within the Commission, by the relevant policy DGs, which carry out the responsibilities as authorising officers for the whole budgetary and reporting process. For those financial instruments where DG ECFIN acts as Asset Management Designated Service, the budgetary and reporting responsibilities are also carried out by the relevant policy DG as authorising officers and covered by their respective Annual Activity Reports.

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

Financial assets and cash managed by the Entrusted Entity "European Investment Fund" (EIF) for the implementation of Guarantee and Venture Capital programmes as of 31 December 2018:

EIF Mandates	EUR thousands (nominal value)
CIP (GIF Venture Capital)	409,833
CIP (SMEG 07 (Guarantees)	82,726
Growth & employment (Venture Capital)	8,879
Growth & employment (Guarantees)	6,653
MAP (Venture Capital)	207,792
MAP (Guarantees)	32,189
TTP (Technology Transfer Pilot Project)	407
Total	**748,479**

Budgetary funds (cash) from DG ECFIN budget lines held on the Trust Accounts managed by the Entrusted Entities EIB, KfW/CEB and EBRD for the implementation of IFI-Facilities as of 31 December 2018:

Mandate[38]	EIB	EBRD	KfW	CEB	Total (EUR thousand)
ELENA	9.275	1.474	2.115	409	**13.273**

Control system and conclusion: The control system for entrusted entities relies heavily on third party assurance and on the statements of assurance (where

[38] IFI Facilities (SMEFF, MFF, EEFF and MIF) were closed in 2016 and all the funds on the Trust accounts were recovered to the EC Budget.

applicable) and audit certificates issued in accordance with contractual arrangements in place. From our monitoring and supervision work, which includes regular contacts/representation or desk reviews of relevant management reports or audit reports (see details in Annex 5), no material control issue came up. Consequently, in view of the residual responsibility for the management of the parts of DG ECFIN budget via the entrusted entities mentioned above we have found no material control weaknesses affecting the assurance building in terms of the five internal control objectives – see further down for each objective. However, we acknowledge that as long as third-party assurance is not formally available in due time this conclusion is covering the residual assurance i.e. the one directly from us as opposed to third party assurance. Nevertheless, in view of the scope of assurance as defined in the introduction of section 2 additional comfort in the form of (informal) assurance from the discussions with the entrusted entities during the closure process also plays a role in the process.

Control objectives -

- *Legality and regularity*: (cf RCS 3, stage 1): Identification and approval of FI projects[39]: Since the **SMEG 07 Guarantee** Signing Period expired on 31 December 2013 (with possibility to sign agreements within 9 months of the approval by the Commission, provided that that approval occurred before the expiry of the signature period), no new agreements were signed since 30 September 2014. During the signing period, as from the start of the Facility, 110[40] transactions with 60 financial intermediaries from 26 countries were approved. **GIF**: Also under this facility, no new agreements could be signed since September 2014. As from the start of the Facility, 47[41] transactions with venture capital funds targeting investments in 26 participating countries were approved. EPMF Guarantees: as from the revocation of the cross sub-delegation agreement on 1 January 2016, the responsibility for the EPMF Facility has been transferred to DG EMPL; until Q2 2017, DG ECFIN provided ongoing coaching to DG EMPL on the reporting and monitoring aspects of the management of the Facility, and participated in the preparation, conduct and drafting of the report of the monitoring visit organized by DG EMPL to a financial intermediary.

IFI Facilities: In 2018, DG ECFIN issued two recovery orders with the total amount of EUR 98.940,56 due to early repayment of loans provided to final beneficiaries. In addition, a final beneficiary of the SME Finance Facility implemented in Poland appears to have failed to meet the headcount criterion and as such did not qualify as a SME at the time it entered into the sub-loan agreements with the Financial Intermediary. Hence, DG ECFIN decided to pursue legal and administrative follow-up to recover the undue grant and to start legal proceedings against the final beneficiary.

ELENA: In 2018, 16 projects were approved by the Commission services, of which 6 were approved by DG ECFIN under the cross-sub-delegated budget envelope of ELENA 2017. DG ECFIN continued to follow-up the ongoing projects under older ELENA Agreements (2009 to 2015). At the end of 2018, all ELENA files (2014-2017) were transferred from DG ENER and DG MOVE to DG ECFIN so

[39] No tasks were performed under this Stage in 2016, since no new agreements were signed nor new IFIs selected for the legacy programmes. This accounts for the significant decrease of staff allocation to those tasks as compared to previous years. It reflects that DG ECFIN tasks have been reoriented towards policy design for financial instruments and participation in governance bodies of IFIs.

[40] Including extensions of existing contracts, with deduction of cancelled contracts.

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

that the full facility is now under the responsibility of DG ECFIN for operational and budgetary purposes. One recovery order was issued in 2018, preparing the closure of the ELENA EIB 2009 Facility.

- *Sound financial management*: (cf RCS 3, stage 4): **GIF and SMEG**: For both instruments, the Chief Executive Officer of the EIF signed a Statement of Assurance for year 2017, submitted to DG ECFIN as Designated Service on 9 April 2018[42]. The 2017 Financial Statements and corresponding notes of all mandated instruments were certified in 2018 by external auditors, who issued similar "positive without any reservation" letters to the EIF for both SMEG 07 and GIF on 15 March 2018. No findings or errors in the compliance with the Financial Regulation, budget and financial management procedures were directed to DG ECFIN in 2018. As regards DG BUDG's Final Report on the validation of local systems "Reflows from financial instruments", received in October 2017, 2 recommendations implied participation of DG ECFIN in relation to actions to be initiated by DG BUDG. In agreement with DG BUDG, those recommendations were deemed adequately followed up, and no additional actions were initiated. There was 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 operation, no return to Trust Account linked to errors and no errors/discrepancies following the checks on the balance of the Trust Account. For both instruments, the 2017 Financial Statements and corresponding notes were certified in 2017 by external auditors.

The ex-post control carried out by DG ECFIN during 2017 was concluded by a final report on 29 May 2017. The report included three findings. Two of these findings concerned minor weaknesses such as the lack of required audit and visibility clauses in a contract concluded by the EIF, and a wrong classification of eligibility. The third finding involved the wrong classification of an intermediary as eco-innovative, which was considered an important finding, as the EIF received a EUR 100,000 bonus in relation to this classification. The ex-post controllers considered that the operational unit has proposed appropriate corrective actions for all findings. The operational service considers that all agreed actions have been implemented in early 2018. In particular, the missing audit and visibility clauses have been introduced in the contract, the eligibility errors have been corrected in the reporting, the wrongful bonus payment has been recovered from the EIF and the GIF Compliance Report 2018 corrected the wrong data.

SME guarantees general: In 2017 the European Court of Auditors (ECA) released Special Report No 20/2017 "EU-funded loan guarantee instruments: positive results but better targeting of beneficiaries and coordination with national schemes needed" (adopted on 7 November 2017 and published on 7 December 2017), outlining the need for improvement in the targeting of beneficiary SMEs and for coordination with national schemes. Those comments shall be taken into account in the new programmes under MFF 2014-20, under the responsibility of the policy DGs in charge.

ELENA: In 2018 DG ECFIN was not concerned by any findings or errors in the compliance with budget procedures and financial management procedures and Financial Regulation. There was no exception reporting. There were no operations outside official procedures with the IFIs, no erroneous operation, no return to Trust Account linked to errors and no errors/discrepancies following the checks on the balance of the Trust Account.

[42] With no reservation for SMEG 07, nor for GIF.

- *Reliability of financial reporting*: (cf RCS 3, stage 3): No visit to a **SMEG 07 or GIF** contractor was foreseen by the ECA within the framework of the 2018 DAS. The 2017 Statements of Assurance (management letters) regarding the CIP SMEG 07 and the CIP GIF programmes were received from the EIF on 9 April 2018. The 2018 Statements of Assurance (management letters) regarding the CIP SMEG 07 and the CIP GIF programmes have not been received yet from the EIF. No ECA reports were received in 2018 for **ELENA**. In 2018 no ex-post verification controls were carried out for ELENA. The audited financial statements and Management Declaration of Assurance, prepared by the external independent auditor, were received.

- *Safeguarding of assets and information*: (cf RCS 3, stage 2) : For **SMEG and GIF**, several monitoring visits (4 to GIF venture capital funds, 2 for SMEG 07 intermediaries) were carried out in 2018 in line with the 2018 monitoring plan, with a view to assessing the contractual compliance, process compliance and performance of the relevant agreements. No significant issues were identified and no issue is pending. The 2018 monitoring visit to the EIF (for SMEG 07), having as scope the review of the performance and findings of the EIF in a desk-review of a financial intermediary carried out by the EIF, did not result in any finding **ELENA** Monitoring: In 2018 a total of four monitoring visits took place with no major findings to report.

- *Fraud prevention and detection*: (cf RCS 3, stages 3 and 5): **GIF**: During 2018, the Designated Service continued to follow-up the implementation of OLAF's recommendations in two cases where fraud had been detected in previous years at the level of the fund manager and at the level of a final beneficiary. Corrective action for both cases has been assessed in early 2018, based on EIF's specific reporting. The follow-up of the EPMF part of the report (issued in 2016) falls under the responsibility of DG EMPL after the revocation of the cross sub-delegation agreement as of 1 January 2016. **ELENA**: no fraud cases were reported by OLAF during 2018 or by other services.

Cost-effectiveness indicators –

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 (based on FTEs involved) over the total of managed programmes lead us to consider that the controls are sufficiently efficient and cost-effective.

Relevant Control System (RCS): 3

C. Guarantee Funds

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

Short description: Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 – the

European Fund for Strategic Investments[43] establishes the European Fund for Strategic Investments (the "EFSI") and foresees its management by the EIB. At the end of 2017, the EFSI Regulation was amended by Regulation (EU) 2017/2396 of the European Parliament and Council of 13 December 2017 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 Hub2 (the EFSI 2.0 Regulation). The EFSI Regulation also provides for a first demand guarantee granted by the EU to the EIB for financing investments in the EU. Art. 12.1 of the EFSI Regulation in particular specifies that an EU guarantee fund shall be established which shall constitute a liquidity cushion from which the EIB shall be paid in the event of a call on the EU guarantee. The guarantee fund shall be endowed by contributions from the general budget of the Union; returns on guarantee fund resources invested; amounts recovered from defaulting debtors; revenues and any other payments received by the Union in the context of the EFSI. According to Art 12.4 of the EFSI Regulation, the resources of the guarantee fund shall be directly managed by the Commission and invested in accordance with the principle of sound financial management and shall follow appropriate prudential rules.

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

The EFSIGF investment activities started in April 2016. In 2018 a total amount of EUR 2.013.904.634,00 was paid into the fund.

Value of assets of the European Fund for Strategic Investments (EFSI) Guarantee Fund under treasury management by DG ECFIN as at 31 December 2018	
Value of assets under treasury management	**EUR million**
EFSI Guarantee Fund	**5,451.8**

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

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

Control objectives -

- Legality and regularity: (cf RCS 5, stage 1): The inflows to the EFSIGF from the budget amounted to EUR 2.014 million. In 2018 the EFSIGF was managed in accordance with the Asset Management Guidelines as adopted by the Commission on 21 January 2016. All portfolio transactions were conducted within the framework set by the Asset Management Guidelines and in compliance with the internal rules and procedures without breaching any of the portfolio limits.

- Sound financial management: (cf RCS 5, stages 1 and 3): The adopted investment strategy, based on portfolio optimisation methodology, was implemented throughout the year.

- Reliability of financial reporting: (cf RCS 5, stage 2): The 2018 accounts of EFSIGF will be audited by an external independent auditor appointed by DG ECFIN in 2017. The audit report shall be delivered before 15 March 2019. No material issues were communicated to ECFIN in the context of the pre-audit work in 2018. Financial information relevant for the calculation of the EU guarantee will be provided by the EIB before 15 February 2019 (provisional data) and before 15 March 2019 (final data reviewed and certified by the EIB's external auditor). Finally, EFSI accounts will be consolidated with those of the EC and audited by ECA.

- Safeguarding of assets and information: (cf RCS 5, stage 2): Cash and securities are kept with creditworthy banks and custodians. The information system is robust. Assurance given by the EFSIGF external auditors comprises assurance on proper safeguarding of assets and information, as related checks form part of the audit of the annual accounts.

- Fraud prevention and detection: (cf RCS 5, stages 1 and 3): The reporting, compliance reviews, internal and external controls and audits did not identify possible or confirmed fraud cases.

Cost-effectiveness indicators –

The overall cost effectiveness of controls of the EFSIGF in 2018, as measured by the proportion of overall cost of control (based on FTEs involved) over total assets under management lead us to consider that the controls are sufficiently efficient and cost-effective. Remuneration fees were within contractual boundaries.

Relevant Control System (RCS): 5

1.2 Guarantee Fund for External actions (GFEA)

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

the Fund is called to honour a guarantee or to make up for a non-payment by an EU debtor, there is a financial flow from the Fund to either the EU budget or to the EIB.

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

Assets of the Guarantee Fund for external actions which are entrusted to the Entrusted Entity "European Investment Bank" (EIB) for the management of the Fund's portfolio and for the recovery of subrogated defaulted amounts as of 31 December 2018:

EIB	EUR million
Guarantee Fund for external actions	**2,506.7**

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

Control objectives -

- Legality and regularity: (cf RCS 4, stage 1): The inflows to the Guarantee Fund from the budget amounted to EUR 137.8 million. In 2018, no material finding was identified by the ECA nor by the external auditors during their annual audit missions. The GFEA was managed in accordance with the financial regulation and the budget procedures. The reporting, compliance reviews, internal and external controls and audits confirmed that the financial management and financial regulation procedures were respected. No material breach of the investment guidelines happened; no erroneous financial operations were registered; and the payments from the budget to the GFEA were done in line with the regulation. The 2% threshold for legality and regularity applied to payments is applied to the replenishment of the guarantee fund i.e. the yearly payments made to the Fund. It should be noted that such replenishment is based on audited and certified financial statements (Year N-2) to which pre-defined risk exposure percentages are applied. Given the mechanism applied the best estimate of the error rate is 0%.

- Sound financial management: (cf RCS 4, stages 2 and 3): No material issues were identified during 2018. The management of the GFEA worked as designed. The existing mechanisms and processes were adequate to the functioning of the GFEA.

- Reliability of financial reporting: (cf RCS 4, stage 2): The annual financial audit certificate by the EIB's external auditors was received for the financial year 2017; the 2018 audit certificate should be received by end of March 2019; no material issues were communicated to us as advance notice to that yearly certificate.

- Safeguarding of assets and information: (cf RCS 4, stage 1): No material breach of the investment guidelines happened and no erroneous financial operations were registered.

- Fraud prevention and detection: (cf RCS 4, stages 1 and 2): The reporting, compliance reviews, internal and external controls and audits did not identify possible or confirmed fraud cases.

Cost-effectiveness indicators –

The overall cost effectiveness of controls in 2018 on the GFEA, as measured by the proportion of overall cost of control and remuneration fees over the assets managed by the EIB lead us to consider that the controls are sufficiently efficient and cost-effective. The remuneration fees were kept within the contractual boundaries.

Relevant Control System (RCS): 4

D. Treasury Management, Borrowing and Lending

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

1.1 The Treasury and Asset Management

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

Market value of assets of the European Coal and Steel Community in liquidation (ECSC i.L.) and other mandated funds under treasury management by DG ECFIN as at 31 December 2018	
Assets consolidated within the EU accounts	**EUR thousands**
European Coal and Steel Community (ECSC) i.L.	1.623.448
Budgetary Fines (BUFI)	2.212.879
ATOM, BoP, EFSM, MFA	5.670
EFSI Guarantee Fund	5.451.774
European Fund for Sustainable Development Guarantee Fund (EFSDGF)	275.046
Assets outside of the scope of consolidation	
Régime Commun d'Assurance Maladie (RCAM)	280.856
Participants Guarantee Fund PGF FP7/H2020[44]	1.979.775
Other miscellaneous mandates	1.190
Total	**11.830.638**

1.2. The Borrowing and Lending operations

Financial support for third countries and Member States is provided by the Commission under various Council Decisions, depending on the geographical areas concerned and the objectives pursued[45]. Such financial support takes the form of loans from the EU. To finance the lending activities decided by the Council or by the Council and the European Parliament, the Commission is empowered to borrow funds on the capital markets, on behalf of both the European Union and Euratom, with the guarantee of the EU budget. The aim is to obtain funds from the market at the best available rates due to the top credit status (AAA-rated by Fitch, Moody's and DBRS, AA by S&P, all with stable outlook) of the EU/Euratom and then on-lend them to eligible borrowers in the context of lending under the EFSM, BoP, MFA and to Euratom projects. Borrowing and lending is conducted as a back to back operation, which ensures that the EU budget does not take any interest rate or foreign exchange risk[46].

Control system and conclusion: Given that the Treasury activities and Borrowing and Lending operations are different from classic (grants, procurement) budgetary activities (and consequently not following the budgetary ex-ante validation circuit), DG ECFIN has put an appropriate internal control environment in place (see details in Annex 5), commensurate with the multi-billion volume of off-budget operations under management. The effectiveness of these controls is witnessed by the orderly implementation of the underlying operations and the absence of major issues[47]. We can conclude that there are no material control weaknesses affecting the assurance building in terms of the five internal control objectives – (see further down for each objective).

[44] 7th Framework Programme for Research and Technological Development (FP7)(Horizon (H2020)

[45] Detailed presentation of the borrowing and lending activities of the Commission is available at http://ec.europa.eu/economy_finance/eu_borrower/index_en.htm.

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

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

Volumes of outstanding loans and borrowings as at 31 December 2018 in EUR million (value date)		
	Loans	Borrowings
EURATOM	253.86	253.82
Balance of Payments (BOP)	1,733.88	1,733.88
European Coal and Steel Community (ECSC[48]) i.L.	100.48	96.53
European Financial Stabilisation Mechanism (EFSM)	47,399.97	47,399.97
Macro Financial Assistance (MFA)	4,387.57	4,387.57
Total	**53,875.76**	**53,871.77**

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

The aim of ensuring the highest return while maintaining stability and security for the treasury activities and asset management has been achieved as stated by the World Bank[49]. The aim to obtain funds at the best available rates for the Borrowing and Lending activities has also been achieved since those rates are in line with the peer institutions (EIB, ESM). These elements demonstrate the compliance with the sound financial management principles.

Control objectives -

- *Legality and regularity*: (cf RCS 1, stages 1a and 1b): No material findings were identified, neither by the ECA[50] , by the IAS nor by the external auditors. In relation to the borrowing and lending activities, the ECA concluded that "borrowing met financing needs even though circumstances initially made in difficult to always abide by best practice". In particular, the ECA confirmed that "the cost of debt was in line with peer levels". The related recommendations refer to bond issuances prior to 2011 and have already been implemented. No material audit findings were identified in the checks on compliance with rules and procedures. Five funding transactions totalling EUR 1,063 million were carried out successfully according to procedures. Through the 4-eyes-principle (the back

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

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

[50] ECA Special Report No 18/2005 "Financial assistance provided to countries in difficulties", published outside the reporting year (January 2016)

office), internal control monitors the adherence of the EU's debt service and Euratom debt to internal rules.

- *Sound financial management*: (cf RCS 1, stages 1a, 1b and 4): Out of 9.762 transactions, 44 incidents (29 due to negative interests, 4 due to debit interest, 5 due to late settlements, 2 due to late settlements as the sold positions were on loan, 2 due to non-payment of coupons, 1 due to the use of a wrong bank account by the bank and 1 due to a wrong amount of funds transferred by the bank) were detected during the reconciliation of bank accounts. The discrepancies discovered were cleared within a few days. The error rate of off-budget operations was 44/9.762=0.45%.

- *Reliability of financial reporting*: (cf RCS 1, stages 2 and 3): No recommendations were made by the ECA on the 2017 accounts of DG ECFIN.

- *Safeguarding of assets and information*: (cf RCS 1, stage 2): No control failures were identified and there were no litigation settlement and court cases lost (e.g. due to lack of evidencing documents). No internal and external auditors' findings about incorrect registration of items were identified. There were five bank reconciliation mismatches with minor financial impact.

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

Cost-effectiveness indicators –

The overall cost effectiveness of controls of Treasury activities and Borrowing and Lending operations in 2018, as measured by the proportion of overall cost of control (based on the FTEs involved) over total treasury assets under management and total borrowing and lending balances lead us to consider that the controls are sufficiently efficient and cost-effective. The remuneration fees were kept within the contractual boundaries.

Relevant Control System (RCS): 1

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

Not used.

ANNEX 12: Performance tables

General objective 1: A new boost for jobs, growth and investment		
Impact indicator 2: Employment rate population agenda 20-64 **Source of the data**: Eurostat		
Baseline (2014)	**Target 2020** Europe 2020 target	**Latest known results** (2017)
69.2%	At least 75%	72.2%
Impact indicator 6: GDP growth **Source of the data**: Eurostat		
Baseline (2014)	**Target 2020** Europe 2020 target	**Latest known results** (2017)
1.8%	Increase	2.4%
Impact indicator 7: Gross Fixed Capital Formation (GFCF) investments to GDP ratio **Source of the data**: Eurostat		
Baseline (2014)	**Target 2016-2020**	**Latest known results** (2017)
19.4%	21%-22% Mean GFCF for the period 2016-2020 having reached the range of 21%-22%	20.2%
Specific objective 1: Promoting growth and employment enhancing policies in the euro area and the EU		
Result indicator 1: Rate of potential GDP growth for the EU (%) **Source of data:** http://ec.europa.eu/economy_finance/ameco/user/serie/SelectSerie.cfm ; indicator 6.5 potential real GDP (level) for the EU		

Baseline (2016)	**Interim Milestone**[51]	**Target** (2020)	**Latest known results** (2018)
To boost potential growth rates to the greatest extent possible using structural reforms	To continue the healing process from the shock of the financial crisis by pursuing economic policies aimed at ensuring a steady improvement in the growth of potential output	Increase – no numerical target for 2020 since the potential growth rate cannot be targeted directly	A discussion on allocative efficiency took place in EPC (May) and Eurogroup (September). A discussion on "Reviving productivity growth in the post-crisis context: Challenges and drivers" was held in the March ECOFIN meeting.
Result indicator 2: Nominal unit labour cost (3 years % change) **Source of data:** AMR Scoreboard			
Baseline (2016)	**Interim Milestone**	**Target** (2020)	**Latest known results** (2018)
AMR Scoreboard	AMR Scoreboard annual increase	Evolution of labour cost in % compared to main economic competitors	2.8%
Result indicator 3: Percentage of Country Specific Recommendations (CSRs) partially or fully complied with **Source of data:** European Commission database			

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

Baseline (2016)	**Interim Milestone**	**Target** (2020)	**Latest known results** (2018)
CSRs	Annual Communication on the European Semester Package	To improve the implementation of the CRS	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.

Activity 1: Analysis and development of growth and employment enhancing policies **Main outputs in 2018:**			
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/2018)
Assessment of 2017 CSR implementation	Annual and multiannual assessment of CSR implementation	Q1 – Q2	Done in the context of Country Reports and 2018 CSRs respectively. Discussions took place in EPC on 20-21 March and 30 May- 1 June
Country Reports including IDRs	Publication of the country reports for all non-programme Member States including, for the Member States selected in the Alert Mechanism Report, the findings of the in-depth review	Q1	Adoption of the European Semester Winter package on 7 March including 27 Country reports - (SWD(2018)200 to

			226)
Preparation of 2018 CSRs	ECFIN proposal of draft CSRs to SG	Q1	Done
European Economic Forecasts	Publication -> Interim Winter Forecast February 2018 -> Spring Forecast May 2018 -> Interim Summer Forecast July 2018 -> Autumn Forecast November 2018	 Q1 Q2 Q3 Q4	 Published on 7 February Published on 3 May Published on 12 July Published on 8 November
Joint Harmonised EU Programme of Business and Consumer Surveys	Publication of survey data and related analyses, circulation of nowcasts and short-term forecasts	Monthly BCS results: second last working day of the month; quarterly EBCI: one week after the end of the quarter; nowcasts: usually twice per month	Surveys and related analyses published according to schedule
Activity 2: Management of tools and processes to support the implementation of growth and employment-enhancing policies **Main outputs in 2018:**			
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/2018)
Country–specific recommendations to all non-programme Member States – legal texts including opinions on the Stability and Convergence programmes	Publication of the CSRs and accompanying technical assessments of SCPs	Q2	European Semester Spring package – 23 May including: Adoption of Chapeau communication: COM(2018) 400 Publication of CSRs: COM(2018)401 to 427 adopted on 23 May Publication of SCP assessment notes on the Commission website

Assessment of the policy mix in the euro area	Development of various indicators to assess the monetary and fiscal stances. Contributions on the policy mix included in the Commission forecast documents and various fiscal surveillance notes	Throughout 2018	Publication of developments in the monetary and fiscal stance in the euro area in the spring and autumn 2018 forecast. Assessment on the euro area fiscal stance included in the horizontal note on SCPs discussed at the EFC following the adoption European Semester Spring package and in the Communication on the overall assessment of the Draft Budgetary Plans for 2019 - COM(2018) 807.
Conferences National Productivity Boards	Organisation of the conferences	Q2, Q4	A conference with National Productivity Boards and EPC delegates was held on 16 May and on 20 November.
Contribute to the Article 50 negotiations with the UK	Input provided to the Article 50 Task Force	2018	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.
Developing the Financial Toolbox of the European	Establishing an informal expert group to discuss and develop the toolbox	Q1-Q2 2018	The Expert Group met 5 times (final meeting on 09 July 2018). It published three working

Defence Fund *			documents presenting results. The Commission will use these as starting point for further policy work on the use of financial instruments to support the defence sector.
Preparation of action plan following the IAS audit on evaluation	Submission of the action plan	H1 2018	Action plan submitted to IAS on 20/03/2018
Implementation of action plan following the IAS audit on evaluation	Number of closed (sub)-recommendations	3 main recommendations covering 15 sub-recommendations	One recommendations is closed. Two recommendation remain open. ECFIN is meeting all deadlines. The agreed target dates for the completion of all remaining sub-recommendations are in 2019.
Prepare replies & comments to the draft report of the ECA audit	Timely submission of the Commission's reply	6 weeks following receipt of draft report	For the audit on the preventive arm of the SGP, replies were provided in May/June
Implementation of the accepted recommendations from the ECA audit	Information provided in the RAD reporting tool	Completion date indicated in RAD	DG ECFIN is meeting all the deadlines it has committed itself to in response to audits from the various external stakeholders (ECA, the Council and the Parliament)
Specific objective 2: Promoting macro-economic and fiscal stability in the euro area and the EU			
Result indicator 1: Number of Member States at the medium-term objective **Source of data:** Commission, AMECO database and Stability /Convergence Programmes			
Baseline (2015)		**Target**	**Latest known results**

	(2020)		(2018)
Commission, AMECO database	With the end of the crisis MS are expected to exit EDP and reach their SCP horizon. It is therefore expected that their structural balance be at MTO by 2020		12 MSs were estimated to be at their MTOs in 2018 according to the Autumn 2018 European Economic Forecast
Result indicator 2: Country specific Net International Investment Positions (NIIP) in % of GDP **Source of data:** AMR Scoreboard			
Baseline (2014)	**Target** (2020)		**Latest known results** (2017, EU change to 2016, weighted average)
0.8%	NIIP level in % of GDP		-2 pp.
Activity 3: Undertaking fiscal surveillance of Member States' economies **Main outputs in 2018:**			
Output	Indicator	Target	Latest known results (situation on 31/12/2018)
Follow-up on the 2018 Draft Budgetary Plans	Note to the EWG	Q1	discontinued in 2018
Overview of 2018 SCPs	Note to the EFC	Q2	Note presented to the EFC following the adoption of the European Semester Spring package
Review of the flexibility under the SGP		Q2	Communication and Staff Working Document published as part of the European Semester Spring package COM(2018) 335 and SWD 270
Overall assessment of the 2019 Draft	Adoption of a Commission Communication	Q4	Adoption of a Communication presenting the Commission's overall assessment of the Draft

Budgetary Plans in the euro area Opinions on the 2019 DBPs for non-programme euro area Member States	Adoption of Commission Opinions and accompanying SWDs	Q4	Budgetary Plans (DBPs) for 2019 - COM(2018) 807 Adoption of C(2018)8010->8028 and accompanying SWDs 510->528
SGP * - Legal acts - notably EDP or SDP steps	Adoption of legal documents and accompanying SWDs	Q1 – Q2 – Q4	The Commission has taken, on 23 May, a number of steps under the Stability and Growth Pact: Article 126(12) for France - COM(2018) 433; Article 126(3) for Belgium & Italy - COM(2018) 429 & COM(2018)428; Significant deviation procedure for Hungary and Romania - COM(2018)431 & C(2018)3183 & COM(2018)430 & 432 & C(2018)3181; Updated Draft Budgetary Plan for Spain - C(2018)3182 & SWD(2018)367 On 21 November: for Italy 126(3) Report COM(2018)809; HU 121(4) COM(2018)805, 806 & 804; RO 121(4) COM(2018)802 & 801
Suitability review for the Council Directive 2011/85 on requirements for	Adoption of the report	Q4	The technical assessment has been carried out, including among others insights from the consultation of relevant national stakeholders. The Commission

the budgetary frameworks of the Member States			intends to subsume this suitability review under an all-encompassing Six- and Two-pack review to be released at the end of 2019.
Debt Sustainability Report 2017	Commission services (DG ECFIN) report	Q1	Published on 26 January
2018 Ageing Report	Joint EC (DG ECFIN)-EPC (AWG) report	Q1	Published on 25 May, Council conclusions adopted on the same day.
Assessment of fiscal sustainability: Fiscal sustainability report 2018	Commission services (DG ECFIN) report, possible Council Conclusions.	Q4	First draft ready by December 2018. Publication by end January 2019.
Report on Public Finances in EMU 2018	Commission services (DG ECFIN) report	Q4	Published on 24 January 2019
Activity 4: Contributing to the prevention/correction of macro-economic imbalances			
Main outputs in 2018:			
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/2018)
Alert Mechanism Report (AMR)	Adoption of a Commission report	Q4	Adoption of the AMR - COM(2018) 758
In-Depth Reviews (IDR)	Adoption of Commission communication with the findings of imbalances and publication of the accompanying country reports integrating the IDR analysis.	Q1	Adoption of the European Semester Winter package on 7 March including - COM(2018)120 and - 27 Country reports

			(SWD(2018)200 to 226)
Specific Monitoring Reports	Reports to the EPC/EFC	Q4	Reviews of progress on policy measures relevant for the correction of Macroeconomic Imbalances presented at the EPC/EFC in November and December 2018, and subsequently published. Council conclusions adopted integrated with the AMR conclusions.

Specific objective 3: Promoting investment in the EU

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

Baseline (2015)	**Target** (2020 - EFSI 2.0 Regulation (Preamble 7))	**Latest known results** (2018)
No baseline as it is the start of the activity	Mobilise a total investment of EUR 500 billion by end 2020 as per the EFSI 2.0 Regulation (Preamble 7)	Volume of investment expected to be mobilised at the end of 2018: EUR 375.5 billion or 75% of the end-2020 target of EUR 500 billion.

Planned evaluations: The mid-term evaluation of the application of the EFSI Regulation 2015/1017 was completed in June 2018. It assessed the relevance, efficiency and effectiveness of the European Fund for Strategic Investments, the European Investment Project Portal and the European Investment Advisory Hub.

Result indicator 2: European Investment Advisory Hub (EIAH) – Utilisation of annual EIAH grants
Source of data: EIB, EIAH, quarterly/semi-annually technical reports and the annual report submitted to the Commission, Council and European Parliament (Article 6.2 of the FPA)

Baseline (2015)	**Interim Milestone**	**Target** (2020-	**Latest known**

						budgetary commitments for EIAH Specific Grant Agreements are done in accordance with the provisions of the Financial Regulations and in due time to consume the yearly appropriations)	**results** (2018)
EUR 10 000 000	2016	2017	2018	2019	2020	Annual commitments made by year end	In 2018 commitments under the EIAH amounted to EUR 19 300 000
	EUR 19 400 000	EUR 19 400 000	EUR 19 300 000	EUR 19 300 000	EUR 19 300 000		
Planned evaluations: The mid-term evaluation of the application of the EFSI Regulation 2015/1017 was completed in June 2018. It assessed the relevance, efficiency and effectiveness of the European Fund for Strategic Investments, the European Investment Project Portal and the European Investment Advisory Hub.							
Result indicator 4: Providing a guarantee to the EIB for financing and investment operations covered by the EFSI Regulation (EU)2015/1017, as amended by Regulation (EU)2017/2396. **Source of data**: Commission Financial Statements							
Baseline (2016)	Interim milestones - Managing the assets of the EFSI Guarantee Fund in line with sound financial					**Target** (2022-Target agreed	**Latest known**

	management aiming at protecting the capital while achieving a reasonable return - Timely payments of the calls under the EFSI Guarantee Fund						based on potential needs and in view of availabilities of funds under MFF)	**results** (2018)
Building up the fund with a total[52] transfer of EUR 1018 million in EFSI Guarantee Fund	2017 Transfer [53] of EUR 2490 million	2018 Transfer[54] of EUR 2013.9 million	2019 Transfer of EUR 1000 million	2020 Transfer of EUR 1088,2 million	2021 Transfer of EUR 525 million	2022 Transfer of EUR 395.8 million	Transfer of EUR 9,1[55] billion until 2022 building up the EFSI Guarantee Fund	EUR 2013.9 million were received and invested throughout 2018.
Planned evaluations: By 30 June 2021 and every three years thereafter, the Commission shall publish a comprehensive report on the use of the EU guarantee and the functioning of the guarantee fund.								
Activity 5a: Mobilising the Investment Plan effectively towards increasing private sector participation **Main outputs in 2018:**								
Important items from work programmes/financing decisions/operational programmes[56]								
Output	Indicator				Target		Latest known results (situation on 31/12/2018)	
Additional investment	Continuing the implementation of the Infrastructure and Innovation Window (IIW) and of the SME Window				Q4 2020		As of end-December 2018, the Investment Plan for Europe has	

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

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

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

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

[56] For a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the Draft Budget for 2018.

mobilised by EFSI*	(SMEW) to ensure reaching the overall EFSI 2.0 target of EUR 500 billion of investment mobilised by end-2020		triggered an additional EUR 375.5 billion in cumulative investment across all 28 Member States. This represents 75% of the EUR 500 billion end-2020 target. Of this overall volume, EUR 244.3 billion can be attributed to mobilised investments under the IIW, while 131.2 billion can be attributed to operations under the SMEW.
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/2018)
Amended EFSI *Agreement	Signature of the amended EFSI Agreement to adjust it to EFSI 2.0	1H 2018	A third amendment and restatement of the EFSI Agreement was signed on 9 March 2018 to reflect the EFSI 2.0 Regulation.
EFSI 2.0 * SME Window allocation	Agreement between the Commission services and the EIB Group on allocations of EFSI capacity to debt and equity products under the EFSI SME Window for EFSI 2.0 remaining resource allocation	Q2/Q3 2018	The fourth amendment to the EFSI Agreement, allocating most of the EFSI 2 capacity under the SMEW window, was signed on 20 December 2018.
EIAH	Additional number of requests received (200) and detailed advisory support provided (50)	31 December 2018	The EIAH has received 416 additional requests in 2018 and 187 of them were allocated for detailed advisory support.
EIPP	Additional number of projects published (150)	31 December 2018	As end-December 2018, 270 additional projects were published on the EIPP.

Finalising the award process for the Pan-European Venture Capital Fund of Funds programme	Following approval by EIF Board of possible investment into the Pan-European Venture Capital Fund of Funds, giving guidance to EIF and supporting the process leading to signature with the selected financial intermediaries	2H2018	Due to difficult negotiations between the EIF and the selected financial intermediaries, 4 projects still remain to be signed by the EIF, with 2 signatures currently planned for H1 of 2019.
ESCALAR (European Scale-Up Action for Risk Capital) PLAN/2017/1942	Discussions with EIF and DG GROW on the possible launch of ESCALAR, a financial product supporting the development of the venture capital or private equity market in Europe through offering subordinated financing	Q4 2018	Meetings and discussions with DG GROW and EIF, and workshops with stakeholders, resulted in a stabilisation of the concept of the financial product, in the form of a termsheet. The launch of the product is planned for 2019.
Activity 5b: In the framework of the next MFF, proposing a single InvestEU Programme Regulation **Main outputs in 2018:**			
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/2018)
Legislative proposal on InvestEU Programme	Adoption of Commission proposal	2H2018	Proposal adopted on 6 June - COM(2018) 439 - SEC(2018) 293 - SWD(2018) 314 - SWD(2018) 316
Legislative proposal on InvestEU Assistance [possibly]	Adoption of Commission proposal	2H2018	The InvestEU Assistance proposal was included in the legislative proposal on the InvestEU Programme - Proposal adopted on 6 June - COM(2018) 439 - SEC(2018) 293 -

			SWD(2018) 314 - SWD(2018) 316. The InvestEU Advisory Hub is one of the three pillars of the InvestEU Programme.
Activity 6: Enhancing the efficient use of EU resources via financial instruments with a special focus on SMEs and infrastructure **Main outputs in 2018:**			
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/2018)
EIF governance and shareholding	Board preparation work, timely and effective preparation of the regular briefings for the Commission -designated members in the governing bodies	10 per year	Briefings were prepared for 10 Board meetings and 9 written procedures
EIB governance	Board preparation work, timely and effective preparation of the regular briefings for the Commission representatives in the governing bodies.	10 per year	Annotated agendas have been prepared for 10 Board meetings, with additional feedback from services through an extra COM internal consultation step in the form of a Strategy meeting prior to a Board meeting. The Director nominated by the EU, as well as her Alternate, serve in personal capacity, and therefore formulates her voting position on a case-by-case basis taking into account advice received from the Commission and EEAS Services with the aim of reflecting the priorities of the

	Review of Article 19 procedures and Memorandum of Understanding (MoU).	By end 2018	EU as a whole. The launch of the discussions was deferred due to MFF discussions. Kick-off meeting with the EIB was held on 13 December 2018.
EBRD governance	Board preparation work, timely and effective preparation of the regular briefings for the Commission representatives in the governing bodies.	2 per month, except holiday period	The European Union is represented in the EBRD by a Governor and an Alternate Governor, and by an Executive Director and an Alternate Director on the Board of Directors. The EU Executive Director attends regular EU coordination meetings with Board Directors from Member States while also consulting Commission and EEAS Services on projects submitted to the EBRD Board for approval. The EU Director formulates his voting position on a case-by-case basis taking into account Member States' views as well as advice received from the Commission and EEAS Services with the aim of reflecting the priorities of the EU as a whole.
Acting as Commission Competence	Coordination of overall Commission approach to design and negotiation of financial instruments.	Ongoing task throughout 2018	DG ECFIN acted as coordinator of the work on drafting the proposal for the InvestEU

Centre for Financial Instruments			Programme in the next MFF. Moreover, DG ECFIN was present in a number of Steering Committees set up to monitor the implementation of current financial instruments, including COSME and Horizon 2020 programmes. It assisted other DGs in the negotiations on new or amendments to existing financial instruments. It also worked closely i) with DG RTD and DG CNECT for the setting up of the future European Innovation Council Accelerator Pilot project in 2019, and ii) with DG BUDG for the financial instruments to be covered by a special "Brexit" report envisaged under Article 143 of the draft Withdrawal Agreement.
Monitoring the implementation of legacy programmes	Conducting the yearly monitoring plan	Four visits for venture capital instruments and three visits for guarantee instruments	As regards guarantee instruments, some observations were made which led to corrective actions by the EIF and the two visited FIs. For venture capital programmes, four visits were conducted, with no material observations. The monitoring carried out as at 31/12/2018 covers nearly 78% of the related net commitment

			values, with no significant weaknesses identified in 2014-2018.
Awareness on financial instruments implementation and impact	(i) Drafting and coordinating the working document to the Draft Budget 2019 on the implementation of financial instruments under the proposed Article 41(4) of the new Financial Regulation (FR), replacing the current report under Article 140(8) FR covering 33 different financial instruments	(i) Timely delivery of the working document as required by the Financial Regulation	(i) The 2018 report was timely adopted on 11 June 2018 and submitted with the Draft Budget 2019.
	(ii) Conducting an external study with the JRC on market failures and an external study on blending of grants and financial instruments	(ii) Final delivery of the studies by summer 2018	(ii) The external study on blending of grants and financial instruments was finalized in December 2018; the JRC study is still ongoing and is due to be finalized in 1st Quarter 2019.
	(iii) Seminars to be delivered	(iii) Throughout the year	(iii) Diverse seminars and presentations explaining budgetary financial instruments and their use were delivered throughout the first half of the year, including to the Council COMBUD Committee, the EP CONT Committee, the Commission's Fraud Prevention and Detection Network and various associations and organisations. In addition, 2 seminars on EU financial instruments were given at universities in the Czech Republic and Italy.

Activity 7: Ensuring sound and efficient management and follow-up of financial operations Main outputs in 2018:			
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/2018)
Euratom loan facility: Disbursement (in tranches) of the EUR 300 million LFA with Energoatom/ Ukraine for safety upgrades	Number of disbursement tranches	One tranche in 2018 of EUR 50 million	The funding transaction was carried out on 29 June 2018 with disbursement on 6 July 2018.
Sound and efficient management of assets	Performance relative to benchmarks	Performance in line with benchmarks	As of 31 December 2018, the year-to-date performance relative to benchmarks is positive for three out of five portfolios, while it was slightly negative for the remaining two: Moreover, DG ECFIN has put in place new governance structures to enhance decision-making in the management of the portfolios. It has also improved its trading infrastructure to improve efficiency and responsiveness.

	ECSC	BUFI	PGF	EFSI	RCAM
YTD Performance (TWRR)					
Portfolio Performance	0.165%	0.124%	0.046%	-0.312%	0.171%*
Benchmark Performance	0.116%	-0.444%	0.179%	-0.305%	-0.017%
Relative Return (bps)	4.8	56.8	-13.3	-0.7	18.8

					It has worked closely with other DGs on the management of existing mandates and development of guidelines for additional portfolios.
Specific objective 4: Promoting prosperity beyond the EU					Related to spending programme MFA
Result indicator 1: Implementation of the External Lending Mandate (ELM) of the EIB under Decision 446/2014/EU **Source of data**: EU Guarantee Fund for the External Action / EIB					
Baseline (2016)	**Interim Milestone**			**Target** (Up to 32.3 billion of EIB financing operations outside the EU are guaranteed in 2014-2020 – as per decision EU/2018/412))	**Latest known results** (2018)
	(2016)	(2017)	(2018)		
End 2016 net cumulative signatures under the ELM reached **EUR 10.74 billion**, corresponding to a **utilisation rate of 40%**	**EUR 3.9 billion were signed in 2016** under the ELM	Interinstitutional discussion on the mid-term review of the ELM. Following the political agreement, the text on the ELM should be published in April 2018. EUR 3.2 billion of investments were signed under the ELM	Following a mid-term review, the ELM guarantee ceiling was raised through the amending Decision 2018/412 published	Up to 32.3 billion in EIB financing (of which 2.3 billion for the private sector projects directed to the long-term economic resilience of refugees, migrants, hots and transit communities and communities of origin). NB: The guarantee ceiling is not fully equivalent to a target – what matters is not only the volume of investments but also their quality and alignment with EU policy.	Signatures under the ELM in 2018 amounted to EUR 4.6 billion. The cumulative volume of signatures since the beginning of the current ELM, net of cancellations, stands at EUR 17.6 billion, i.e. about 55% of the increased guarantee ceiling.

		in 2017, bringing cumulative signatures since 2014 close to EUR 14 billion	in March 2018 and a new objective of long-term economic resilience inserted		

Planned evaluations: A report evaluating the application of Decision 466/2014/EU as amended by Decision (EU) 2018/412 is required by June 2019. The independent study by ECORYS has been completed. The Report will be sent to the Parliament and the Council.

Result indicator 2: Management and provisioning of the Guarantee Fund for the External Action, whose function is to cover the risk of loans and loans guarantees to third countries, timely management of the guarantee calls.
Source of data: ECFIN L1/EIB

Baseline (2017)	**Target** (2018)	**Latest known results** (2017)
On 31 December 2016, net assets of the Fund amounted to EUR 2,505.14 million. According to the appropriate provisioning to be done in N+2, a provisioning of EUR 137.80 million was inserted in the preliminary EU budget of 2018.	The amount of the Guarantee Fund needs to be kept within the target (currently 9%)	On 31 December 2017, net assets of the Fund amounted to EUR 2,559.81 million. According to the appropriate provisioning to be done in N+2, a provisioning of EUR 103.22 million was inserted in the preliminary EU budget of 2019.

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

Baseline	**Interim milestone**	**Target**	**Latest known results** (2018)
Beneficiary countries' international reserves position at the start of the programme	Amount of MFA disbursed to each beneficiary country. Progress on reform conditionalities by beneficiary country.	Maintain adequate level of foreign reserves broadly covering 3 months of imports and short-term foreign debt by the end of the programmes.	Operations ongoing or set for implementation in 2018 were for Ukraine, Georgia, Jordan, Tunisia, and Moldova. Tranche disbursements were made for Ukraine (EUR 500 million in loans) and Georgia (EUR 20 million - EUR 15 million in loans, EUR 5 million in grants). Disbursements to Jordan, Tunisia, and Moldova were delayed due to different reasons (i.e. delays by the national authorities in the fulfilment of the agreed policy measures; concerns regarding the fulfilment of political pre-conditions). For all the above mentioned operations (except Tunisia), the

			target level of foreign reserves was maintained above the critical 3 months threshold. For Tunisia, the level declined gradually until reaching a decade-low of 69 days in September, but rose again around the threshold towards the end of the year.

Planned evaluations:The Staff Working Documents accompanying the ex-post evaluations of MFA operations with Ukraine (MFA I and II) and Jordan (both completed in 2017), were published in 2018. The ex-post evaluations of the MFA operations with Kyrgyzstan, Georgia and Tunisia were launched in 2018. The final reports by the external contractors and the accompanying Staff Working Documents by the Commission will follow in 2019.

Result indicator 4: EU enlargement countries make progress in complying with the economic accession criteria, notably to become a functioning market economy and to be able to withstand competitive pressures within the EU, as measured by a defined set of sub-criteria to be assessed and evaluated on an annual basis in the context of the Commission's enlargement package (the latest package was published in April 2018)
Source of data: National Authorities, ESTAT, IFIs, International Surveys, other multiple data sources

Baseline	**Interim milestone**	**Target**	**Latest known results** (2018)
Level of compliance as assessed in the 2015 country reports (Commission Staff Working Documents), only Turkey is yet considered to be a functioning market	Progress with economic reforms conducive to reaching a higher level of compliance, compared with the baseline, with EU economic accession criteria.	(No target year for EU accession) Reaching full compliance with economic accession criteria, i.e. attaining the status of a functioning market economy and become able to	All enlargement countries have made at least some progress towards meeting the two economic accession criteria, except for Turkey which registered backsliding on the functioning market

economy.		withstand competitive pressures within the EU.	economy criterion. Still, Turkey continued to be the only enlargement country which fulfilled one of the criteria (it was considered to be a functioning market economy).
Result indicator 5: Effective coordination and promotion of EU interests in the G7, G20, and IMF and in the governing bodies of the EIB Group and the EBRD, including preparation of common EU positions and cooperation with international partners to reach G20 growth ambition. **Source of data**: ECFIN/D/3, ECFIN/L/1, National Authorities, ESTAT, EFC secretariat			
Baseline (2015)	**Target** (2020)	**Latest known results** (2018)	
1a) Number of common EU positions coordinated by DG ECFIN on economic/financial issues dealt with in the G20: four EU Terms of Reference (ToR) for G20 Ministerial meetings in 2015.	1a) Ensure effective coordination of EU positions during the period 2016-2020 by coordinating EU ToR for every G20 Finance Deputies and Ministerial meeting.	Four ToR agreed in 2018	
1b) G20 members have collectively reached around 0.8% of their 2% additional growth ambition as set out at the 2014 Brisbane summit.	1b) Work constructively with G20 partners to collectively deliver the 2% additional growth ambition by 2020	Implementation of growth-enhancing measures was slower than expected. However, the longer-term impact of the measures members will have implemented as part of the growth strategy exercise will exceed 2 per cent of G20 collective GDP. There is agreement to continue to implement the policy actions put forward in the growth strategies.	
2) Number of common EU positions and	2) Continue to successfully produce common	15 common messages produced	

statements in the IMF coordinated by ECFIN to advance the EU policy agenda: 15 common messages in 2015	messages on IMF policy, including governance and multilateral surveillance as well as country items during the period 2016-2020.	
3) Number of EU policy positions coordinated (also through EFC) in the G20 Investment and Infrastructure Working Group, and in the governing bodies of the EIB Group and EBRD. Baseline 2015: 4 (China in EBRD, EU MS in Asian Infrastructure Investment Bank, Egypt in EBRD, Multilateral Development Banks (MDB) optimisation)	3) Target 2020: in total about 20 (on average 4 per year)	- Infrastructure Working Group (IWG) in the G20's Roadmap on developing infrastructure as an asset class. - Lead Discussant in Session V-Standardisation 5, June, Sydney with presentation on Capital Markets Union. - Contribution paper sent to G20 IWG on Blending as a Tool to Address the Investment Gap.

Activity 8: Promoting EU positions and interests, cooperation in the external field and coordinating EU positions in the G7, G20, IMF, EIB/EIF, EIB External Lending Mandate (ELM) and governing bodies of the EBRD and other IFIs
Main outputs in 2018:

Other important outputs

Output	Indicator	Target	Latest known results (situation on 31/12/2018)
Coordination of written EU positions for G20 finance track meetings	EU G20 Terms of Reference agreed in EFC/ECOFIN	Throughout 2018	ToR as agreed by EFC for the March G20 Finance Ministerial Meeting in Buenos Aires; ToR for the G20 Finance Ministerial Meeting in Washington DC in April; ToR for the G20 Finance Ministerials in July and October.
Strengthen the role of the EU/euro area in international fora	Policy oriented contributions for discussions either directly (e.g. presentations at the G20) or indirectly (e.g. through the EFC or EURIMF)	Throughout 2018	Discussion Note for the EFC on G20 priorities
Agreement on	Policy oriented contributions for discussions at the G20	Throughout 2018	Information Note to the EFC on

G20 growth strategies	Finance track/Framework for Growth Working Group Assessment of G20 Growth Strategies		G20 FWG Meeting in Indonesia (January 2018) Information Note to the EFC on the G20 FWG Meeting in France (March 2018) Information Note to the EFC on G20 FWG Meeting in Japan (June 2018) Information Note to the EFC on G20 FWG Meeting in the Netherlands (September 2018)
Analytical work on Global Imbalances	Continued monitoring and in-depth analysis	Throughout 2018	A chapter on global imbalances was published in the Quarterly Report on the Euro Area, Vol. 17, No. 1 (2018)
Coordination of EU positions on IMF policy issues	Analytical and policy notes for discussion and common positions to be agreed by the SCIMF/EFC	Throughout 2018	Note for SCIMF on EU coordination in IMF Note for SCIMF on IMF's definition of perimeter of official claims Note for the EFC on IMF's Market Access Countries Debt Sustainability Framework
Proposal for next generation EIB External Lending Mandate	Impact assessment and legislative proposal for next generation of the EIB external lending mandate, possibly in a common external fund	Q3 2018 (following MFF proposal in May 2018)	Contribution was provided to the Impact assessment and to DG DEVCO legislative proposal establishing the Neighbourhood, Development and International Cooperation Instrument (NDICI). The legislative proposal was adopted on 14 June 2018.
Improved	Advance work on balance sheet optimisation and	Q4 2018	Contribution was provided to

coordination and effectiveness of the system of multilateral development banks, including the EIB	additionality of Multilateral Development Banks		the G20 Eminent Persons Group, whose report was published at the WorldBank/IMF annual meeting in October. ECFIN represents the Commission in on-going discussions in the Council concerning the possible establishment of a Wise Persons Group on the European Financial Architecture for development
Implementation of the current EIB External Lending Mandate to strengthen economic resilience in line with the 2030 Agenda for Sustainable Development	Number, amount and impact of EIB operations proposed under the Economic Resilience Initiative envelope of the ELM. Agreement between the co-legislators on the mid-term review of the current ELM. Evaluation report on the current ELM	Q4 2018	12 operations under the Economic Resilience Initiative were approved by the EIB and their compliance with the requirements of the ELM Decision has been assessed by DG ECFIN in cooperation with other services. The amending ELM Decision was adopted in March 2018. An external evaluation report was completed in September 2018 and will feed into the Commission's evaluation due to be published by June 2019.
Supporting the operationalisation of the External Investment Plan *	Number, amount and impact of operations supported by the European Fund for Sustainable Development (pillar 1 of the External Investment Plan)	Q4 2018	The EFSD operational board meetings in June and October 2018 endorsed proposed investment programmes with a combined volume fully matching

			the EUR 1.5 billion of the EFSD Guarantee. The first EFSD Guarantee Agreement was signed in December.
Proposal regarding possible EIB development subsidiary	Possible proposal regarding the EU/Commission's participation in a possible development subsidiary	Q4 2018	The option for a potential participation in a possible development subsidiary was retained under the legislative proposal Neighbourhood, Development and International Cooperation Instrument (NDICI) and is being addressed in discussions with the EIB in support of the legislative process. However, the Commission's preference concerning the external financial architecture is for solutions operational already in the short term.
Towards a stronger international role of the euro	Commission Communication:	Q4 2018	Communication on 5 December + discussion at the Euro Summit of December
Activity 9: Supporting macro-financial stability and promoting growth-enhancing reforms outside the EU, including regular economic dialogues with key partners and by providing macro-financial assistance **Main outputs in 2018:**			
Important items from work programmes/financing decisions/operational programmes[57]			
Output	Indicator	Target	Latest known results

[57] For a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the Draft Budget for 2018.

			(situation on 31/12/2018)
Implementation of MFA operations in third countries	Adoption of a Decision on the MoU (Georgia, Ukraine), Release & Borrowing Decisions by the Commission (for Georgia, Ukraine, Tunisia, Jordan and Moldova)	Depending on the beneficiary country and the progress with conditionalities	• Georgia: COM Decision approving MoU adopted on 29 June 2018. First disbursement (EUR 15 million in loans, EUR 5 million in grants) released in December 2018. • Ukraine: COM Release & Borrowing Decision adopted on 30 November 2018. First disbursement (EUR 500 million in loans) released in December 2018. • Moldova: The release of the first instalment is delayed • Tunisia and Jordan: Second instalment delayed to 2019
Possible Proposals for legislative decisions on MFA to third countries	Adoption of the Proposals by the Commission, depending on developments	Throughout 2018	• MFA Ukraine IV: On 9 March 2018, COM submitted a proposal to provide an additional EUR 1 billion in MFA (loans) to Ukraine, which was adopted by EP and Council on 4 July.
MFA grant commitments & payments to third countries	Disbursement of grants (for Georgia and Moldova)	EUR 10 million to Georgia; EUR 40 million to Moldova depending on the progress with conditionalities	• Georgia: ISC on the Grant Agreement launched on 7 June 2018; First grant payment (EUR 5 million) released in December 2018. • Moldova: The release of the first instalment is delayed to 2019

Other important outputs			
Output	Indicator	Target	State of play 31/12/2018
Macroeconomic dialogues with key non-EU partners, underpinned by comprehensive economic analysis	- Contribution to the High-Level economic dialogue with China. - Annual macroeconomic dialogues with key partners including neighbourhood, and G20 countries (China, Japan, India, Korea, Canada, Brazil, Mexico, Argentina, Australia, South Africa, Iran and the Gulf Cooperation Council)	Throughout 2018	Argentina 21 March - India 16-19 May - China (MOF) 12-15 June Japan 26 June (Cabinet Office)- Korea 27 June - China (NDRC) 28 Sept. -GCC 15 October – South Africa (MoF) 12 Nov.- Canada (MoF) 7 Dec. – Japan (MoF) 18 Dec.
Regular subcommittees on economic issues or economic dialogues with Neighbourhood countries	Annual dialogues with Belarus, Ukraine, Egypt, Tunisia, Jordan, Moldova, Azerbaijan, Lebanon, Palestine, Armenia, Morocco, Israel.	Throughout 2018	Israel Sub-Committee, 24 April 2018, Lebanon Sub-Committee, 8 March 2018, Palestine Sub-Committee, 10 April 2018, Tunisia Macroeconomic Dialogue, 17 January 2018, Belarus Macroeconomic Dialogue, 26 April 2018, Egypt Sub-Committee, 10 July 2018 Ukraine Sub-Committee, 3 October 2018, Moldova Sub-Committee, 26 November 2018 Azerbaijan Sub-Committee, 5/6 December 2018 -
Operational assessments, Public	Launch (for Georgia and Tunisia) and complete (for Kyrgyz Republic, Ukraine I and II, and Jordan I) ex-post evaluations.	Ex post evaluation (SWD) on MFA Ukraine I and II, and Jordan I to	• Ukraine: Inter-service Consultation on the SWD from the Commission to the

Expenditure & Financial Accountability (PEFA) studies & ex-post evaluations PLAN/2016/200 (Jordan) PLAN/2016/202 (Ukraine) PLAN/2017/2036 (Kyrgyz Republic) PLAN/2018/2937 (Tunisia) PLAN/2018/2943 (Georgia)	Launch and complete operational assessments, depending on developments.	be completed in Q1 2018 and MFA Kyrgyz Republic to be completed in Q4 2018. Two ex post evaluations (Georgia II and Tunisia I) to be launched in Q2/Q3	European Parliament and the Council on the Ex-post evaluation of MFA I and II to Ukraine launched on 5/06/2018. SWD published 2/08/2018 • Jordan: Inter-Service consultation on the SWD from the Commission on the Ex-post evaluation of MFA-I on Jordan launched on 5/06/2018. SWD published on 2/08/2018 • Kyrgyz Republic: Draft Final report from contractors received on 23/10/2018: • Roadmap for Georgia II and Tunisia I ex post evaluation published on 11 June
MFA loan disbursements to third countries	Disbursement of loans subject to fulfilment of conditionality	EUR 35 million to Georgia; EUR 300 million to Tunisia (two instalments of EUR 150 million each); EUR 100 million to Jordan; EUR 60 million to Moldova; Ukraine (EUR 1 000 million).	• Georgia: First loan payment (EUR 15 million) released in December 2018. • Ukraine: First loan payment (EUR 500 million) released in December 2018. • Tunisia & Jordan: Disbursements relating to ongoing programmes deferred to 2019as conditions not fully implemented • Moldova: The release of the first instalment is delayed to

			2019
Activity 10: Supporting the enlargement process, the implementation of the EU Neighbourhood Policy and EU priorities in other third countries by conducting economic analysis and providing policy assessments and advice **Main outputs in 2018:**			
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/2018)
Assessment of enlargement countries' medium-term ERPs	– Producing the Commission staff assessment of the ERP for each enlargement country (i.e. candidate countries and potential candidates) – Preparing the Economic and Financial Dialogue of the EU with the Western Balkans and Turkey which adopts joint conclusions with country-specific policy guidance	Q2 2018	ERP assessment missions: Serbia 21-23/2, Montenegro 27/2-1/3, Turkey 26-28/2, Albania 2/3, Kosovo 5-8/3, FYROM 6-8/3 ERP assessments adopted as staff working documents (17 April): Albania SWD(2018)135, Bosnia and Herzegovina SWD(2018)136, FYROM SWD(2018)134, Kosovo SWD(2018)133, Montenegro SWD(2018)131, Serbia SWD(2018)132, Turkey SWD(2018)130 Economic and Financial Dialogue between the EU and the Western Balkans and Turkey took place on 25 May and adopted joint conclusions including policy guidance
Assessment of enlargement	Economic chapter of the country reports under the enlargement package	Q1 2018	Commission's enlargement package including country

countries' state of compliance with the economic accession criteria			reports adopted on 17 April Albania SWD(2018)151, Bosnia and Herzegovina SWD(2018)155, FYROM SWD(2018)154, Kosovo SWD(2018)156, Montenegro SWD(2018)150, Serbia SWD(2018)152, Turkey SWD(2018)153) Progress Towards Meeting the Economic Criteria for EU Accession: The EU Commission's 2018 Assessments
Regular subcommittees on economic issues with enlargement countries	Annual dialogues with Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Kosovo, Montenegro, Serbia and Turkey	Throughout 2018	Iceland 7-8 June 2018, Albania 27 September 2018 Serbia 7 November 2018 FYROM 4 October 2018 Kosovo 19 September 2018 Montenegro 22 November 2018 Bosnia and Herzegovina 15 November 2018
Regular monitoring and assessment of major macroeconomic & macrofinancial developments in enlargement and neighbourhood	Notes and/or Economic Briefs	Throughout 2018	CCEQ January, CCEQ April CCEQ July CCEQ October Iceland: High Growth, Low Inflation and Current Account Surpluses: What's behind this

countries			Remarkable Performance? Untapped Potential: Intra-Regional Trade in the Western Balkans The strong depreciation of the Turkish lira in early August, Is Turkey next (following Argentina)? Take-aways from Turkey ERP missions • 2017 Macro-Financial Assistance Annual Report + Staff Working Document (Published 29 June 2018) • Current Challenges to Lebanon's External Sustainability - • Economic Overview - Southern Neighbourhood Countries - • Economic Overview - Eastern Neighbourhood Countries -
Economic forecasts for candidate countries and	Publication -> Spring Forecast May 2018 -> Autumn Forecast November 2018	Q2 – Q4	 Published on 3 May Published on 8 November

rest of the world (with a focus on Russia, China, Japan, US, EFTA)			
Regular monitoring and assessment of macroeconomic and financial developments in other third countries	- Notes and/or Economic Briefs, notably on US economic developments and policies, economic re-balancing in China, macroeconomic and financial stability challenges in Emerging Market Economies and Global Trade.	Throughout 2018	Cross-Atlantic implications of the US policy mix – contribution to AEA meeting (January) Impact of the US tax reform on the near-term US growth outlook Preliminary assessment of the budget Report: Fact-finding mission to the United States, 26 February - 02 March Report: Fact-finding mission to Russia, 25-27 April 2018 - Argentina: currency turbulence- Venezuela – debt restructuring- Overall coordination WP3 (9 January; 4 May; 14 September) Wage dynamics in the spotlight: the case of Japan and the United States Global Economy Newsletter – Issue No. 1, 2, 3, 4,5
EFTA-ECOFIN meeting	- Contribution and coordination to the exchange at ministerial level between ECOFIN and EFTA Ministers of Finance and Economy	Q4 2018	ECOFIN 6 November

General objective 5: A deeper and fairer EMU		
Impact indicator 21: Dispersion of GDP per capita (Euro area MSs) **Source of data**: Eurostat		
Baseline (2014)	**Target** (2020)	**Latest known results** (2016/2017)
Euro area: 42.3%	Reduce	42.0% (in 2016)
EU 27: 41.9%	Reduce	41.5% (in 2016)
EU 28: 42.3%	Reduce	40.6% (in 2017)
Specific objective 5: Improving the efficient functioning of the EMU		
Result indicator 1: Disperson of labour productivity per person (ratio of top 5 MS to bottom 5 MS) A goal of EMU deepening is upward convergence in terms of competitiveness. This ought to be observable in a reduction of the dispersion of productivity **Source of data**: Eurostat (code tesem160)		
Baseline (2014)	**Target** (2020)	**Latest known result** (2017)
2.21[58]	2.11[59]	2.24
Result indicator 2: people at risk of poverty or social exclusion A goal of EMU deepening is a fairer EMU through a stronger focus on employment and social performance. This ought to be observable through, amongst other measures, a reduction of the number of people at risk of poverty or social exclusion. In order to be consistent with the Commission's impact indicator in this respect, it is proposed to use the Europe 2020 headline target, which covers the EU and not only the EA. **Source of data**: Eurostat (code t2020_50)		
Baseline (2014)	**Target** (2020)	**Latest known result** (2017)
121.6 million people	96.6 million people	113.0
Result indicator 3 : Composite Indicator of Sovereign Stress (SovCISS) Euro area, correlation and real GDP-country weights – The composite indicator should remain under a value of 0.1 throughout the period covered by the strategic plan.		

[58] This has been adjusted from 1.81, due to changes to the historical series.

[59] This has been adjusted from 1.71, due to changes to the historical series.

Source of data: ECB (code CISS.M.U2.ZOZ.4F.EC.SOV_GDPW.IDX)					
Baseline (2014)	**Target** (2020)			**Latest known results** (02/2019)	
<0.1	<0.1			0.14	
Result indicator 4: Degree of compliance with convergence criteria **Source of data**: Commission convergence assessments, based on Eurostat criteria					
Baseline (2014)	**Interim milestones**			**Target** (no target for new euro enlargements)	**Latest known results** (2018)
State of convergence as assessed in the 2014 Convergence Report (CR)	2016 CR	2018 CR	2020 CR	Progress in pre-in MS towards fulfilling the criteria for euro adoption	The Report concluded that none of the countries examined fulfils all conditions for adopting the euro at this stage
Result indicator 5: Number of counterfeit notes and coins detected **Source of data**: ECB and European Technical Scientific Centre (ETSC) The policy with regard to anti-counterfeiting is based on four pillars: prevention, repression, training and cooperation. The EU legislation prevents the euro from being counterfeited through a system of information collection, designated national authorities for analysis, national central offices to coordinate investigations and through authentication measures applied by credit institutions and other cash handlers. DG ECFIN's ETSC provides the national authorities with technical assistance, training and classifies new types of counterfeit coins. The "Pericles 2020" programme provides funds for staff exchanges, seminars, trainings and studies for law enforcement and judicial authorities, banks and others involved in preventing and combatting euro-counterfeiting. DG ECFIN works closely together with the ECB and Europol in achieving this mission.The Counterfeit Coin Experts Group and the Euro Counterfeiting Experts Group seek to foster multidisciplinary and multilateral cooperation by bringing together experts from various disciplines from EU countries, the ECB, Europol and Interpol.					
Planned evaluations: ETSC annual report on the protection of euro coins; annual report to EFC on developments and results of implementation of Regulation (EU) 1210/2010, annual report on the implementation of "Pericles 2020" programme, final evaluation report to the EP and the Council on the achievement of the objectives of the Pericles Programme (due by 31 December 2021,according to art.13 of Reg.(EU) No 331/2014).					

Result indicator 6: Completion of stage 1 of the Five Presidents' Report by 2017 and progress towards completing stage 2 by 2020
Source of data: Commission

Baseline (2015)	**Target**	**Latest known results** (2018)
The Five Presidents' Report of June 2015[60] 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 benchmarks for convergence that could be given a legal nature.	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 the amendments to the ESM Treaty.

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

Activity 11: Completing EMU following the December 2017 proposals by the European Commission Main outputs in 2018:			
All new initiatives and REFIT initiatives from the Commission Work Programme			
Output	Indicator	Target	Latest known results (situation on 31/12/2018)
Integration of the substance of the TSCG into EU law *	Adoption by the Council of the legislative act for the incorporation (based on the Commission's proposal)	2019	The draft Directive was presented at technical level (EFC-A) and several discussions have taken place in 2018. DG ECFIN contributed to a peer review organised by the EFC-A to assess experience with the Fiscal Compact implementation. As part of the consultative procedure, the ECB provided its opinion whereas the ECON committee was not able to agree on its report regarding the Commission proposal.
Integration of the ESM into EU legislation and transformation into a European Monetary Fund *	The European Parliament and the Council are invited to adopt this proposal by mid-2019.	2019	The legislative proposal is not being discussed at the moment. The Euro Summit of December 2018 asked the Eurogroup to prepare amendments to the ESM Treaty by June 2019.
A reform support programme to support priority reforms in all EU Member States *	Proposal in the next Multi-financial Framework of this new reform delivery tool.	2018	Proposal for a Regulation of the European Parliament and of the Council on the establishment of the Reform Support Programme - COM(2018) 391 final SEC(2018) 280 final -

			SWD(2018) 310 final - SWD(2018) 311 final 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.
Strengthening of the Structural Reform Support Programme, and targeted changes to the Common Provisions Regulation governing the European Structural and Investment Funds (ESIF) *	Adoption of these two proposals by the European Parliament and the Council.	2018	The political trilogue on the amendment to the Structural Reform Support Programme (increase of budget of the programme and establishment of a new workstream for the provision of technical support for preparation for euro-area membership) took place on 11 July 2018, where the European Parliament, the Council and the Commission reached an agreement in principle on all points. The SRSP amendment was voted in the EP plenary on 11 September and entered into force on 13 November. The Council and the European Parliament are both opposed to the targeted changes to the Common Provision Regulation (pilot for the reform delivery tool), which were rejected in the

			Plenary on 22 October.
A European Investment Stabilisation Function *	Following the December 2017 Commission package further develop the proposal to fully operationalise it	2018	Adoption of a Proposal for a Regulation of the European Parliament and of the Council on the establishment of a European Investment Stabilisation Function - COM(2018) 387; SEC(2018) 277; - SWD(2018) 297; SWD(2018) 298 The proposal has not been discussed in the Council. Eurogroup will now discuss the budgetary instrument for convergence and competitiveness for the euro area and will continue technical work on stabilisation.
Commission proposal for progressively establishing unified representation of the euro area in the International Monetary Fund *.	Proposal by the Commission to be discussed at the Council	2018	COM proposal has not been discussed in the Council.
European Minister of Economy and Finance *	Following the December 2017 Commission package further develop the proposal to fully operationalise it	2018	No discussions are happening at the moment.
Euro area safe	Proceed with exploratory work jointly with FISMA	2018	Technical preparatory work

asset *			carried out together with DG FISMA.
Activity 12: Ensuring euro area reforms within the framework of the European Semester improve economic resilience **Main outputs in 2018:**			
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/2018)
EARs *	Adoption by the Commission and Council of recommendations for the euro area, including on the euro area fiscal stance	2018	Adoption of the recommendations for the euro area on 21 November – COM(2018)759 & SWD(2018)467. ECOFIN Council approved the recommendations on 22 January 2019 and transmitted them to the European Council for endorsement.
Addressing high NPL levels	Contributing to the implementation of the Council Action Plan of July 2017	2018	Adoption of the NPL package in March 2018, consisting of a Proposal for a directive on credit servicers, credit purchasers and the recovery of collateral (COM(2018)135), a Proposal for a regulation amending the capital requirement regulation (COM(2018)134), and a Blueprint on the set-up of national asset management companies (SWD(2018)72 final).
Activity 13: Providing financial assistance to Member States **Main outputs in 2018:**			

Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/2018)
Economic adjustment process in Greece	Completion of the 2015 ESM Stability Support Programme for Greece	2018	The third review was finalised in March. Staff-level agreement on the fourth and final review was reached on 19 May. Compliance report was sent to the Eurogroup of 22 June. Debt negotiations were successfully concluded with an agreement reached at the 22 June Eurogroup. Following the disbursement of the final tranche in early August, the programme ended as planned on 20 August.
Post-programme surveillance related to the economic adjustment programme for Portugal	Reports on PPS missions published	2018	The report on the 8th PPS mission from 4 to 12 June was published on 4 September. The 9th PPS mission took place from 26 to 30 November.
Post-programme surveillance related to the economic adjustment programme for Ireland	Reports on PPS missions published	2018	The report on the 9th PPS mission from 14 to 18 May was published on 6 July. The 10th PPS mission took place from 12 to 16 November.
Post-programme surveillance	Reports on PPS missions published	2018	The report on the 9th PPS mission on 9-10 April was

related to the financial assistance programme for the recapitalisation of financial institutions for Spain			published on 6 July 2018. The 10th PPS mission took place on 4-5 October.
Post-programme surveillance related to the economic adjustment programme for Cyprus	Reports on PPS missions published	2018	The report on the 4th PPS mission from 19 to 23 March was published on 6 July. The report on the 5th PPS mission from 24 to 28 September was published on 30 November.
Enhanced surveillance following the completion of Greece's ESM stability support programme	Enhanced surveillance reports published	2018	The 1st enhanced surveillance report was published on 21 November.
Economic publications	Economic Briefs	2018	Croatia's Tourism Industry: Beyond the Sun and Sea (Published on 28 March 2018)
Maturity lengthening of existing EFSM loans to Ireland	The EFSM loan due in April 2018 (EUR 3.4 billion) and in October (EUR 500 million) could be lengthened (if so requested by Ireland). Preparations would start end of 2017 and transactions would be carried out in 2018.	Agreement reached with Ireland on number of transactions and maturities	Both loans (totalling EUR 3.9 billion) have been lengthened by 7 years (EUR 2.4 billion) and by 15 years (EUR 1.5 billion). The related transactions were carried out in January, February and June 2018.

Maturity lengthening of existing EFSM loans to Portugal	The EFSM loan due in October 2018 (EUR 600 million) could be lengthened (if so requested by Portugal). Preparations and transactions would be carried out in 2018.	Agreement reached with Portugal on number of transactions and maturities.	The loan instalment was lengthened by 15 years in June 2018.
Post-programme surveillance related to the Balance of Payments (BoP) financial assistance to Romania	Post-programme surveillance (PPS) in Romania was concluded in April 2018.	2018	The latest PPS mission found risks related to the repayment of the debt to the EU to be very low. After the payment made end-March 2018, the outstanding amount was EUR 1.15 bn, equivalent to 0.6 % of GDP. This means that Romania repaid more than 70% of the original EUR 5 bn loan.
Reviving discussions on the Commission proposal for revised BoP facility	Adoption by the Council of the BoP proposal	2018	Presentation of the Commission report in EFC-A and EFC, but no further activity happened in 2018.
Assessment of the economic adjustment programme for Cyprus PLAN/2018/2854	Work on the ex-post evaluation	2018	Ongoing
Activity 14: Strengthening the platform for future enlargement of the euro area			
Main outputs in 2018:			
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/2018)
Assessment of	Adoption of the Convergence Report 2018 * and	Q2	Convergence Report

progress made by Member States with a derogation (BG, CZ, HR, HU, PL, RO, SE) in fulfilling their obligations regarding the achievement of EMU. PLAN/2017/2153	accompanying SWD		(COM(2018)370) and accompanying SWD(2018)350 adopted on 23 May
Specific objective 5: Improving the efficient functioning of the EMU			**Related to spending programme PERICLES**
Activity 15: Protecting the euro against counterfeiting and managing the euro cash policy and legislation **Main outputs in 2018:**			
Important items from work programmes/financing decisions/operational programmes[61]			
Output	Indicator	Target	Latest known results (situation on 31/12/2018)
Develop policy strategy and legislation with respect to the protection of the euro against counterfeiting – Pericles 2020	Annual Report to the Economic and Financial Committee (EFC) on the implementation of the Regulation (EU) No 1210/2010[62] concerning the authentication of euro coins and of coins unfit for circulation	1st semester 2018	Adopted by the College on 23/01/2019

[61] For a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the Draft Budget for 2018.

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

programme PLAN/2017/2195			
Provide technical support for partners to protect the euro effectively via the European Technical Scientific Centre (ETSC)	- 3 Euro Counterfeiting Experts Group (ECEG) , 2 Counterfeit Coin Experts Group (CCEG) and 2 ETSC work team meetings addressing upcoming threats, forming the anti-counterfeiting strategy, exchanging best practices and addressing linkages of counterfeiting with other illegal activities (e.g. money laundering, terrorist financing etc.) - Degree of classification of euro counterfeit coins and communication to Coin National Analysis Centres (CNACs)	Rolling programme - 100% of coins to be classified and communicated to the CNACs by the end of the year	3 ECEG (7/3-13/6-13/11), 2 CCEG (8/6-16/10), 4 ETSC work team (27/3-28/5-19/9-5/12) - 100% of coins classified and communicated to the CNACs
Protection of the euro against counterfeiting through the Pericles programme, established by Regulation (EU) No 331/2014 establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting (the Pericles	- Counterfeit notes and coins detected - Illegal workshops dismantled - Individuals arrested/charged - Annual Report to the European Parliament and to the Council on the implementation of the Pericles programme in 2017 -Adoption of the Financing Decision and of the Annual Work Programme for 2019 of the Pericles 2020 programme	12 actions 1st semester of 2018 2nd semester of 2018	- 11 actions - 563 000 counterfeit banknotes and 179 353 counterfeit coins detected in 2018 - 22 illegal workshops dismantled (latest available data 2017) - 7 494 individuals arrested/charged (latest available data 2017). - COM/2018/581 adopted on 13/08/2018 - C(2019)806 adopted on 08/02/2019

2020 programme[63]) PLAN/2017/2039			
Commission Report on the latest developments in relation to euro coins PLAN/2017/984	Issuing Commission Report	2nd semester 2018	Report (COM/2018/787 final/2) adopted on 27/11/18
Management of the Monetary Agreements with Andorra, Monaco, San Marino and the Vatican	Update of Annexes to the agreements. In cooperation with other Commission services responsible for the policy area concerned, (coordination of the) screening of the implementation measures taken by the four third countries	Q2/Q4 2018	Under finalisation (adoption by the College foreseen in February/March 2019)
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/2018)
Study to quantify net coin migration among Member States	The objective of the study is to design a methodology to quantify the size of net euro coin migration, apply that methodology to effectively estimate net coin migration for each Member State, and then consider options to mitigate the consequences of such net migration	2nd semester 2018	The bid received by the framework contractor was not retained. Once there is agreement by all MS to effectively collect and transmit data, the ECB, supported by the Commission if necessary, would be the ideal candidate for receiving the data and compile the migration

[63] OJ L103, 5.4.2014, p.1

			figures
Impact assessment P2020 for continuation beyond 2020	The Commission will prepare a full impact assessment exploring the possibility to extend the Pericles 2020 programme beyond 2020. In accordance with EU Financial Regulation and following the agreement of LS, the IA was replaced by an SWD.	1st semester 2018	Commission Staff Working document Accompanying the document 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') SWD/2018/281 final - 2018/0194 (COD) adopted on 31.05.18 together with the Proposals for the Pericles IV programme.
Impact assessment on EU cash payment limitations PLAN/2016/28	The Commission is preparing a full impact assessment including costs and benefits to explore the relevance of potential limits to cash payments.	Q3 2018	The study carried out by the framework contractor did not demonstrate the value added of introducing limits to cash payments to fight terrorism financing. Therefore, no action will be taken. The Report (COM(2018)483 final) from the Commission to the EP and the Council on restrictions on payments in cash was adopted on 12.06.18.
Exchange, assistance and training programme for	Adoption of the proposal	2018	The Proposal for a Regulation of the European Parliament and of the Council establishing an exchange, assistance and

the protection of the euro against counterfeiting for the period 2021-2027 (Pericles IV)			training programme for the protection of the euro against counterfeiting for the period 2021-2027 (the 'Pericles IV' programme) and the 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) have been adopted in standard written procedure on 31.05.18.