ANNEXES

ANNEX 1: Statement of the Resources Director

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

I hereby certify that the information provided in Section 2 of the present AAR and in its annexes is, to the best of my knowledge, accurate and complete."

Date 29 March 2017

FR « Je déclare que, conformément à la communication à la Commission sur la clarification des responsabilités des acteurs-clé en matière d'audit et de contrôle interne à la Commission[2], j'ai communiqué au Directeur général mes avis et recommandations sur l'état général du contrôle interne dans la DG/l'Agence Exécutive.

Je certifie également par la présente que les informations fournies dans la Section 2 du présent rapport annuel d'activité et dans ses annexes sont, à ma meilleure connaissance, exactes et complètes. »

Le 29 mars 2017

(e-signed)

MICHAELA DI BUCCI

[1] Communication to the Commission: Clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission; SEC(2003)59 of 21.01.2003.

[2] Communication à la Commission: Clarification des responsabilités des acteurs clés dans le domaine de l'audit interne et du contrôle interne à la Commission; SEC(2003)59 du 21.01.2003.

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".

Human Resources

Objective 1: The DG deploys effectively its resources in support of the delivery of the Commission's priorities and core business, has a competent and engaged workforce, which is driven by an effective and gender-balanced management and which can deploy its full potential within supportive and healthy working conditions.		
Indicator 1: Percentage of female representation in middle management **Source of data: DG HR**		
Baseline	**Target**	**Latest known results**
Women as a percentage of HoU workforce: 28,2 % (situation at 01/01/2016)	35% by 2019 as indicated in the targets set for each Directorate-General in the Commission decision SEC(2015)336	32% (situation at 31/12/2016)
Indicator 2: Percentage of staff who feel that the Commission cares about their well-being[3] **Source of data: DG HR - Commission staff survey**		
Baseline	**Target**	**Latest known results**
Only 38% of ECFIN staff believe that the Commission cares about their well-being (compared to 46% in 2013),	50% by 2019 as determined by DG ECFIN	38% (Staff survey 2016)

[3] This indicator may be replaced by a fit@work index on which DG HR is currently working.

but the ECFIN result is higher than the Commission average			
Indicator 3: Staff engagement index **Source of data: DG HR - Commission staff survey**			
Baseline		**Target**	**Latest known results**
The staff engagement index decreased from 71% in 2013 to 66% in 2014 and is slightly higher than Commission staff engagement index (65%)		70 % by 2019 as determined by DG ECFIN	67% (Staff survey 2016)
Main outputs in 2016:			
Description	**Indicator**	**Target**	**Latest known results**
Offer development opportunities for Deputy Heads of Unit (DHoU) and Heads of sector (HoS)	Specific training, workshops and individual coaching offered to DHoU and HoS	Women as a percentage of DHoU/HoS workforce: 27,1 % (situation December 2015). ECFIN aims to increase this proportion to 30% in 2016 (2 recruitments at DHoU or HoS level) in order to extend the pool of women who are suitably qualified for middle management positions	All DHoU and HoS have been offered individual coaching as well as training opportunities including "Key conversations for managers". In addition, the "Career development programme for AD women with management potential" was extended in 2016 to a third group. As a follow-up, two workshops on "Interviewing skills for management candidates" were held. Since the launch of the programme, 4 participants have been nominated to pre-management positions. By the end of 2016, female DHoU/HoS represented 28,6% (14 out of 49 occupied positions), with one

			further woman in the process of recruitment as a DHoU. Now she is in place, female DHoU/HoS make up just over 30% of all DHoU/HoS in the DG.
Add to ECFIN's programme of well-being initiatives for staff and managers as well as further address work organisation and work-private life balance in DG ECFIN whilst respecting the need for business continuity	Consultation on work organisation and work-private life balance as well as sessions on stress management and emotional resilience Reviewed policies on flexible working increasing flexibility and staff accountability as well as guidelines for staff and managers on flexible working	Increased staff well-being (45% for the next staff survey results)	-Further steps have been taken to protect the health and well-being of staff by addressing the underlying issue of work organisation and planning as highlighted in the staff survey. A new training programme has been launched for staff and managers to support the further development of skills for working in teams: • "Working efficiently as a team: simple tools and techniques" (March-April 2016) • "Working collaboratively in teams" (April-June 2016) • "Productive team meetings" (April-June 2016). In terms of improving the physical work environment after considerable effort, new showers and bike racks have recently been installed in the CHAR building. Proposals to improve the cafeteria, canteen and coffee corners in CHAR have also been submitted to OIB.
Identify, develop and promote non-management career paths in the DG and launch a reflection at middle	Meetings with specific target groups to discuss career opportunities and possible actions as well as an extended and widely	Increase the staff engagement index to at least 68% in the next staff survey. Career development of non-management AD staff and AST staff to foster increased retention and	A multi-faceted Career Management Promotion Campaign has been launched covering: appraisal, career planning and

and senior management level on talent management and succession planning	advertised L&D offer. Meetings and discussion with senior management followed by a list of possible actions to support talent management in ECFIN.	engagement of non-management staff. Further development of talent management and succession planning in DG ECFIN including appropriate actions tailored to ECFIN needs	mobility, promotion and profile management. This has included specific information briefings for staff, a poster campaign and articles on MyECFINnet. As from April 2016, individual profile assessment (PerformanSe) has been offered to staff, accompanied by specialised career guidance. On 8 March 2016, women working in ECFIN were invited to a panel discussion "Getting the career that you want: harnessing your individual potential", the focus of which was on how to achieve aspirations for a fulfilling career at AST or AD level.
T4T: Develop a workload measurement tool for DG ECFIN	Meetings of the support group dedicated to implementing the tool; Minutes of the meetings; Biannual reports on the quarterly allocation of ECFIN resources across work streams and DG objectives	To provide biannual reports appropriately tailored to the DG's specific needs covering ECFIN's workload and use of its human resources that provide input to the DG's process of managing its resources	Reporting on Q2 and Q3 was completed and analysed in the course of 2016. Senior management in DG ECFIN have adopted the tool and take an active interest in tailoring it further to the DG's needs. As a result of the progress made, the IAS has closed its long overdue *Very Important* recommendation on this issue.

Financial Management

<table>
<tr><td colspan="3">Overarching objective: The Authorising Officer by Delegation should have reasonable assurance that resources have been used in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions including prevention, detection, correction and follow-up of fraud and irregularities.

Objective 1: Effective and reliable internal control system giving the necessary guarantees concerning <u>the legality and the regularity</u> of the underlying transactions</td></tr>
<tr><td colspan="3">Indicator 1: Estimated residual error rate[4]
Where necessary specific residual error rates would be calculated for each programme managed or for expenditure with a common risk profile.
Source of data: AAR 2015</td></tr>
<tr><td>Baseline 2015</td><td>Target</td><td>Latest known results</td></tr>
<tr><td>Below 2% in all substantial segments of DG ECFIN expenditure</td><td>Between 0% and 2% according to the type of transaction and the management mode</td><td>Below 2 %</td></tr>
<tr><td colspan="3">Indicator 2: Estimated overall amount at risk for the year for the entire budget under the DGs responsibility
Source of data: AAR 2015</td></tr>
<tr><td>Baseline 2015</td><td>Target</td><td>Latest known results</td></tr>
<tr><td>0.1 – 3.3 in M €</td><td>None</td><td>0 – 2.9 in M €</td></tr>
<tr><td colspan="3">Indicator 3: Estimated future corrections</td></tr>
</table>

[4] For the definition, see the first annex to the AAR instructions 2014 "Key definitions for determining amounts at risk" at https://myintracomm.ec.europa.eu/budgweb/EN/rep/aar/Documents/aar-standing-instructions.pdf.

Source of data: AAR 2015		
Baseline 2015	**Target**	**Latest known results**
EUR 0	None	None
Objective 2: Effective and reliable internal control system in line with sound financial management		
Indicator 1: Conclusion reached on cost effectiveness and time efficiency of controls **Source of data: AAR 2015**		
Baseline 2015	**Target**	**Latest known results**
Yes	Yes	Yes
Indicator 2: Cost ratio's per control system **Source of data: AAR 2015**		
Baseline 2015	**Target**	**2016**
MFA grants: 0.9% BCS grants: 11% PERICLES grants: 50% EIAH grants: 2% Procurement and other administrative expenses: 11% Financial instruments: 709€ per 1M€ EFSIGF: N/A GFEA: 197€ per 1M€	Identical to or lower than baseline each year New effective and reliable controls as well as possible increases in existing controls will have to be matched by corresponding increases in related expenditures to achieve and sustain cost-effectiveness	MFA grants: 4.1% BCS grants: 10% PERICLES grants: 50% EIAH grants: 2% Procurement and other administrative expenses: 11% Financial instruments: 623€ per 1M€ EFSIGF: 943 per 1M€ GFEA: 229€ per 1M€

Indicator 3: time to inform, grant and pay **Source of data: AAR 2015**		
Baseline 2015	**Target**	**2016**
Time-to-pay: 15,0 days BCS time-to-inform: 18,0 days BCS time-to-grant: 13,0 days PERICLES time-to-inform: 42,5 days PERICLES time-to-grant: 13,5 days EIAH time-to-inform: 47,0 days EIAH time-to-grant: 1,0 day	Art. 128 FR for time to inform and time to grant and art. 92 FR for time to pay unless a stricter target is imposed by the Commission All calls for proposals with corresponding signing of framework partnership agreements and/or grand agreements and specific grant agreements shall comply with the periods specified in art. 128 FR. All payments shall comply with the time-limits specified in art. 92 FR	Time-to-pay: 19,5 days (adjusted: 17,0 days) BCS time-to-inform: 16,0 days BCS time-to-grant: 5,0 days PERICLES time-to-inform: 49,5 days PERICLES time-to-grant: 30,3 days EIAH time-to-inform: 47,0 days EIAH time-to-grant: 3,0 day
Objective 3: Minimisation of the risk of fraud through application of effective anti-fraud measures, integrated in all activities of the		

DG, based on the DG's anti-fraud strategy (AFS) aimed at the prevention, detection and reparation of fraud.		
Indicator 1: Updated anti-fraud strategy of DG ECFIN, elaborated on the basis of the methodology provided by OLAF[5] **Source of data: …**		
Baseline 2014	**Target**	**Latest known results**
ECFIN AFS adopted in January 2014	Update of the AFS every 2-3 years, as set out in the current version	ECFIN AFS updated in 2016 and will be finalised in alignment with the on-going review by OLAF of the Commission's Anti-Fraud Strategy.

Main outputs in 2016:			
Description	**Indicator**	**Target**	**Latest known results**
Revision of the ECFIN AFS	Adoption of the revised ECFIN AFS	End of 2016	First draft of review established

[5]The methodology can be found on the FPDNet website: https://myintracomm.ec.europa.eu/serv/en/fraud-prevention/ToolBox/Documents/Methodology%20and%20guidance%20for%20DGs%20anti-fraud%20strategies.pdf. In particular paragraph 3 of the methodology is relevant.

Better Regulation

<table>
<tr><td colspan="4">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</td></tr>
<tr><td colspan="4">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</td></tr>
<tr><td colspan="2">Baseline 2015</td><td>Target 2020</td><td>Latest known results (2016)</td></tr>
<tr><td colspan="2">N/A as ECFIN has not submitted any IA to the RSB</td><td>Positive trend compared to DG'S 2016 situation</td><td>N/A. No ECFIN impact assessments submitted to the RSB in 2016.</td></tr>
<tr><td colspan="4">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</td></tr>
<tr><td colspan="2">Baseline 2015</td><td>Target 2020</td><td>Latest known results (2016)</td></tr>
<tr><td colspan="2">71%</td><td>Positive trend compared to interim milestone</td><td>76%</td></tr>
<tr><td colspan="4">Main outputs in 2016:</td></tr>
<tr><td>Description</td><td>Indicator</td><td>Target</td><td>Latest known results (2016)</td></tr>
<tr><td>Evaluations</td><td>Percentage of DG acquis covered by evaluations not older than five years.</td><td>≥ 70 %</td><td>76%</td></tr>
</table>

Information management

Objective 1: Information and knowledge in your DG is shared and reusable by other DGs. Important documents are registered, filed and retrievable			
Indicator 1 (data to be provided by DG DIGIT): Percentage of registered documents that are not filed[6] (ratio) **Source of data:** ***Hermes-Ares-Nomcom (HAN)[7] statistics***			
Baseline 2015	**Target 2020**	**2016**	
1,94%	<0,5%	0.52%	
Indicator 2 (data to be provided by DG DIGIT): Percentage of HAN files readable/accessible by all units in the DG **Source of data:** *HAN statistics*			
Baseline 2015	**Target 2020**	**2016**	
83,65%	≥70%	84.27%	
Indicator 3 (data to be provided by DG DIGIT): Percentage of HAN files shared with other DGs **Source of data:** *HAN statistics*			
Baseline 2015	**Target 2020**	**2016**	
0,09%	5-10%	1.23%	
Main outputs in 2016:			
Description	**Indicator**	**Target**	**2016**
Reduce unfiled documents	Registered documents not filed, 1,94%	< 0.5%	0,56%

[6] Each registered document must be filed in at least one official file of the *Chef de file*, as required by the e-Domec policy rules (and by ICS 11 requirements). The indicator is to be measured via reporting tools available in Ares.

[7] Suite of tools designed to implement the e-Domec policy rules.

Reduce number of empty files	Number empty files, 6%	< 5%	5%
Reduce number of unused files	Number unused files, 10%	< 7.5%	5%
Increase use of country master files	Country master files, 85 documents on average per file	≥ 70	114
Increase the visibility of files in the DG	File visibility within ECFIN, 83%	≥ 70 %	89%

External communication

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**	**Latest known results (2016)**
Total "Positive": 39% Neutral: 37 %	Positive image of the EU ≥ 50%	Total "Positive": 35% Neutral: 38%

Total "Negative": 22%			Total "Negative": 25%
Main outputs in 2016:			
Description	Indicator	Target	Latest known results (2016)
Outreach programme for stakeholders and journalists	Satisfaction rate as measured in questionnaires	8.0 out of 10	On average 7.9 (stakeholders 7.7)
	Number of participants stating their likelihood to share the information learnt	70% very or fairly likely	On average 91% (stakeholders)
	Number of participants who have a better opinion of the EU and/or its institutions as a results of the event	50%	On average 45% (stakeholders)
Brussels Economic Forum 2016	Number of participants	650	900
	Satisfaction rate	7.5 out of 10	8.3 (stakeholders)
	Number of participants who made useful contacts	50%	10% (stakeholders)
Social media	Twitter: Number of impressions	1.1 million/month on average	432 000
	Facebook: Number of people reached	700 on average per post	1 400
	Twitter fan engagement rate	6.5% on average	3.67%
	Facebook: Fan engagement rate	1.5% on average	0.07%
	Comparative measurement of different content types	Likes/Views/Shares/Comments on Visual Economics, Videos, Real Economy, Flagship Publications, Regular Publications, Newsletters, Webpages, etc.	Not yet available

"European Economy Explained" video series	Number of views per video in first quarter	10,000	Above benchmark. Example "The EU and G20" 11 000
	Twitter: Fan engagement rate per video per quarter	6.5% on average	Not yet available
	Facebook: Fan engagement rate per video per quarter	1.5% on average	Not yet available
Real Economy	Number of views per video in first quarter (page views on website & apps)	80,000	Not yet available
	Number of views per video in first quarter (page views on YouTube Social media outreach: Unique browsers	2,800	Not yet available
Economic publications	Number of PDF downloads from the "Publications" website section, for all four series (Institutional Papers, Economic Briefs, Discussion Papers, Technical Papers)	200,000	191 436 (only 2016 titles)
	Number of quotations in economic and general press (media coverage) per Institutional Paper/Flagship publication	10	More than 10 per such item for Forecasts
	Number of new subscriptions to the ECFIN publication mailing list	10% increase	5%
ECFIN E-newsletter	Number of external subscribers	10% increase (currently 7,000)	7 863 subscribers
	Number of people who declare the publication met their expectations/ overall satisfaction (annual survey)	7.5 out of 10	Not yet available

Website	Number of visits	SAS 4,704,618; Piwik 1,319,359[8]	SAS 5,505,537; Piwik 2,052,146 visits
	Number of unique visitors	SAS 2,691,220; Piwik 1,167,502	SAS 2,438,694; Piwik n.a.
	Number of page views	SAS 10,847,236; Piwik 2,821,135	SAS 12,631,734; Piwik 4,480,504 page views

Annual communication spending (based on estimated commitments):			
Baseline (Year n-1):2015	Target (Year n):	Total amount spent	Total of FTEs working on external communication
2.400.000	2.300.000	2.550.000	19,5

[8] Estimations based on statistics produced by SAS in 2014/2015 and by Piwik during December 2015/January 2016. There is a discrepancy between the figures generated by the two systems (c.a 73% in visits and page views, c.a 55% in unique visitors). Piwik is going to be introduced as corporate tool for analytics as from April 2016, replacing SAS which will be phased-out. These benchmarks do not take into account any change in the structure of the website or reduction/increase in the number of webpages further to the digital transformation process, which is planned to start in 1Q2016.

ANNEX 3: Draft annual accounts and financial reports

Annex 3 Financial Reports - DG ECFIN - Financial Year 2016

Note: The accounting situation presented in the Balance Sheet and Statement of Financial Performance does not include the accruals and deferrals calculated centrally by the services of the Accounting Officer

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 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2016 (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	6.55616845	6.32945937	96.54 %
	01 02	Economic and monetary union	13.96730201	12.3861103	88.68 %
	01 03	International economic and financial affairs	257.490792	257.453613	99.99 %
	01 04	Financial operations and instruments	2177.022548	2176.8025	99.99 %
Total Title 01			2455.03681	2452.97168	99.92%
Title 22 Neighbourhood and enlargement negotiations					
22	22 02	Enlargement process and strategy	0.0779914	0.0779914	100.00 %
Total Title 22			0.0779914	0.0779914	100.00%
Total DG ECFIN			2455.114801	2453.04968	99.92 %

** 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).*

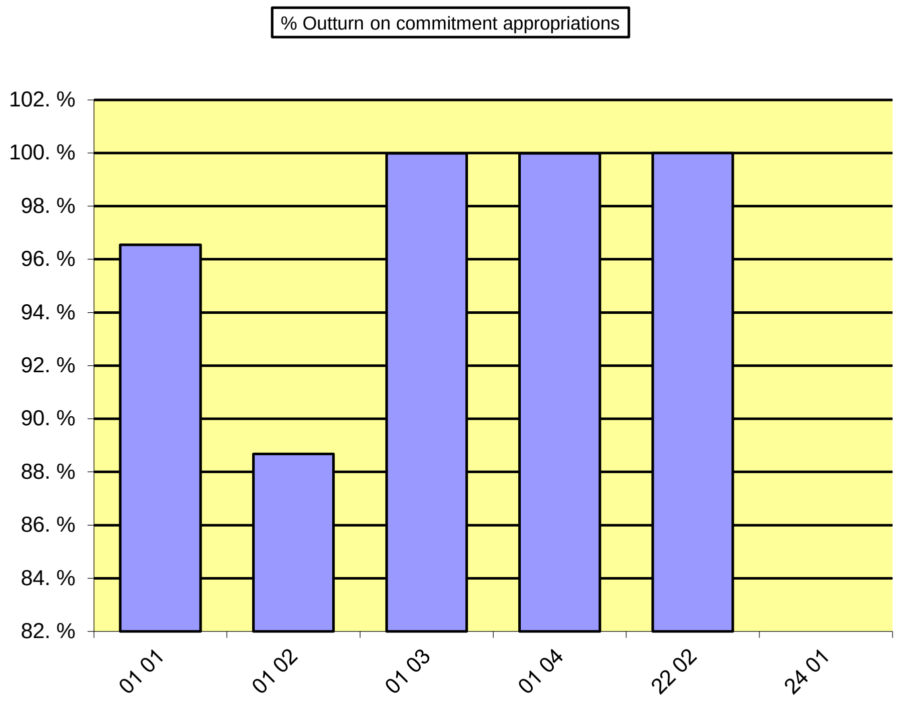

TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2016 (in Mio €)					
Chapter			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
Title 01 Economic and financial affairs					
01	01 01	Administrative expenditure of the 'Economic and financial affairs' policy area	8.79726118	5.77948991	65.70 %
	01 02	Economic and monetary union	12.49366326	10.52509179	84.24 %
	01 03	International economic and financial affairs	272.340792	262.2529873	96.30 %
	01 04	Financial operations and instruments	1171.246821	1171.227087	100.00 %
Total Title 01			1464.878537	1449.784656	98.97%
Title 22 Neighbourhood and enlargement negotiations					
22	22 02	Enlargement process and strategy	0.0779914	0.0779914	100.00 %
Total Title 22			0.0779914	0.0779914	100.00%
Title 24 Fight against fraud					
24	24 01	Administrative expenditure of the 'Fight against fraud' policy area	0.03751571	0.03751571	100.00 %
Total Title 24			0.03751571	0.03751571	100.00%
	Total DG ECFIN		1464.994045	1449.900163	98.97 %

** 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).*

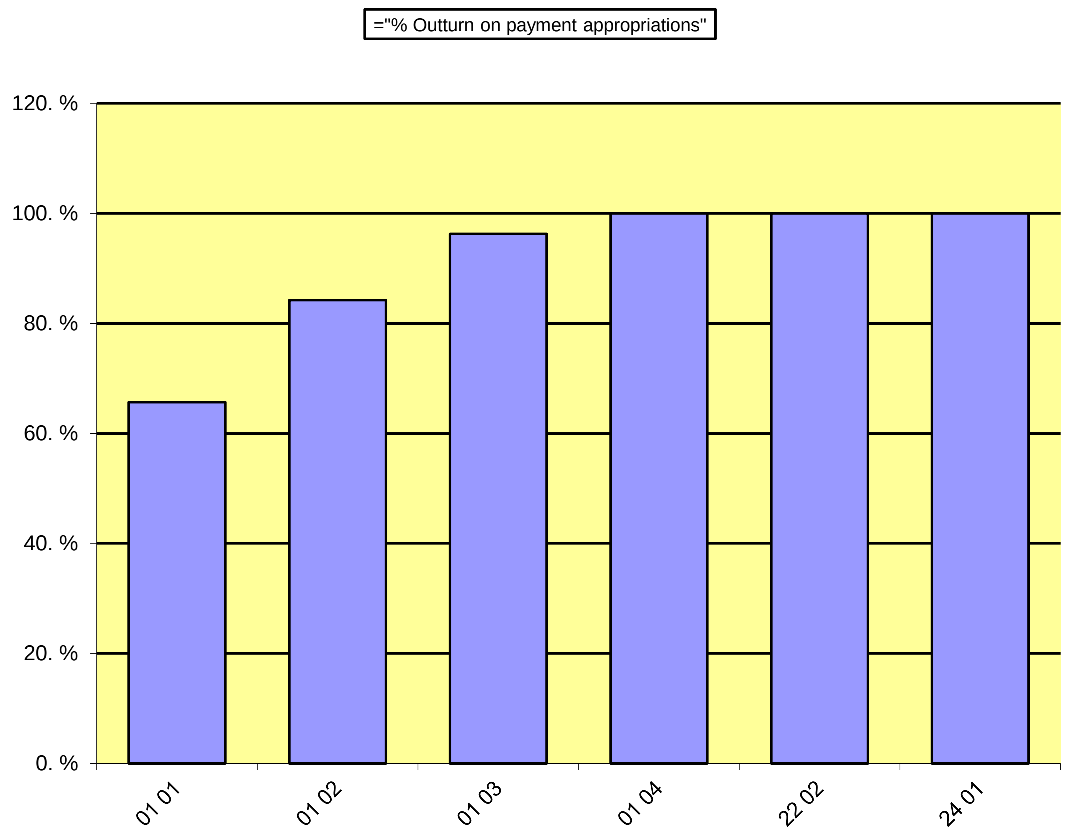

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2016 (in Mio €)									
Chapter			2016 Commitments to be settled				Commitments to be settled from financial years previous to 2016	Total of commitments to be settled at end of financial year 2016(incl corrections)	Total of commitments to be settled at end of financial year 2015 (incl. corrections)
			Commitments 2016	Payments 2016	RAL 2016	% to be settled			
			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	6.32945937	4.11	2.21877123	35.05 %	0.00	2.22	2.24
	01 02	Economic and monetary union	12.38611033	4.69	7.69141111	62.10 %	1.92	9.62	9.49
	01 03	International economic and financial affairs	257.453613	257.19	0.26235772	0.10 %	10.00	10.26	15.07
	01 04	Financial operations and instruments	2176.802502	60.43	2116.373692	97.22 %	716.48	2,832.85	1852.38
Total Title 01			2452.971685	326.43	2126.546232	86.69%	728.4032873	2854.949519	1879.17203
Title 22 : Neighbourhood and enlargement negotiations									
22	22 02	Enlargement process and strategy	0.0779914	0.08	0	0.00 %	15.38	15.38	15.38
Total Title 22			0.0779914	0.08	0	0.00%	15.37890581	15.37890581	15.3789058
Title 24 : Fight against fraud									
24	24 01	Administrative expenditure of the 'Fight against fraud' policy area	0	0.00	0	0.00 %	0.00	0.00	0.04
Total Title 24			0	0.00	0	0.00%	0	0	0.03751571
	Total DG ECFIN		2453.049676	326.50	2126.546232	86.69 %	743.7821931	2870.328425	1894.58845

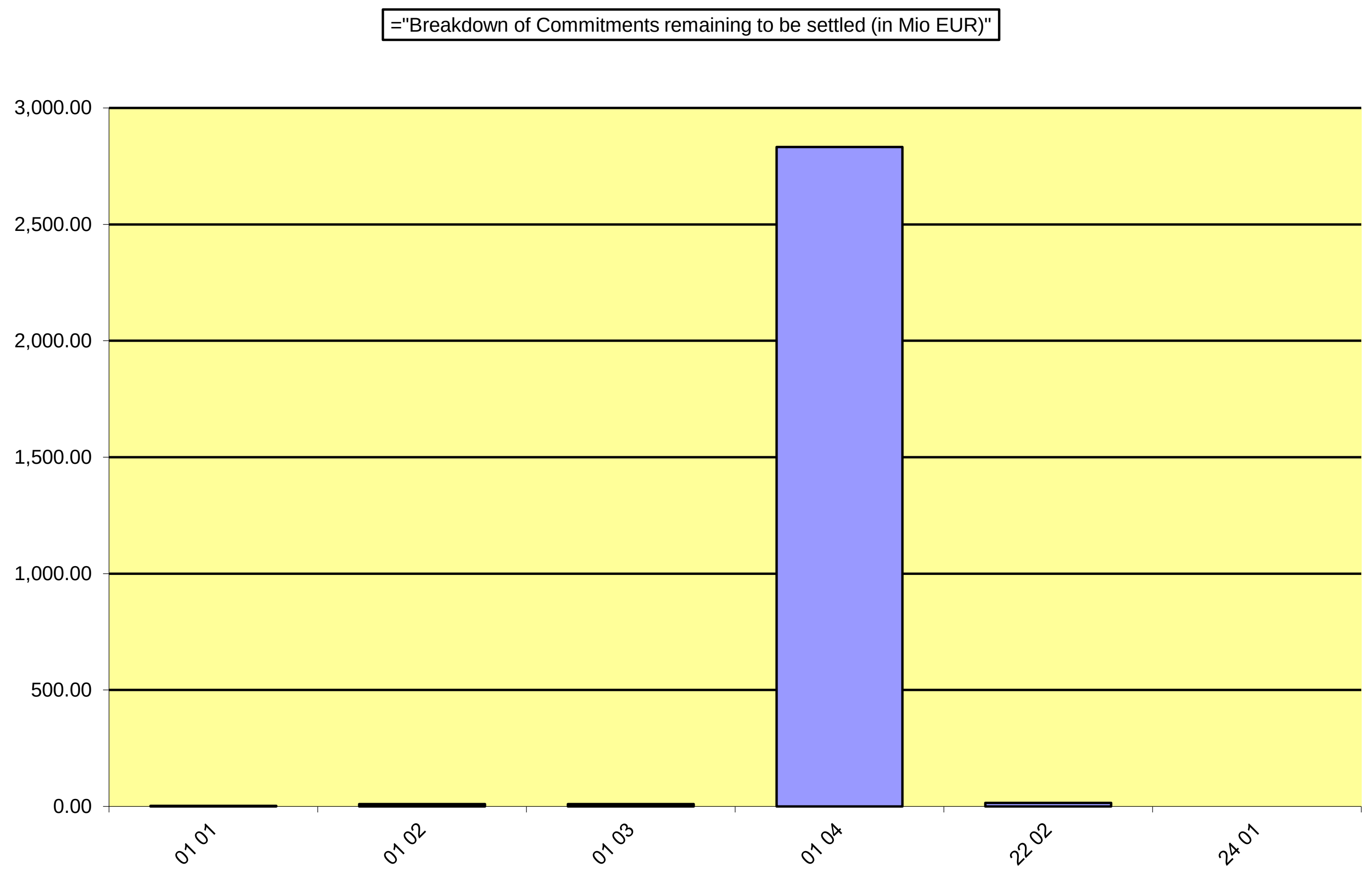
="Breakdown of Commitments remaining to be settled (in Mio EUR)"
3,000.00
2,500.00
2,000.00
1,500.00
1,000.00
500.00
0.00
01 01
01 02
01 03
01 04
22 02
24 01

TABLE 4 : BALANCE SHEET ECFIN

BALANCE SHEET	2016	2015
A.I. NON CURRENT ASSETS	60,000,345,674.26	55,127,496,991.14
A.I.1. Intangible Assets	183,977.38	404,750.23
A.I.2. Property, Plant and Equipment	-	-
A.I.3. Invstmnts Accntd For Using Equity Meth	528,169,338.99	491,469,421.13
A.I.4. Non-Current Financial Assets	59,470,187,619.79	54,631,463,910.94
A.I.5. Non-Current Pre-Financing	-	1,598,458.00
A.I.6. Non-Cur Exch Receiv & Non-Ex Recoverab	1,804,738.10	2,560,450.84
A.II. CURRENT ASSETS	3,970,134,718.26	10,135,554,886.20
A.II.1. Current Financial Assets	3,363,681,803.46	9,636,292,389.38
A.II.2. Current Pre-Financing	18,177,967.77	6,922,030.02
A.II.3. Curr Exch Receiv &Non-Ex Recoverables	16,904,392.72	43,815,700.54
A.II.6. Cash and Cash Equivalents	571,370,554.31	448,524,766.26
ASSETS	**63,970,480,392.52**	**65,263,051,877.34**
P.I. NON CURRENT LIABILITIES	(55,576,732,997.24)	(52,597,400,721.14)
P.I.2. Non-Current Provisions	(330,846,915.40)	(102,782,222.13)
P.I.3. Non-Current Financial Liabilities	(55,245,886,081.84)	(52,494,618,499.01)
P.III. NET ASSETS/LIABILITIES	(4,438,781,037.11)	(4,323,231,336.16)
P.III.1. Reserves	(4,438,781,037.11)	(4,323,231,336.16)
P.II. CURRENT LIABILITIES	(2,513,663,809.78)	(7,624,719,810.09)
P.II.2. Current Provisions	(210,743,966.69)	(167,292,495.73)
P.II.3. Current Financial Liabilities	(2,121,779,790.50)	(7,248,231,171.71)
P.II.4. Current Payables	(176,768,457.40)	(200,767,470.61)
P.II.5. Current Accrued Charges &Defrd Income	(4,371,595.19)	(8,428,672.04)
LIABILITIES	**(62,529,177,844.13)**	**(64,545,351,867.39)**
NET ASSETS (ASSETS less LIABILITIES)	**1,441,302,548.39**	**717,700,009.95**

P.III.2. Accumulated Surplus / Deficit	1,299,305,160.89	1,052,722,000.14

Non-allocated central (surplus)/deficit*	(2,740,607,709.28)	(1,770,422,010.09)

TOTAL	**-**	**-**

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 ECFIN

STATEMENT OF FINANCIAL PERFORMANCE	2016	2015
II.1 REVENUES	(1,643,418,833.49)	(1,776,056,470.60)
II.1.2. EXCHANGE REVENUES	(1,643,418,833.49)	(1,776,056,470.60)
II.1.2.1. FINANCIAL INCOME	(1,634,989,032.73)	(1,769,926,331.62)
II.1.2.2. OTHER EXCHANGE REVENUE	(8,429,800.76)	(6,130,138.98)
II.2. EXPENSES	2,078,948,454.07	1,925,401,450.63
II.2. EXPENSES	2,078,948,454.07	1,925,401,450.63
II.2.10.OTHER EXPENSES	371,650,261.03	125,109,404.93
II.2.2. EXP IMPLEM BY COMMISS&EX.AGENC. (DM)	14,460,616.40	34,487,786.92
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	(282,147.32)	461,545.52
II.2.6. STAFF AND PENSION COSTS	(1,205.00)	
II.2.8. FINANCE COSTS	1,695,350,672.06	1,795,847,541.66
II.2.9. SHARE NET DEFICIT JOINT VENT & ASSOC	(2,229,743.10)	(30,504,828.40)
STATEMENT OF FINANCIAL PERFORMANCE	**435,529,620.58**	**149,344,980.03**

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

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

TABLE 5bis : OFF BALANCE SHEET DISCLOSURE ECFIN

OFF BALANCE	**2016**	**2015**
OB.1. Contingent Assets	252,252,808.06	301,139,037.70
GR for Financial Instruments	252,252,808.06	301,139,037.70
GR for performance	-	
OB.1.4. CA Other	-	
OB.2. Contingent Liabilities	(25,536,793,991.51)	(19,651,533,201.51)
OB.2.1. CL Guarantees given	(21,145,288,407.07)	(19,449,633,587.07)
OB.2.2. CL EFSI guarantee given	(4,391,505,584.44)	(201,899,614.44)
OB.2.4. CL Fines	-	-
OB.3. Other Significant Disclosures	(59,956,298,180.00)	(21,245,158,217.45)
OB.3.1. Undrawn commitments	(1,613,000,000.00)	(1,623,000,000.00)
OB.3.2. Comm against app. not yet consumed	-	(2,000,728,217.45)
OB.3.3.8.Legal Committments EFSI	(56,645,068,180.00)	(16,000,000,000.00)
OB.3.4. Contributions to rel. organisations	(1,698,230,000.00)	(1,621,430,000.00)
OB.4. Balancing Accounts	85,240,839,363.45	40,595,552,381.26
OB.4. Balancing Accounts	85,240,839,363.45	40,595,552,381.26
OFF BALANCE	**-**	**-**

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

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

TABLE 6: AVERAGE PAYMENT TIMES FOR 2016 - 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	596	558	93.62 %	12.58422939	38	6.38 %	72.92105263
40	1	1	100.00 %	26			
45	7	7	100.00 %	21.42857143			
60	29	27	93.10 %	16.77777778	2	6.90 %	74
90	51	51	100.00 %	54.1372549			

Total Number of Payments	**684**	**644**	**94.15 %**		**40**	**5.85 %**	
Average Net Payment Time	**19.48976608**			**16.16770186**			**72.975**
Average Gross Payment Time	**22.67982456**			**19.47204969**			**74.325**

Target Times

Target Payment Time (Days)	Total Number of Payments	Nbr of Payments within Target Time	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
20	65	63	96.92 %	11.57142857	2	3.08 %	22.5
30	100	94	94.00 %	12.28723404	6	6.00 %	49.16666667

Total Number of Payments	**165**	**157**	**95.15 %**		**8**	**4.85 %**	
Average Net Payment Time	**13.47878788**			**12**			**42.5**
Average Gross Payment Time	**13.47878788**			**12**			**42.5**

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	34	64	9.36 %	684	2,927,960.81	0.31 %	936,660,330.44

DG	GL Account	Description	Amount (Eur)

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2016								
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	86351889.28	34662.25	86386551.53	86351889.28	34662.25	86386551.53	0
55	REVENUE FROM THE PROCEEDS OF SERVICES SUPPLIED AND WORK CARRIED OUT	1349564.29	0	1349564.29	1349564.29	0	1349564.29	0
57	OTHER CONTRIBUTIONS AND REFUNDS IN CONNECTION WITH THE ADMINISTRATIVE OPERATION OF THE INSTITUTION	147053	321558	468611	147053	0	147053	321558
66	OTHER CONTRIBUTIONS AND REFUNDS	6345000	18203.37	6363203.37	6345000	728.13	6345728.13	17475.24
85	REVENUE FROM CONTRIBUTIONS BY GUARANTEE BODIES	6164043	0	6164043	6164043	0	6164043	0
Total DG ECFIN		**100357549.6**	**374423.62**	**100731973.2**	**100357549.6**	**35390.38**	**100392940**	**339033.24**

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
No Link			6	1489425.79		
Sub-Total			**6**	**1489425.79**		

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	4	4913.94	10	27895.02			**14**	**32808.96**	14	32,808.96	100.00%	100.00%
CREDIT NOTES	3	46769.51	9	12021.17			**12**	**58790.68**	14	69,511.71	85.71%	84.58%
Sub-Total	**7**	**51683.45**	**19**	**39916.19**			**26**	**91599.64**	**28**	**102320.67**	**92.86%**	**89.52%**
GRAND TOTAL	**7**	**51683.45**	**19**	**39916.19**			**26**	**91599.64**	**34**	**1591746.46**	**76.47%**	**5.75%**

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2016 FOR ECFIN

	Number at 1/01/2016	Number at 31/12/2016	Evolution	Open Amount (Eur) at 1/01/2016	Open Amount (Eur) at 31/12/2016	Evolution
2012	2	2	0.00 %	328,383.51	328,110.49	-0.08 %
2014	1	1	0.00 %	11,377.86	10,922.75	-4.00 %
2015	6	1	-83.33 %	22,570,441.79	18,930,000.00	-16.13 %
	9	4	-55.56 %	22,910,203.16	19,269,033.24	-15.89 %

TABLE 10 : RECOVERY ORDER WAIVERS IN 2016 >= EUR 100.000						
	Waiver Central Key	Linked RO Central Key	RO Accepte d Amount (Eur)	LE Account Group	Commission Decision	Comments

Total DG	

Number of RO waivers	

TABLE 11 : CENSUS OF NEGOTIATED PROCEDURES - DG ECFIN - 2016

Procurement > EUR 60,000

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Art. 134.1(b)	2	2,222,750.00
Total	**2.**	**2,222,750.00**

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

Internal Procedures > € 60,000		
Procedure Type	**Count**	**Amount (€)**
Exceptional Negotiated Procedure without publication of a contract notice (Art. 134 RAP)	2	2,222,750.00
Open Procedure (Art. 104(1) (a) FR)	2	949,600.00
Open Procedure (Art. 127.2 RAP)	3	4,800,000.00
TOTAL	**7**	**7,972,350.00**

TABLE 13 : BUILDING CONTRACTS

Total number of contracts :	
Total amount :	

Legal base	Contract Number	Contractor Name	Description	Amount (€)

No data to be reported

TABLE 14 : CONTRACTS DECLARED SECRET

Total Number of Contracts :	
Total amount :	

Legal base	Contract Number	Contractor Name	Type of contract	Description	Amount (€)

No data to be reported

ANNEX 4: Materiality criteria

Materiality criteria have been defined for each significant budget area of DG ECFIN. We apply the qualitative and quantitative materiality criteria set out in the standing instructions for the AAR 2016 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 - 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.

Issues outlined by the European Court of Auditors (ECA) or the Internal Audit Service (IAS) or OLAF - A critical observation (or the combination of several very important observations) made by the ECA, the IAS or OLAF could lead to a reservation,

- 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.

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 11. Where applicable, the multi-annual nature of the programmes concerned by the error is taken into account by considering the cumulative budgetary impact. Furthermore, the impact is assessed taking into account the analysis of the amounts at risk and not simply mechanically.

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

For direct management (grants, procurements, expenses of an administrative nature) 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 to 2% for grants with the reimbursed costs mechanism.

For indirect management (guarantee funds and entrusted entities) the target error rates range from 0% for the provisioning of funds based on certified accounts balances to 2% for entrusted entities with a heavy reliance on third-party assurance.

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.

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

- A significant weakness has been identified that affects at least one the following areas: (i) control systems, (ii) sound financial management, or (iii) legality and regularity of transactions , <u>and</u>
- An actual financial loss or reputational issue has already occurred or is very likely to materialise, 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: Internal Control Template(s) for budget implementation (ICTs)

ICT 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**	**How to determine coverage, frequency and depth**	**How to estimate the costs and benefits of controls[9]**	**Control indicators[10]**
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	• 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 implementation of the investment policy is supervised by the Treasury Management Committee (TMC) chaired by the Director of the responsible Directorate. • There is a transparent method for selecting and renewing the list of	• The TMC regularly monitors the implementation of the investment policy and any deviations from it. • 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	Costs: Estimation of cost of staff FTE involved in the controls. Benefits: The absence of material errors	**Effectiveness:** Number of incidents. Number of material audit findings. **Cost-Effectiveness / Efficiency:** **Cost/benefit ratio.** Relationship costs / assets concerned

[9] Results are provided under Annex 10
[10] Results are provided under Annex 10

Main risks It may happen (again) that…	**Mitigating controls**	**How to determine coverage, frequency and depth**	**How to estimate the costs and benefits of controls[9]**	**Control indicators[10]**
dependent on a sophisticated software platform (SAP shared with DG BUDG).	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 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.	sample-based ex-post checks of transactions. Risk management produces a quarterly risk report to senior management.		

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**	**How to determine coverage, frequency and depth**	**How to estimate the costs and benefits of controls**[11]	**Control indicators**[12]
• 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 unit is placed in a unit independent from the borrowing unit (front-office) for monitoring the debt service of the outstanding EU and Euratom debt. Application of IT Security Governance rules, via Local Information Security Officer.	**Costs**: Estimation of cost of staff FTE & missions involved in the controls. Cost of contracted (legal, IT, finance) services, if any. **Benefits**: The (average annual) total value of the significant errors detected/avoided - and thus prevented in terms of borrowing and lending operations.	**Effectiveness**: Number of findings in the checks on compliance with rules and procedures **Cost-Effectiveness/Efficiency**: Cost/benefit ratio: Internal control 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.

[11] Results are provided under Annex 10
[12] Results are provided under Annex 10

Main risks It may happen (again) that…	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[11]	Control indicators[12]
	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.			

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	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[13]	Control indicators[14]

[13] Results are provided under Annex 10
[14] Results are provided under Annex 10

Main risks It may happen (again) that…	Mitigating controls	How to determine coverage frequency and depth	How to estimate the costs and benefits of controls[13]	Control indicators[14]
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.	A/ Risk Management maintains and monitors counterparty limits and provides regular risk and performance reporting – monthly to the TMC, 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	**Costs**: Estimation of cost of staff FTE & missions involved. Cost of the contracted (legal, IT, advisory) services. **Benefits**: The value of errors prevented or detected within the treasury activities and borrowing and lending operations.	**Effectiveness**: 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) **Cost-Effectiveness / Efficiency**: Cost/benefit ratio. Relationship costs / assets concerned.

Main risks It may happen (again) that…	Mitigating controls	How to determine coverage frequency and depth	How to estimate the costs and benefits of controls[13]	Control indicators[14]
	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. e) Documentation of legal rights of COM reflected in Loan Facility Agreements			

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

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

Main risks It may happen (again) that…	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators[15]
Processes might be weak or not working as designed. The system might	• Supervision by responsible Heads of Unit and senior management. • Oversight by the TMC.	• In the framework of the regular quarterly checks on compliance with rules and procedures, the	Costs: Estimation of cost of staff FTE & other costs (audit fees, evaluation costs) involved. Cost of	**Effectiveness:** Percentage of sampled non-expenditure operations checked by

[15] Results are provided under Annex 10

Main risks It may happen (again) that…	**Mitigating controls**	**How to determine coverage, frequency and depth**	**How to estimate the costs and benefits of controls**	**Control indicators[15]**
provide poor adequacy.	• 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. • 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: • 2011, IAC: Audit on the management of the Budgetary Fines (BUFI). • 2012, IAS: Report on Off Budget Operations: EFSM-DG ECFIN. • 2012, IAC: follow-up audit on the Balance of	financial risk manager verified samples. • According to the annual work plans of the IAS, BUDG C3 and the ECA. • Annual ECA audits • Reports are made to the Treasury Management Committee (meetings every month and ad-hoc). • Quarterly risk reports to senior management are produced by the risk manager. • Annual external audits on BOP, EFSM, MFA and Euratom Annual external audits on BUFI and H2020	the contracted audit services. 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.	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. **Cost-Effectiveness** / Efficiency: **Cost/benefit ratio**. Relationship costs / assets concerned.

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators[15]
	Payments Borrowing and Lending operations. • 2014-2015, European Court of Auditors: Performance audit on BOP/EFSM. The report was issued in January 2016, outside the reporting year, see also Part. 2.2. • In 2014, an evaluation of the local financial management systems in DG ECFIN was carried out by the Accounting Officer of the Commission (FR 68(1)(e)). The report was issued in Dec 2014. • In 2015, IAS performed an audit of the H2020 PGF, including the asset management aspects and a report was issued in Dec 2015, see also part 2.2.			

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**	**How to determine coverage, frequency and depth**	**How to estimate the costs and benefits of controls[16]**	**Control indicators[17]**
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	• 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.	Costs: Estimation of cost of staff FTE dedicated to control-related tasks and external costs (audit fees, evaluation costs). 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.	Effectiveness: Number of errors caused by a counterparty financial institution and detected during the reconciliation of bank accounts. Cost-Effectiveness / Efficiency: Error rate of off-budget operations caused by a counterparty financial institution.

[16] Results are provided under Annex 10.
[17] Results are provided under Annex 10

Main risks It may happen (again) that…	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[16]	Control indicators[17]
	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[18]. A set of procedures, set by DG ECFIN and DG BUDG, 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.			

ICT 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

[18] 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 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**	**How to determine coverage, frequency and depth**	**How to estimate the costs and benefits of controls**[19]	**Control indicators**[20]
The Work Programme proposed by the EIB does not adequately reflect the Commission's/ EU's policy objectives, and priorities, and it is incoherent and/or the essential eligibility, selection and award criteria are not adequate to ensure the achievement of the EIAH's objectives. The budget foreseen overestimates the costs necessary to carry out the action	1. Consultation of Commission services on the draft Work Programme. 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.	For each Specific Grant Agreement (SGA) to be signed 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	**Costs**: Estimation of cost of staff involved in the preparation and validation of the annual Work Programme and in the adoption and contracting processes. **Benefits**: Avoid overlaps with other existing advisory initiatives and fill in the identified gaps.	**Effectiveness:** Average time between the adoption of the Financing Decision and the signature of the Specific Grant Agreement [time to grant]. **Efficiency:** Average annual cost of preparation and evaluation of annual Work Programmes compared with benchmarks and evolution over time**.**

[19] Results are provided under Annex 10.
[20] Results are provided under Annex 10

Main risks It may happen (again) that…	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[19]	Control indicators[20]
		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.		

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	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[21]	Control indicators[22]
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	1. The EIB has to provide period technical reports with detailed information on the EIAH activity and its technical assistance assignments. Moreover, the financial statements to be provided will contain	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	**Costs:** Estimation of cost of staff involved in the actual monitoring of the execution. **Benefits:** Value of the costs claimed by the beneficiary, but rejected by the project officers.	**Effectiveness**: Number of projects that received EIAH's support. Number of control failures; budget amount of the errors concerned. Number of projects

[21] Results are provided under Annex 10.
[22] Results are provided under Annex 10

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[21]	Control indicators[22]
provisions.	detailed information on EIB's expenses and revenues in a given period. 2. Oversight of the Coordination Committee. 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.	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. See above. 3. On an ongoing basis.		with cost claim errors; budget amount of the cost items rejected. **Efficiency Indicators**: Potential investment projects / Cost Time to payment

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	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[23]	Control indicators[24]
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 decentralised advisory services under the EIAH's umbrella).	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 and, if needed, more often. 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.	1. During the monitoring visits done on an yearly basis for the EIB and 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 the Terms of Reference/ the assignment; • the TA deliverables 2. As per Article 6(3) of the FPA.	**Costs**: Estimation of cost of staff involved in the monitoring visits and mission costs. **Benefits**: Budget value of the errors detected by the staff.	**Effectiveness**: 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. **Efficiency**: Average annual cost of own supervision and external evaluation compared with amounts being audited and evaluated.

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

Stage 1 (Front-Office) : identification & selection of International Financial Intermediaries (IFIs) and Financial Intermediaries (FIs) &

[23] Results are provided under Annex 10.
[24] Results are provided under Annex 10

projects, negotiation of contractual terms, tendering procedures and payments carried out by the IFI (for CIP : EIF, for IFI-Facilities and ELENA: EBRD, EIB, KfW /CEB).

These tasks are outlined in the respective Cooperation/Delegation Agreements or Financial and Management Agreements for the different financial instruments and in Contribution Agreements for grant/TA facilities managed by IFIs (altogether defined as Cooperation Agreements). Selection at the level of IFIs: the eligible IFIs are determined in the legal bases. The Cooperation Agreements between the EC and the IFIs contain provisions for the implementation of the tasks entrusted to the IFI, including the control and reporting arrangements foreseen. The individual projects/financial intermediaries are proposed by the IFIs utilising their business network and due diligence process. They have to comply with the criteria defined in the guidelines foreseen in the Cooperation Agreements and be approved by the competent governing bodies/services of the IFIs. As regards the CIP Programme, the selection was subsequently approved by the Commission (no further approvals after the end of the MFF). For ELENA the project proposals of the IFIs are sent to the Commission for approval. The IFI Facilities programme was terminated in 2016.

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**	**How to determine coverage, frequency and depth**	**How to estimate the costs and benefits of controls**[25]	**Control indicators**[26]
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,	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	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**	**1) + 2)** Estimate of cost of staff involved in : - systematic analysis of each file submitted to DG ECFIN for approval (approval request analysis), with 20 working days processing deadline - standard check-list for approval requests analysis - DG ECFIN approval request briefing note & proposal for approval	**1 + 2)** **Effectiveness:** - Correct filling-in of the standard check-list - Timeliness and quality of the drafting of approval selection notes & briefing - Quality of the selection work, analysis, approval notes, reports, etc. (Implementation status). - Exhaustiveness of approval request coverage

[25] Results are provided under Annex 10
[26] Results are provided under Annex 10

Main risks It may happen (again) that...	**Mitigating controls**	**How to determine coverage, frequency and depth**	**How to estimate the costs and benefits of controls**[25]	**Control indicators**[26]
selections award criteria, value for money) or contracted according to the rules of the relevant facility.	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 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)**	**underlying contractual documents** to be used by the IFI : - FMA with EIF - SLA with EIF - standard Agreement EIF-FI template - sample check by ECFIN-L 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 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	- approval by DG ECFIN Director - consultation for ELENA with DG ENER followed by approval of Head of Unit in DG ECFIN responsible for the programme. **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) and Contribution Agreements (CA) - full compliance achievement; avoidance of discrepancies in the Agreements. - spot check sample compliance verification of Financing Agreements on Monitoring Visits. **3) Reporting framework from IFI to DG ECFIN** **Costs :** covered by IFI	**Efficiency:** a) cost/benefit ratio. b) very low man-months/managed budget cost ratio (see previous column) c) number of missing check-lists NONE d) late or incomplete approval notes & briefings: e) approval requests coverage f) number of discrepancies (Agreements' compliance default towards FMA, Programmes' Legal Basis) in agreements (DG ECFIN) g) number of approvals/signed agreements **1 + 2) Effectiveness:** - Correct filling-in of the standard check-list - Timeliness and quality of the drafting of approval selection notes & briefing - Quality of the selection work, analysis, approval notes, reports, etc. (Implementation status). - Exhaustiveness of

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[25]	Control indicators[26]
		Entrepreneurship & Innovation Programme (EIP) and CIP implementation reports * the yearly EIP Performance Report * the yearly Reporting Package on Financial Instruments (art. 38.5 FR, art. 49.1 FR, art. 140.8 FR **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 inter alia the evolution in their internal control systems is carried	remuneration (CIP, EPMF : EIF and SMEFF, MFF, EEFF, ELENA **Benefits** : - follow-up of implementation of the Facility (operational, compliance, financial) - soundness of the implementation (operational, compliance, financial) **4) ECFIN reporting framework** **Costs :** Estimate of cost of staff involved **Benefits:** **-** increased visibility of FIs at Commission, Parliament, Budgetary Authority levels - sound financial management **5) Ex-ante assessments** **Costs :** Estimate of cost of staff involved **Benefits:** - ensure the adequacy of EU Programmes to the market needs - enhance the efficiency of EU Programmes - ensure the compliance	approval request coverage **Efficiency:** a) cost/benefit ratio. b) very low man-months/managed budget cost ratio (see previous column) c) number of missing check-lists d) late or incomplete approval notes & briefings: e) approval requests coverage f) number of discrepancies (Agreements' compliance default towards FMA, Programmes' Legal Basis) in agreements (DG ECFIN) g) number of approvals/signed agreements **3) Reporting framework from IFI to DG ECFIN** **Effectiveness:** a) timely follow-up of reports received as regards their exhaustiveness (all reports shall be received), content and format (shall be the

Main risks It may happen (again) that…	**Mitigating controls**	**How to determine coverage, frequency and depth**	**How to estimate the costs and benefits of controls[25]**	**Control indicators[26]**
		out almost in a yearly basis. 6) Meetings and related reports discussed at bilateral meetings.	of the Programmes with EU rules	same as defined in FMA/SLA/CA with IFI) b) compliance of the reports with FMA/CA provisions (deadline, content, coverage) and SLA signed with the IFI (EIF) **Efficiency:** a) Number of reports not received or incomplete or not in line with template foreseen in the FMA/ SLA/CA b) Number of discrepancies in content c) Number of discrepancies in format d) Number of discrepancies in timeliness **4) ECFIN reporting framework:** **Effectiveness** -timelines, quality of content, coverage of the reports - on-time delivery of the reports under 'FR reporting package' to the Budget Authority - 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	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[25]	Control indicators[26]
				reporting package' to the Budget Authority **Efficiency:** timelines, quality of content, coverage of the reports: AAR + AMP + AOSD report delivery in time and with requested content as demanded by ECFIN /BUDG - on-time delivery of the reports under 'FR reporting package' to the Budget Authority : reports Art 38.5 + 49.1 delivered to DG BUDG according to the deadline on 17/4/2015; report article 140.8 adopted 13/11/2015- adequate and satisfactory (in line with provisions foreseen in the FR) content of the reports under 'FR reporting package' to the Budget Authority. **5) Ex-ante assessments and evaluations** **Effectiveness:** - conduct of the ex-ante assessment for the SME Initiative (2013): last exercise in 2013 (no update in 2014/2015).

Main risks It may happen (again) that…	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[25]	Control indicators[26]
				Efficiency: - conclusion of the assessment: The latest evaluation of the CIP 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.

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	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[27]	Control indicators[28]
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	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 EC) and reporting obligations. In some programmes, there are certain risk-sharing	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	**Costs:** **1) Preventive measures :** Estimate of cost of staff involved **2) Monitoring policy by the Commission services**: Estimate of cost of staff involved **Benefits:**	**Effectiveness:** **-** number of analysis check-lists/set of sample-check-lists/ monitoring reports/letter to the IFIs **Efficiency:** - number of findings and/or minor

[27] Results are provided under Annex 10
[28] Results are provided under Annex 10

Main risks It may happen (again) that…	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[27]	Control indicators[28]
calls/investments/Grant allocations are not in line with contractual provisions. Final Recipients might not be eligible.	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 CAs/Delegation Agreements/ FMAs negotiation, including the relevant monitoring provisions. Monitoring instruments include a Steering Committee, checks prior to approval of project proposals, documentary checks, reporting, monitoring visits, audit reports and management letters.	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 our Director. 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**: our quarterly reports, annual and semi-annual reports, monitoring reports, employment survey report	- assuring the compliance of the implementation of the agreements with the provisions foreseen in the Agreement//CA/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 - monitoring the timely use of budget available within the availability period	observations reported to the IFIs - key indicators (number of Final Recipients; number of jobs created or maintained; total investment/loan volume leveraged) of achievement - Cost/benefit ratio

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[27]	Control indicators[28]
	Monitoring visits take place at different levels (at IFI level, at FI level and at FB level) and are carried out by the operating unit as well as by the ex-post control function in ECFIN. The findings and results are followed up by the operating unit in different ways, e.g. technical meetings with the IFIs, communications setting out weaknesses to be addressed, etc.			

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

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

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[29]	Control indicators[30]
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	1) According to the annual work-plan of the IAS DG ECFIN ex-post control and the ECA. 2) During 2015, the Designated Service continued to follow-up the implementation of OLAF's recommendations in two cases (see more in Annex 10).	**Costs** Our Cost (our internal control tasks and follow-up of ex posts controls) **Benefits**: - to get reasonable assurance in the	**Effectiveness:** **-** Number of controls and quality; results of the controls listed in column 2 → see ECA/ IAS/OLAF/ex-post controls. - Action plans established

[29] Results are provided under Annex 10
[30] Results are provided under Annex 10

Main risks It may happen (again) that…	**Mitigating controls**	**How to determine coverage, frequency and depth**	**How to estimate the costs and benefits of controls**[29]	**Control indicators**[30]
	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	Several ex-post controls are regularly performed on the projects (for the results, see under Annex 10).	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).	following ECA, IAS or ex-post control recommendations; number of recommendations agreed in the Action Plan, implemented or addressed. **Efficiency:** - Number of closed findings - Number of OLAF inquiries - Number of open recommendations in action plans established following ECA, IAS or ex-post control recommendations - Cost/benefit ratio

Main risks It may happen (again) that…	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[29]	Control indicators[30]
	for the IFI 2) All activities of the DG are audited by the IAS and the ECA.			

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	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[31]	Control indicators[32]
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	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	**Costs**: Estimate of cost of staff involved. **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).	**Effectiveness:** - improvement on procedures - compliance with budget procedures and financial management procedures & Financial Regulation **Efficiency:** - number of operations outside official procedures - number of erroneous operations - return to Trust Account linked to errors - results on the checks

[31] Results are provided under Annex 10
[32] Results are provided under Annex 10

Main risks It may happen (again) that…	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[31]	Control indicators[32]
	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	Agreement. Reports to DG BUDG on Trust accounts for every financial year, final balance year n-1 equals starting balance year n.		on the balance of the Trust Account - Cost/benefit ratio

Stage 5 (Programme financial management): Audit and evaluations

Main control objectives: Ensuring that assurance building information on the entrusted entity's activities is being 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	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[33]	Control indicators[34]
1) processes are weak or	1) The verification that	See above Stage 3	**Costs**:	**Effectiveness:**

[33] Results are provided under Annex 10
[34] Results are provided under Annex 10

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, CA/Delegation Agreements FMAs and/or financial operations	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. 2) All activities of the DG are audited by the IAS and the ECA		Estimate of cost of IAS, ECA, etc. … staff involved Estimate of cost of DG ECFIN staff involved in our internal control tasks and follow-up of ex-post controls. **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).	**-** 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. **Efficiency:** - Positive DAS for the exercise - Cost/benefit ratio

ICT 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**	**How to determine coverage, frequency and depth**	**How to estimate the costs and benefits of controls**[35]	**Control indicators**[36]
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.	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	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	Costs: Estimation of cost of staff involved in the process verification, estimation of the cost implied by the audit fees of the fund, estimation of the part of the management fees corresponding to the internal control of	**Effectiveness**: Compliance with budget procedures and financial management procedures & Financial Regulation. **Efficiency**: Cost/benefit ratio.

[35] Results are provided under Annex 10
[36] Results are provided under Annex 10

Main risks It may happen (again) that…	**Mitigating controls**	**How to determine coverage, frequency and depth**	**How to estimate the costs and benefits of controls**[35]	**Control indicators**[36]
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	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 reviews*: 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;	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.	the EIB. 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.	

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[35]	Control indicators[36]
	- *audits:* the EIB provides an audit certificate issued by its external 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	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[37]	Control indicators[38]
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	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	Costs: Estimation of cost of staff involved in the process verification, estimation of the cost implied by the audit fees of the fund, estimation of the part of the management fees corresponding to the internal control of the EIB. Benefits: achievement of the control objectives,	**Effectiveness**: Compliance with budget procedures and financial management procedures & Financial Regulation. **Efficiency:** Cost/benefit ratio

[37] Results are provided under Annex 10
[38] Results are provided under Annex 10

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[37]	Control indicators[38]
	management responsible. Procedures documented in unit manuals of DG ECFIN units concerned. IAS audits. Audits are performed by external auditors, the Commission's Internal Audit Service (IAS) and the European Court of Auditors. Recommendations made by these bodies are followed up systematically.	Officer. Annual audits by ECA of the GFEA related operations. IAS audits. 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.	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.	

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	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[39]	Control indicators[40]
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	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.	Costs: Estimation of cost of staff involved in the process verification, estimation of the cost implied by the audit fees of the fund, estimation of the part of the management fees	**Effectiveness**: Compliance with budget procedures and financial management procedures & Financial Regulation. **Efficiency:** Cost/benefit ratio

[39] Results are provided under Annex 10
[40] Results are provided under Annex 10

Main risks It may happen (again) that…	**Mitigating controls**	**How to determine coverage, frequency and depth**	**How to estimate the costs and benefits of controls[39]**	**Control indicators[40]**
	Commission and addressed to the budgetary authority on the GFEA and its management. Comprehensive report on the functioning of the GFEA Inclusion of data in the consolidated EU balance sheet. Evaluation of the GFEA target rate by an external consultant		corresponding to the internal control of the EIB. 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.	

ICT 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**	**How to determine coverage, frequency and depth**	**How to estimate the costs and benefits of controls[41]**	**Control indicators[42]**
Risk of decision making	• The Asset Management	• The Treasury	**Costs**: Estimation of cost	**Effectiveness:** Number

[41] Results are provided under Annex 10.
[42] Results are provided under Annex 10

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[41]	Control indicators[42]
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. 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.	Guidelines as adopted by the Commission on 21/1/2016[43] 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. • 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 implementation of the investment policy is supervised by the Treasury Management Committee chaired by the Director of the	Management Committee regularly monitors the 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.	of staff FTE involved in the controls. **Benefits**: The absence of material errors	of incidents. Number of material audit findings. **Cost-Effectiveness / Efficiency: Cost/benefit ratio.** Relationship costs / assets concerned**.**

[43] C(2016)165

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[41]	Control indicators[42]
	responsible Directorate. • 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. • There are detailed manuals of procedure which are regularly updated. • Evaluation of the use of the EU guarantee and the functioning of the			

Main risks It may happen (again) that…	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls[41]	Control indicators[42]
	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	How to determine coverage frequency and depth	How to estimate the costs and benefits of controls[44]	Control indicators[45]

[44] Results are provided under Annex 10

[45] Results are provided under Annex 10.

Main risks It may happen (again) that…	Mitigating controls	How to determine coverage frequency and depth	How to estimate the costs and benefits of controls[44]	Control indicators[45]
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. Special meeting of the EU Accounting Standards Committee took place on 22/10/2015 to analyse EFSI Guarantee Fund related accounting issues. b) Closure accounting instructions are provided by BUDG. Information is shared among the	A/ Risk Management maintains and monitors counterparty limits and provides regular risk and performance reporting – monthly to the Treasury Management Committee, 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. d) Continuous	**Costs**: Estimation of cost of staff FTE. Cost of the contracted (legal, IT, advisory) services. **Benefits**: The value of errors prevented or detected within the activities of the EFSI Guarantee Fund management	**Effectiveness**: 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). **Cost-Effectiveness / Efficiency**: Cost/benefit ratio. Relationship costs / assets concerned.

Main risks It may happen (again) that…	Mitigating controls	How to determine coverage frequency and depth	How to estimate the costs and benefits of controls[44]	Control indicators[45]
	officials concerned, internal and external preparatory meetings take place. Accounting procedures manual will be made available when EFSI Guarantee Fund becomes fully operational and will be regularly updated from then on. 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.			

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**	**How to determine coverage, frequency and depth**	**How to estimate the costs and benefits of controls**[46]	**Control indicators**[47]
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 Committee. • 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	• 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 Committee (meetings monthly and ad-hoc). • 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	**Costs**: Estimation of cost of staff FTE dedicated to control-related tasks and of other costs (audit fees, evaluation costs) involved. **Benefits**: 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. The absence of material errors.	**Effectiveness**: 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. **Cost-Effectiveness / Efficiency**: Cost/benefit ratio. Relationship costs / assets concerned.

[46] Results are provided under Annex 10
[47] Results are provided under Annex 10

Main risks It may happen (again) that...	**Mitigating controls**	**How to determine coverage, frequency and depth**	**How to estimate the costs and benefits of controls**[46]	**Control indicators**[47]
	Commission's Internal Audit Service (IAS), the European Court of Auditors, DG BUDG and in the discharge procedure and feedback is provided by them. • Recommendations made by these bodies are followed up systematically.	statements for the EFSI Guarantee 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.		

ICT6: 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 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 because 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**	**How to determine coverage, frequency and depth**	**How to estimate the costs and benefits of controls**	**Possible control indicators**
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 is carried out to ensure a reasonable level of assurance for sound financial management. Should weaknesses	Coverage: verification of information provided in the ex-ante operational assessments. Depth: desk checks and/or on-the-spot audits based on risk assessment.	Costs: - 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	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)

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Possible control indicators
	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.		[unquantifiable]	

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	How to determine coverage frequency and depth	How to estimate the costs and benefits of controls	Possible control indicators
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,	Coverage / Frequency: 100%. Depth: checklist, guidelines and lists of requirements in the relevant regulatory provisions. (cf. Genval criteria)	Costs: 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.	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*

Main risks	Mitigating controls	How to determine coverage frequency and depth	How to estimate the costs and benefits of controls	Possible control indicators
	where foreseen by EU law.			*efficiency of the inter-institutional process)*

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	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Possible control indicators
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	Coverage: verification of information provided in the periodic beneficiary country declarations. Depth: desk checks and/or on-the-spot audits based on risk assessment.	Costs: - cost of Commission staff checking conditionalities Benefits: errors prevented [unquantifiable]	Effectiveness: - % of MoU conditions successfully implemented - % of financial allocation disbursed* Efficiency: - Time-to-payment (time between adoption of decision on disbursement and actual disbursement)

Main risks It may happen (again) that…	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Possible control indicators
	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.			

* where relevant/if applicable, for 2014-2020

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	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Possible control indicators
The Commission has not sufficient information from independent sources on the beneficiary country's achievements, which	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	Coverage: verification of information provided in the ex-ante operational assessments. Depth: desk checks	Costs: - cost of external ex-post evaluations (outsourced to consultants) - estimation of cost of Commission staff involved in the ex-post controls and	Effectiveness: - Assurance being provided (via management/audit reporting); Efficiency: - total (average) annual cost of own audits and

Main risks It may happen (again) that…	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Possible control indicators
may reflect negatively on the Commission's governance reputation and quality of reporting.	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.	and/or on-the-spot audits based on risk assessment.	audits. Benefits: confirmation of assurance and of attainment of policy objectives and priorities [unquantifiable]	evaluations compared with MFA amounts being audited/evaluated (ratio).

ANNEX 6: Implementation through national or international public-sector bodies and bodies governed by private law with a public sector mission (not applicable)

ANNEX 7: EAMR of the Union Delegations (not applicable)

ANNEX 8: Decentralised agencies (not applicable)

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

No used in Annex 3 MP2016		Title	Reason [1]	Scope [2]	Type[3]	Associated DGs	Costs (EUR)	Comments[4]	Reference[5]
I. Evaluations finalised or cancelled in 2016									
a. Evaluations finalised in 2016									
		Ex post evaluation of the financial sector assistance programme for Spain (2012 – 2014)	FR	In July 2012, the Eurogroup approved an envelope of financial assistance of up to EUR 100 billion for the recapitalisation of Spanish financial institutions. The financial assistance programme (implemented from July 2012 - January 2014) was designed to increase the long-term resilience of the Spanish banking sector and restore its market access. The evaluation report looks to draw lessons from the programme.	E	FISMA, COMP	0.00		ISBN 978-92-79-54313-5 (online) https://bookshop.europa.eu/en/evaluation-of-the-financial-sector-assistance-programme-pbKCBC16019/

		Ex Post Evaluation of the Economic Adjustment Programme for Portugal (2011-2014)	FR	In May 2011, the European Union and the International Monetary Fund (IMF) agreed to provide Portugal with up to €78bn in a three year financial assistance programme designed to repair the country's banking sector, economy and public finances. The programme made available €52bn of European funding, split equally between the European Financial Stability Facility and the European Financial Stabilisation Mechanism and €26bn from the IMF. The evaluation report looks to draw lessons from the programme.	E	FISMA, COMP, EMPL, SG	0.00		ISBN 978-92-79-54355-5 (online) http://ec.europa.eu/economy_finance/publications/eeip/pdf/ip040_en.pdf
		Mid-term evaluation of the European Investment Bank's (EIB) external lending mandate (ELM) over the period 2014-2020	L	The mid-term evaluation assessed the application of the Decision 466/2014/EU regarding the EU guarantee to the European Investment Bank against losses under financing operations that support investment projects outside the Union. The current EU guarantee covers the period 2014-2020 and the mid-term evaluation assessed the first few years of operation.	E	BUDG, NEAR, DEVCO, CLIMA, GROW, EEAS	148400.00		Staff Working Document: SWD(2016) 295 final Staff Working Document Executive Summary: SWD(2016) 294 final http://ec.europa.eu/dgs/economy_finance/evaluation/pdf/mid_term_201612-final_report_pwc_en.pdf

		Interim evaluation of the application of the European Fund for Strategic Investments (EFSI) Regulation 2015/2017	L	The mid-term evaluation assessed the application of the Regulation 2015/2017 on the EFSI and the European Investment Advisory Hub (EIAH). The EFSI Regulation establishes the legal framework and provides the budgetary allocations for the first two strands of the Investment Plan - mobilising finance and financing investment. The evaluation covers the time period until 30 June 2016.	E	BUDG, SG	139369.00		COM(2016) 764 final http://ec.europa.eu/dgs/economy_finance/evaluation/pdf/2016-11-14_final_ey_evaluation_report_en.pdf
b. Evaluations cancelled in 2016									
		N/A							
II. Other studies finalised or cancelled in 2016									
a. Other studies finalised in 2016									
b. Other studies cancelled in 2016									

[1] Reason why the evaluation/other study was carried out, please align with Annex 3 of the MP 2016. The individual symbols used have the following meaning: L - legal act, LMFF - legal base of MFF instrument, FR - financial regulation, REFIT, REFIT/L, CWP - 'evaluate first', O - other (please specify in Comments)

[2] specify what programme/regulatory measure/initiative/policy area etc. has been covered

[3]FC – fitness check, E – expenditure programme/measure, R – regulatory measure (not recognised as a FC), C – communication activity, I – internal Commission activity, O – other – please specify in the Comments

[4]Allows to provide any comments related to the item (in particular changes compared to the planning). When relevant, the reasons for cancelling evaluations/ other studies also needs to be explained in this column.

[5]For evaluations the references should be 1) number of its Evaluation Staff Working Document and number of the SWD's executive summary; 2) link to the supportive study of the SWD in EU bookshop. For other studies the references should be the link to EU bookshop or other reference where the ‘other study’ is published via different point.

ANNEX 10: Specific annexes related to "Financial Management"

A. Grants, procurements and administrative expenses

1.1.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 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 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.

- _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[48] 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

[48] Accrual Based Accounting (ABAC)

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

- *Cost-effectiveness indicators*: The overall cost effectiveness of controls in 2016 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 (even filing and archiving) 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 the table below. Efficiency indicators in the form of legal time-limits are not available because no grant agreement was signed in 2016.

DIRECT MANAGEMENT – MFA GRANTS- COST-BASED EFFECTIVENESS INDICATOR				
N°	**Type of expenditure or management mode or ICS**	**Stage**	**Annual indicator**	**Description**
1	MFA grants	overall indicator	Full cost with 7% overhead 4.1% (EUR 0.2 million/EUR 5 million)	1.5 FTE's (FIA/VA/OIA and quality control)

DIRECT MANAGEMENT – MFA GRANTS- TIME-BASED EFFICIENCY INDICATORS				
N°	**Type of expenditure or management mode or ICS**	**Stage**	**Efficiency indicators**	**Description**
2	MFA grants	up to legal commitment	Average time to grant (Art. 128.2FR) N/A	average time to sign agreements or to notify grant decisions (Art. 128.2FR)

1.2.Business Consumer Surveys (BCS)

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

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

Control objectives -

- *Legality and regularity*: The control approach has strengthened ex-ante checks with:
- Reinforced ex ante controls of the budget estimates of the grants. At the budget submission stage, staff costs are standardised using pre-defined staff categories and instructions on how to calculate the daily rates. Staff costs deemed excessive or deviating from past figures for the related profiles are investigated further. This also shows that in respect of cost-effectiveness these controls are more cost-effective.

- Partners are requested to provide and explain their method to calculate staff costs (staff in a broad sense i.e. including human resources which are possibly listed under another heading than staff costs) and to calculate the apportionment of costs to the BCS action during the ex-ante verification of the estimated budgets. This ex-ante analysis is complemented on a case-by-case basis by on-the-spot visits to partners where (except 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 resulted in fairly significant savings in 2016 for some grants with for instance staff costs being partly rejected or eligible costs charged to the partner and not to the EU (mixed EU/national surveys). 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; or to exclude 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 as direct eligible 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*: On the spot visits to partners (ex-ante and ex-post) to analyse their accounting and reporting systems and their supporting documents.

Cost-efficiency indicators

The overall cost effectiveness of controls in 2016 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 2015, the cost ratio remains broadly stable with 4FTE's.

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 ICS**	**Stage**	**Indicators (annual indicators) per type of entrusted entity (FI, executive agency…)**	**Description**
1	BCS	overall indicator	Full cost with 7% overhead 10% (0.55M€/5.6M€)	4 FTE's (FIA/VA/OIA and deliverables quality control)

Direct Management - BCS				
N°	Type of expenditure or management mode or ICS	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 16 days FPA's N/A	average time to inform applicants of the outcome of the evaluation of the application (Art. 128.2 FR)
2	BCS grants	up to legal commitment	Average time to grant (Art. 128.2FR) SGA's 5 days FPA's N/A	average time to sign agreements or to notify grant decisions (Art. 128.2FR)

***ICT* : N/A**

1.3.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. <u>We can conclude that there are no material control weaknesses affecting the assurance building in terms of the five internal control objectives</u> – see further down for each objective.

Control objectives -

- *Legality and regularity*: The control approach has strengthened ex-ante checks with:

- Reinforced ex-ante controls of the grant application budget estimates. 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. These procedures demonstrate a more cost-effective approach.

- 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 2016 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 brought (an indicator of potential error rate) 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 attest 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 Commission attends and presents to all conference/training/workshops as well as all events carried out under procurements. A significant number of staff exchanges include participation of European Institutions' representatives or have a visit to Institutions, ensuring proper implementation of the grant.

Cost-efficiency indicators –

The overall cost effectiveness of controls in 2016 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 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 of our staff in all events mainly relates to its activities as 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, we often welcome participants of Pericles staff exchanges in 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 or 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 ICS**	**Stage**	**Annual indicator**	**Description**
1	Pericles	overall indicator	Full cost with 7% overhead 50% (EUR 0.280 million/EUR 0.525 million)	1.9 FTE's (FIA/VA/OIA and quality control)

Direct Management -PERICLES				
N°	Type of expenditure or management mode or ICS	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) 49.5 days	average time to inform applicants of the outcome of the evaluation of the application (Art. 128.2 FR)
2	Pericles grants	up to legal commitment	Average time to grant (Art. 128.2FR) Pericles 30.25 days (19.75 not considering the impact on the average of the delay of one single beneficiary in signing the grant)	average time to sign agreements or to notify grant decisions (Art. 128.2FR)

***ICT* : N/A**

1.4.European Investment Advisory Hub (EIAH)

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[49] establishes that alongside the EFSI financing and investment operations, the EIAH should be created. 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 second Specific Grant Agreement was signed between the EU and the EIB in August 2016 for the year 2016. The total EIAH grant amount is EUR 19.4 million.

Control system and conclusion: : As of end-2016, around 314 requests were received from all Member States. Only 44% of the requests were for technical assistance alongside a simultaneous request for funding support. The first complete year of EIAH

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

has been dedicated to develop its presence and network, increase stakeholders awareness, provide technical assistance support and conduct a market gap analysis. So far, the Hub has engaged in strategic guidance and technical support in 20% of the requests received. There was one semi-annual technical report submitted to the Commission in 2016 and no audit report. Only the pre-financing (40% of the total annual grant) was paid to the EIB in 2015 and 2016. <u>We can conclude that there are no material control weaknesses affecting the assurance building in terms of the five internal control objectives</u> – (see further down for each objective).

Control objectives -

- *<u>Legality and regularity</u>*: (cf ICT 2, stages 1, 2 and 3): The best estimate of the error rate is 0% given that only two pre-financings were paid.

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

- *<u>Reliability of financial reporting</u>*:. (cf ICT 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. All financial and budgetary statements are automatically generated by ABAC/SAP.

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

- *<u>Fraud prevention and detection</u>*: (cf ICT 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 2016, 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[50] were fully complied with.

DIRECT MANAGEMENT – EIAH GRANTS- COST-BASED EFFECTIVENESS INDICATOR				
N°	**Type of expenditure or management mode or ICS**	**Stage**	**Annual indicator**	**Description**
1	Grants under the European Investment Advisory Hub	overall indicator	Full cost with 7% overhead[51]/total budget of managed programme 2%: EUR 159.965/EUR 7.76 million	Operational Initiating Agents, Financial Initiating Agents, Verifying Agents 1.2 FTEs

50 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.

51 Overhead are for example the Director General, Principal Advisors, Assistants, HR and Communication units, etc., i.e. FTE who cannot be attributed to specific control activities or processes.

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 N/A in 2016 SGA 47 days Average time to sign: FPA N/A in 2016 SGA 3 days	Average time to inform and to sign the Framework Partnership Agreement and the Specific Grant Agreement (Art. 128.2 FR)

Internal Control Template (ICT): 2

1.5. 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 -

- *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 first measure of the error rate is therefore the one resulting from the analysis of the recording of exceptions: overrides and non-compliant events. However, in the coming years the error rate will also be established through a process independent from the financial actors such as opinions from the IAS, ICS 9 on management supervision with the use of ex post sampling 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 2016 on the 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 2015, the cost ratio has decreased from 13% to 11%, essentially because the workforce has remained stable whereas the paid amounts have increased. 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 or 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				
No	**Type of expenditure or management mode or ICS**	**Stage**	**Annual indicator**	**Description**
1	Other administrative expenses	overall indicator	Full cost with 7% overhead 11% (1,92M€/18,0M €)	13 FTE's (FIA/OIA/VA and quality control)

***ICT* : N/A**

B. Entrusted entities

Short description: Payments of EUR 103.2 million were made for financial instruments under the Competitiveness and Innovation Programme (CIP) and its predecessor programme MAP, implemented in indirect management via the European Investment Fund (EIF).

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. 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 institution 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. DG ENER, DG NEAR and DG GROW.

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 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 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 2016:

EIF Mandates	EUR thousands (nominal value)
CIP (GIF Venture Capital)	423,174
CIP (SMEG 07 (Guarantees)	99,610
Growth & employment (Venture Capital)	10,677
Growth & employment (Guarantees)	17,444
MAP (Venture Capital)	195,794
MAP (Guarantees)	25,043
TTP (Technology Transfer Pilot Project)	534
Total	**772,276**

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 2016:

Mandate[52]	EIB	EBRD	KfW	CEB	Total (EUR thousand)
SMEFF	0	0	0	0	0
MFF	0	0	0	0	0
MIF	0	0	0	0	0
EEFF	0	0	0	0	0
ELENA	9.788	2.062	4.124	372	16.346
Total	**9.788**	**2.062**	**4.124**	**372**	**16.346**

Control system and conclusion: The control system for entrusted entities relies heavily on third party assurance and on the statements of assurance (where applicable) and audit certificates issued in accordance with contractual arrangements in place. From 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 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 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 ICT 3, stage 1): Identification and approval of FIs

[52] 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.

projects[53]: Since the SMEG 07 Guarantee Signing Period has expired 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 GSP), no new agreements were signed since 30 September 2014. During the signing period, as from the start of the Facility, 110[54] transactions with 60 financial intermediaries from 26 countries were approved. GIF: By the end of September 2016, as from the start of the Facility, 47[55] 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; throughout 2016, ECFIN provided ongoing coaching to DG EMPL on the reporting and monitoring aspects of the management of the Facility, and participated in the preparation and conduct of the monitoring visit organized by DG EMPL to a financial intermediary.

Reporting framework from IFI to DG ECFIN: all reports complied with the FMA and SGA provisions and were timely received.

IFI Facilities: In 2016 no new projects were approved since the facilities had reached their final payment execution and termination dates. In the first half of 2016 only already approved projects from earlier years were finally implemented. As a result by the end of 2016 the IFI facilities have approved in co-operation with EIB, EBRD, KfW/CEB more than 300 projects:
SMEFF: Total number of projects approved: 214 projects with 196 Participating Financial Intermediaries, banks and leasing companies (EUR 351 million grants paid).
MFF: Total number of projects approved amounted to 65 with 48 Participating Banks (EUR 94.8 million grants paid).
MIF (only EIB, no other IFI participated): Total number of projects amounted to 22 with 20 Participating Banks (EUR 40.6 million grants paid).
EEFF: Total number of projects amounted to 15 with 14 Participating Banks (EUR 31.77 million grants paid).

The transactions with the IFIs were all approved within the contractual deadlines set out in the contract and procedures. Minor errors on the final beneficiary level far under the threshold of 2 % have been found and corrective measures have been suggested to and agreed with the ex-post control sector, where applicable.

ELENA: In 2016, since all contracting deadlines were already reached for the managed ELENA Agreements (2009 to 2013), no new projects could be approved. The activity focussed only on the follow-up of ongoing projects. No recovery order was issued in 2016.

- *Sound financial management*: (cf ICT 3, stage 4): GIF and SMEG: For both instruments, the Chief Executive Officer of the EIF signed a Statement of Assurance for year 2015 and submitted it to the Designated Service on 31 March 2016. The 2015 Financial Statements and corresponding notes of all mandated instruments were certified in 2016 by external auditors. As per 2016, 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 (the 2016 Declaration of Assurance (DAS) letter has not yet received at the time of drafting of this the Annual Activity Report). There were no operations outside official procedures, no erroneous operation, no return

[53] No tasks were performed under this Stage in 2016, since no new agreements were signed nor new IFI selected for 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.

[54] Including extensions of existing contracts, with deduction of cancelled contracts. As at 30/9/2016, SMEG 07 Facility counted 70 active agreements with 52 Intermediaries.

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

to Trust Account linked to errors and no errors/discrepancies following the checks on the balance of the Trust Account. For both instruments, the 2015 Financial Statements and corresponding notes were certified in 2016 by external auditors. EPMF (Guarantees & FIS): the responsibility and related controls has been with DG EMPL since 1 January 2016 (see above). IFI Facilities and ELENA: 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.

- *Reliability of financial reporting*:.(cf ICT 3, stage 3): An audit by the Court of Auditors (ECA) is ongoing on the implementation of the loan portfolio guarantee instruments by the EIF, involving several DGs. No report has been received yet. No visit to a SMEG 07 or GIF contractor was foreseen by the ECA within the framework of the DAS 2016.No ECA reports were received in 2016 for IFI Facilities and ELENA. The 2015 Statements of Assurance (management letters) regarding the CIP SMEG, CIP GIF and EPMF programmes were received from the EIF as at 31 March 2016. The 2016 Statements of Assurance (management letters) regarding the CIP SMEG and CIP GIF programmes have not been received yet from the EIF (as from 1 January 2016 and the revocation of the cross sub-delegation agreement, EPMF is now in the remittance of DG EMPL).

In 2016, ex-post control finalised 14 verification reports. These controls were mainly on the spot legality and regularity checks. The finalised reports include controls of nine European Local Energy Assistance (ELENA) projects, an SME Finance Facility project in Slovenia (SMEFF), Municipal Finance Facility (MFF) projects in Hungary and Croatia, and Energy Efficiency Finance Facility (EEFF) projects in Bulgaria and Turkey. These controls identified no critical or serious compliance issues. Some reports include minor weaknesses or issues related to different possible interpretations of criteria. In these cases, the authorising officer and the relevant International Financial Institutions strengthened and clarified the applicable rules and procedures. For one ELENA control finding, the Authorising Officer by Sub Delegation and the relevant International Financial Institution are in the process of evaluating and establishing a potential amount receivable.

- *Safeguarding of assets and information*: (cf ICT 3, stage 2) : For SMEG Guarantees, EPMF[56], Venture Capital Funds and the EIF several monitoring visits to Financial Intermediaries were carried-out in 2016 in line with the 2016 monitoring plan (SMEG 07: 2 visits to financial intermediaries; Venture Capital: 4 visits to financial intermediaries; EPMF : 1 visit to a financial intermediary), 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. Moreover, a monitoring visit to the EIF on return and de-commitments of funds was carried out on 11 November 2016, with a view to assessing the compliance of the effective operations under the procedure for transfer of revenues and repayments to the Horizon 2020 and COSME programmes. No significant issues were identified and no issue is pending. The 2016 monitoring visit to the EIF, 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 significant issues being identified either. ELENA and IFI Monitoring: In 2016 a total of seven monitoring visits took place with no major findings to report. In addition to DG ECFIN´s monitoring (operational units and ex post control function) the IFIs and ELENA perform each year "on the spot checks" within the beneficiary countries. No major findings have been reported in that respect.

[56] As part of the coaching of DG EMPL colleagues by the DG ECFIN monitoring officer in charge of guarantees (part of the hand-over process subsequent to the revocation of the cross-subdelegation agreement on PMF as of 1/1/2016), DG ECFIN participated in the preparation, drafting of documents, sample selection and monitoring visit organized by DG EMPL to a FI under EPMF in 2016.

- *Fraud prevention and detection*: (cf ICT 3, stages 3 and 5): GIF: During 2016, the Designated Service continued to follow-up the implementation of OLAF's recommendations in two cases where fraud was detected at the level of the fund manager and at the level of a final beneficiary. Corrective action for both cases was further implemented during 2016, as indicated by EIF's specific reporting. The ECA carried out a general report on financial instruments in 2015, including on the EPMF; 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. IFI Facilities and ELENA: no fraud cases were reported by OLAF during 2016 or by other services.

Cost-effectiveness indicators –

The overall cost effectiveness of controls in 2016 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.

INDIRECT MANAGEMENT- ENTRUSTED ENTITIES -COST-BASED EFFECTIVENESS INDICATOR				
N°	**Type of expenditure or management mode or ICS**	**Stage**	**Indicators (annual indicators) per type of entrusted entity (FI, executive agency…)**	**Description**
1	Indirect entrusted management – Financial Instruments managed via IFIs (period 2007-2013)	overall indicator	overall internal and supervision costs (including 7% overhead[57])/total budget of managed programmes 0,06% or EUR 623 per EUR 1M	staff FTE * standard staff cost + monitoring missions by EC + management or administrative fees paid / total budget of managed programmes[58] (excluding any remuneration paid) EUR 794.903/EUR 1.275.084.491
2	Indirect entrusted management – Financial Instruments managed via IFIs (period 2007-2013)	overall indicator	remuneration fees paid to the external bodies/total budget of managed programmes N/A	all types of remuneration fees paid (to external financial auditors, external evaluators carrying out evaluations of the programmes, …) during the year/total budget of managed programmes N/A

Internal Control Template (ICT): 3

[57] Overhead are for example the Director General, Principal Advisors, Assistants, HR and Communication units, etc., i.e. FTE who cannot be attributed to specific control activities or processes.
[58] Executed budget since beginning until 31/12/2015.

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

Consequently, a guarantee of EUR 16 billion is created. Out of the EUR 16 billion which the EU offers as a guarantee, an EFSIGF of EUR 8 billion (50% of the total value) will gradually be 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 following the first transfer payments from the budget into the EFSIGF. In 2016 a total amount of EUR 1.018 million 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 2016	
Value of assets under treasury management	**EUR million**
EFSI Guarantee Fund	**1,019.9**

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

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

Control objectives -

- Legality and regularity: (cf ICT 5, stage 1): The inflows to the EFSIGF from the budget amounted to EUR 1018 million. In 2016 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. In H2 2016, the Commission conducted an evaluation on the use of the EU guarantee and the functioning of the EFSI guarantee fund[60] accompanied by an opinion of the Court of Auditors[61]. The findings and recommendations of the evaluation report are relevant in assessing the progress and the market take-up of this policy initiative and pertain also to the areas of interest of other DGs directly concerned by the implementation of EFSI/EIAH.

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

- Reliability of financial reporting: (cf ICT 5, stage 2): The 2016 accounts of EFSIGF will be audited by external independent auditor, appointed by DG ECFIN in 2013. The audit report shall be delivered before 15 March 2017. No material issues were communicated to ECFIN in the context of the pre-audit work in 2016. Financial information relevant for the calculation of the EU guarantee will be provided by the EIB before 15 February 2017 (provisional data) and before 15 March 2017 (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 ICT 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 ICT 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 2016, as measured by the proportion of overall cost of control (based on the FTEs involved) over total assets under management lead us to consider that the controls are sufficiently efficient and cost-effective. The remuneration fees were kept within the contractual boundaries.

60 Available at: http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1473853487429&uri=SWD:2016:297:FIN)

61 Available at: http://www.eca.europa.eu/en/Pages/NewsItem.aspx?nid=7766

OFF-BUDGET MANAGEMENT –TREASURY AND ASSETS MANAGEMENT AND BORROWING AND LENDING OPERATIONS - COST-BASED EFFECTIVENESS INDICATOR				
No	**Type of expenditure or management mode or ICS**	**Stage**	**Indicators (annual indicators)**	**Description**
1	Guarantee fund for European Fund for Strategic Investments	overall indicator	overall internal and supervision costs (including 7% overhead[62])/total assets managed 0,09% or EUR 943 per EUR 1M	staff FTE * standard staff cost/total assets managed EUR 962.743/EUR 1,019,903,424
2	Guarantee fund for European Fund for Strategic Investments	overall indicator	remuneration fees paid to external bodies/ total assets managed 0.02% or EUR 169 per EUR 1M	all types of remuneration fees (outsourced audits fees, accounting support fees, etc.) paid to external bodies during the year/total assets managed EUR 172.869/EUR 1,019,903,424

Internal Control Template (ICT): 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.

[62] Overhead are for example the Director General, Principal Advisors, Assistants, HR and Communication units, etc., i.e. FTE who cannot be attributed to specific control activities or processes

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 2016 :

EIB	EUR million
Guarantee Fund for external actions	**2,265.51**

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 ICT 4, stage 1): The inflows to the Guarantee Fund from the budget amounted to EUR 257.12 million. In 2016, 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. For one guarantee call, discussions are ongoing with the EIB as regards the political risk event which the EIB had recourse to. 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 ICT 4, stages 2 and 3): No material issues were identified during 2016. The management of the GFEA worked as designed. The existing mechanisms and processes were adequate to the functioning of the GFEA. The supervision costs amount to EUR 128 per EUR 1 million for control-related tasks (2.1 FTEs); EUR 5 per EUR 1 million for assurance–related tasks (1 man/month) and EUR 10 per EUR 1 million for external audit-related tasks (EUR 21,800).

- Reliability of financial reporting: (cf ICT 4, stage 2): The annual financial audit certificate by the EIB's external auditors was received for the financial year 2015; the 2016 audit certificate should be received by end of March 2017; no material issues were communicated to us as advance notice to that yearly certificate.

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

- Fraud prevention and detection: (cf ICT 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 2016 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.

OFF BUDGET MANAGEMENT - ASSETS UNDER SUPERVISION - COST-BASED EFFECTIVENESS INDICATOR				
N°	**Type of expenditure or management mode or ICS**	**Stage**	**Annual Indicators**	**Description**
1	Guarantee Fund for external actions	overall indicator	overall internal and supervision costs (including 7% overhead[63])/total assets of the fund 0,02% or EUR 229 per EUR 1M	staff FTE * standard staff cost + other outsourced supervision costs (outsourced audits and monitoring missions by EC) + management or administrative fees paid /total assets managed under supervision EUR 520.255 /EUR 2,265,512,803
2	Guarantee Fund for external actions	overall indicator	Remuneration fees paid to the entrusted entity/total assets of the fund 0.04% or EUR 394 per EUR 1M	all types of remuneration fees paid to entrusted entities during the year / total assets managed under supervision EUR 891,975/EUR 2,265,512,803

Internal Control Template (ICT): 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 and the Reserve of the Joint Sickness Insurance Scheme – (JSIS) Portfolio and from 2016 onwards of the European Fund for Strategic Investments Guarantee Fund. 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.

[63] Overhead are for example the Director General, Principal Advisors, Assistants, HR and Communication units, etc., i.e. FTE who cannot be attributed to specific control activities or processes.

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 2016	
Assets consolidated within the EU accounts	**EUR thousands**
European Coal and Steel Community (ECSC) i.L.	1,690,990
Budgetary Fines (BUFI)	2,230,061
ATOM, BoP, EFSM, MFA	2,791
Assets outside of the scope of consolidation	
Régime Commun d'Assurance Maladie (RCAM)	278,712
Participants Guarantee Fund PGF FP7/H2020[64]	1,856,637
Other miscellaneous mandates	1,194
Total	**6.060.385**

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[65]. 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[66].

Volumes of outstanding loans and borrowings as at 31 December 2016		
EUR million (value date)	Loans	Borrowings
EURATOM	252,3	252,3
Balance of Payments (BOP)	4,271.6	4,271,6
European Coal and Steel Community (ECSC[67]) i.L.	197.8	184.0
European Financial Stabilisation Mechanism (EFSM)	47,455.8	47,455.8
Macro Financial Assistance (MFA)	2,963.9	2,963.9
Total	**55,141.4**	**55,127.6**

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

64 7th Framework Programme for Research and Technological Development (FP7)(Horizon (H2020)

65 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.

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

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

management. The effectiveness of these controls is witnessed by the orderly implementation of the underlying operations and the absence of major issues[68]. <u>We can conclude that there are no material control weaknesses affecting the assurance building in terms of the five internal control objectives</u> – (see further down for each objective).

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 Committee 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 in the Final Report of the World Bank peer review of the off-budget treasury and asset management activities finalised in April 2014, quote "*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*." 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 -

- *<u>Legality and regularity</u>*: (cf ICT 1, stages 1a and 1b): No material findings were identified, neither by the ECA[69] , 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. Equally the sampling-checks of non-expenditure operations carried out by financial risk management did not reveal any compliance issues with internal procedures (e.g. reconciliation items, bank accounts, etc.). Three funding transactions totalling EUR 4.76 billion were carried out successfully according to procedures. Through the 4-eyes-principle (the back office), the internal control monitors the adherence of the debt service of the EU and Euratom debt with internal rules.

- *<u>Sound financial management</u>*: (cf ICT 1, stages 1a, 1b and 4): Out of 4.932 transactions, 6 incidents (3 due to negative interests) were detected during the reconciliation of bank accounts. The discrepancies discovered were cleared within a few days with minor financial costs for the Commission. The error rate of off-budget operations was 6/4932=0,12%.

- *<u>Reliability of financial reporting</u>*:. (cf ICT 1, stages 2 and 3): As regards the number of recommendations from the audit bodies which have been followed up systematically, in 2016 one remaining recommendation made by DG BUDG in December 2014 in its Report on validation of DG ECFIN local systems (formalise the supervision of the calculation of certain closing entries) was implemented and closed. No recommendations were made by

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

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

the ECA on the 2015 accounts of DG ECFIN.

- *Safeguarding of assets and information*: (cf ICT 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 six exceptions (bank reconciliation incidents) with minor financial impact.

- *Fraud prevention and detection*: (cf ICT 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 2016, 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.

OFF-BUDGET MANAGEMENT –TREASURY AND ASSETS MANAGEMENT AND BORROWING AND LENDING OPERATIONS - COST-BASED EFFECTIVENESS INDICATOR				
No	**Type of expenditure or management mode or ICS**	**Stage**	**Indicators (annual indicators)**	**Description**
1	Treasury and Asset Management, and Borrowing and Lending operations	overall indicator	overall internal and supervision costs (including 7% overhead[70])/total assets managed and total Borrowing and Lending operations 0,006% or EUR 67,6 per EUR 1M	staff FTE * standard staff cost/total assets managed and total Borrowing and Lending operations EUR 4.137.433/EUR 61.201.800.000
2	Treasury and Asset Management, and Borrowing and Lending operations	overall indicator	remuneration fees paid to external bodies/ total assets managed and total Borrowing and Lending operations 0,0002% or EUR 1,7 per EUR 1M	all types of remuneration fees (outsourced audits fees, accounting support fees, etc.) paid to external bodies during the year/total assets managed and total Borrowing and Lending operations EUR 106.916/EUR 61.201.800.000

Internal Control Template (ICT): 1

[70] Overhead are for example the Director General, Principal Advisors, Assistants, HR and Communication units, etc., i.e. FTE who cannot be attributed to specific control activities or processes

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

ANNEX 12: Performance tables

General objective 1: A new boost for jobs, growth and investment		
Impact indicator 2: Employment rate population aged 20-64 **Source of the data**: Eurostat		
Baseline (2014)	**Target 2020** Europe 2020 target	**Latest known results** (2015)
69.2%	At least 75%	70.1%
Bookmark [71]		
Impact indicator 6: GDP growth **Source of the data:** Eurostat		
Baseline (2014)	**Target 2020**	**Latest known results** (2015)
1.6%	Increase	2.2%
Bookmark		
Impact indicator 7: Gross Fixed Capital Formation (GFCF) investments to GDP ratio **Source of the data:** Eurostat		
Baseline (2014)	**Target 2020**	**Latest known results** (2015)
19.4%	21%-22% Mean GFCF for the period 2016-2020 having reached the range of 21%-22%	19.5%
Bookmark		
Completed evaluations: (title of the evaluation; year of completion; spending programme/policy covered).		
Specific objective 1: Promoting growth and employment enhancing policies in the euro		

71 Please note that Eurostat periodically revises its published data to reflect new or improved information, also for previous years. The latest published data is available by clicking on "bookmark". The "latest known value" column reflects the data that was available at the time of the preparation of the AARs 2016 and it is the reference point for the AARs of Commission services.

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**[72]	**Target** (2020)	**Latest known results** (2016)
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.	1.3%
Result indicator 2: Nominal unit labour cost (3 years % change) **Source of data**: AMR Scoreboard			
Baseline (2016)	**Interim Milestone**	**Target** (2020)	**Latest known results** (year)
AMR Scoreboard	AMR Scoreboard annual increase	Evolution of labour cost in % compared to main economic competitors	+1.9% (2013-15)
Result indicator 3: Percentage of Country Specific Recommendations (CSRs) partially or fully complied with **Source of data:** European Commission database			
Baseline (2016)	**Interim Milestone** (please introduce as many columns as the number of milestones)	**Target** (2020)	**Latest known results** (2016)
CSRs	Annual Communication on the European Semester Package	To improve the implementation of CSRs	The level of implementation was about 51 % of the 2015 CSR which displayed at least "some progress" in their implementation as reported to MS in the ECOFIN Committees.
Activity 1: Supporting the pursuit of growth and employment enhancing policies notably within the Europe 2020 Strategy and the European			

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

Semester **Main outputs in 2016:**			
Policy–related outputs			
Description	Indicator (e.g. adoption by the Commission; completion)	Target date	Latest known results (situation on 31/12/2016)
Country reports (including In Depth Reviews (IDRs) for Member States (MS) identified as having macroeconomic imbalances)	The country reports produced for 27 MS give a view of the overall economic and social developments in each MS. For 19 MS the country reports include IDRs examining the existence and nature of possible macroeconomic imbalances. Adoption by the Commission of the horizontal communication summarising the assessment of growth challenges, prevention and correction of macroeconomic imbalances.	February 2016	Country reports published on 26 February Horizontal Communication published on 8 March
Specific monitoring reports	Specific monitoring reports have been prepared for countries identified with imbalances	Ongoing	Specific monitoring reports has been discussed over the October-December meetings in the EPC and EFC. The Council conclusions on the AMR 2017 also included a section on the specific monitoring
2016 Country Specific Recommendations (CSRs), including opinions on the Stability and Convergence Programmes (SCP) for all non-programme EU MS	2016 CSRs for all non-programme EU MS and accompanying technical assessments of the SCP	May 2016	2016 CSR's published on 18 May
2015 CSR monitoring for all MS	Assessment of 2015 CSRs on the CeSaR database within ECFIN (in February in the Annex of each Country Report and in May in	Twice a year (February 2016 and May 2016)	Publication of the Country Reports (SWDs 71 to 96 on 26.02.2016) Publication of COM(2016)321 on

	the Communication accompanying the CSRs) and presentation to ECOFIN and EPSCO Committees.		18.05.2016
European Economic Forecast (EEF)	Publication	Q1 – Q2 – Q4	Publication of the Winter Forecast on 4 February, of the Spring Forecast on 3 May and of the Autumn Forecast on 9 November
Joint Harmonised EU Programme of Business and Consumer Surveys	Publication of survey data and related analyses, circulation of short-term forecasts/nowcasts	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	December ESI release on 6 January 2017, EBCI release for 2016 Q4 on 12 January
Monitoring of supply side health of EU economy	Potential output Internal notes ECFIN, notes EPC Working Group (Output Gaps Working Group (OGWG)), contributions to forecasts and to quarterly euro area review	Ongoing	Estimates and boxes provided for the Spring Forecast, Documents prepared for OGWG meetings on 24 February, 29 June, 7 September, 5 October and 19 October.
Tax assessment framework	Internal note to geographical desks and note to EPC	Q3	Note presented at EPC of 21 October
Assessment of national tax reforms using EUROMOD	Contribution to Country Reports and publication	Q3-Q4	Drafts provided mid-December as first input to 2017 Country Reports
Tax policy and current account surpluses in NL&DE	Input to ECFIN internal note	Q2	
Assessment of CSRs and Member States' actions related to investment barriers	Contribution to Country Reports (Box on investment), presentation at EPC, Note to EFC on the implementation of CSRs and Member States' actions related to investment barriers: preparation for ECOFIN debate	Q1	Slides presented at EPC on 23.02.2016

Benchmarking	Internal notes ECFIN, notes EPC working groups (LIME), EWG. Number of policy areas piloted	Ongoing	Conceptual note on benchmarking discussed at LIME and EPC in January. Letter from EWG to Eurogroup in March. Common principles agreed on pensions in June. Further benchmarking work on pensions, the quality of public finances and national fiscal frameworks foreseen for 2016H2 or 2017.
Activity 2: Promoting competitiveness–enhancing structural reforms **Main outputs in 2016:**			
Policy-related outputs			
Description	Indicator (e.g. adoption by the Commission; completion)	Target date	Latest known results (situation on 31/12/2016)
Third Pillar of the Investment Plan	Internal notes ECFIN, Notes EPC working groups (LIME), ECCWG, EWG, contributions in the Country Reports – EPC Thematic Reviews: • on crowding in private investment and best practices with PPPs • on intangibles • energy and network industries • investment for the digital economy	 Q1 Q4 Q1 Q1	 Completed Thematic reviews on investment in network industries (energy, digital) have been discussed in ECCWG, EPC, EFC and ECOFIN. The background notes have been published (ECFIN report) in Q4 2016. Thematic discussion on Investment barriers: - note on euro area aspects of the Third Pillar discussed at EPC-EA and EWG on 4/7 -note to the Eurogroup: Thematic

			discussion on Investment in the EA on 11/7 - follow-up note on how to overcome implementation gap discussed at EFC on 5/7 - LIME note on Investments in Intangible assets on 14/10 - EPC note for the Thematic Review on investment in Intangible assets at informal EPC on 19/10 - LIME note for the Thematic Review on investment in intangible capital (follow-up): drivers and bottlenecks to investment on 21/11
Assessment of competitiveness and structural reforms	• Analytical notes for EPC and publications (competitiveness monitor, rebalancing monitor, NRP pilot) • Databases (SPI, IDR platforms, AMECO) • Modelling tools (QUEST and new multi country model)	2016	NRP pilots finalised, modelling work with JRC ongoing, AMECO updated for Spring forecast Work ongoing on non-price competitiveness and adjustment in the EA. Outline of the work presented at LIME in June LIME presentation on Non-price competitiveness: Possible avenues to strengthen its assessment" on 15.06.2016 LIME presentation of the Monitor on Competitiveness and Export Performance on 21.11.2016
Council Recommendation on National Productivity Boards	Council adoption of the recommendation took place in September	Q3	**Completed**

Assessment of EU policies:	1. Migration (Report on Economic effects of migration) 2. Labour Mobility 3. Single Market (services package) and Digital Single Market 4. MFF Mid-term review 5. Energy Union and Climate change policies (notes to the EPC-CCWG) 6. Eurogroup review of insolvency frameworks in the context of thematic discussions on Growth and Jobs)	Q1 2016 2016 Q2 2016	1. Completed 2. Completed 3. Completed (services package), ongoing (digital single market) 4. On-going 5. On-going 6. On-going
T4T: The economic implications of the migration and refugee crisis	1. Report on the economic impact of refugee crisis 2. Box on the economic impact of restrictions to the Schengen agreement 3. Input to cabinet on financing options for migration crisis	Q1, Q2, 2016	1. Report published as SWD accompanying the Action Plan on Integration in June 2016 2. Box published in the 2016 Spring Economic Forecast 3. Input to cabinet provided
Main expenditure outputs			
Description	Indicator	Target date	Latest known results (situation on 31/12/2016)
Statistical coordination	- Contracts to purchase external databases and statistical services	2016	All expiring contracts have been renewed after verification of continued needs, business continuity has been ensured. The three major replacements for 2017 have been launched and are at advanced stages (evaluation or award)
Fellowships	- Network of 10-15 fellows to be established through tender - number of publications by fellows	2016	Completed Proposals evaluated, award decision taken on 14/06, contract concluded, kick-off workshop held in September,

			second meeting organised in the context of the Annual Research Conference 2016 held in November.
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 (MTO) **Source of data:** Commission, AMECO database and Stability/Convergence Programmes			
Baseline (2015)	**Target** (2020)		**Latest known results** (2016)
Commission, AMECO database	With the end of the crisis MS are expected to exit EDP and reach their MTO in their SCP horizon. It is therefore expected that their structural balance be at MTO by 2020		Eleven Member States are at their MTOs in 2016
Result indicator 2: Country specific Net International Investment Positions (NIIP) in % of GDP **Source of data:** AMR Scoreboard			
Baseline (2014)	**Interim Milestone**	**Target** (2020)	**Latest known results** (year)
0.8%		NIIP level in % of GDP	0.5% (2015)
Activity 3: Undertaking fiscal surveillance of Member States' economies **Main outputs in 2016:**			
Policy–related outputs			
Description	Indicator (e.g. adoption by the Commission; completion)	Target date	Latest known results (situation on 31/12/2016)
Follow-up work on simplifying and streamlining the application of the Stability and Growth Pact (SGP)	Notes to the EFC (and possible follow-up)	Q1 - Q2	First two notes sent to EFC Discussion in EFC to continue on the basis of further notes
Implications of the Commission economic forecast for fiscal	Notes to the EFC	Q1 – Q2 – Q4	Notes sent to EFC

surveillance			
Follow-up on the 2016 Draft Budgetary Plans (DBPs)	Note to the EWG	March 2016	Notes sent to EWG
Horizontal assessment of SCPs	Note to the EFC/Council	Q2 (June 2016)	Note discussed at EFC => publication by end July 2016
Note on policy mix in the euro area	Note for the Quarterly Report of the Euro Area	Q3	Published 2016Q3
Opinions on the 2017 Draft Budgetary Plans for non-programme euro area (EA) MS	Commission Opinion for each non-programme EA MS and accompanying SWD's	November 2016	Publication of Commission Opinions C(2016)8000 to 8017 on 16 November 2016 and accompanying SWDs (2016)500 to 517
Overall assessment of draft budgetary plans for 2017 in the euro area	Commission Communication	November 2016	Publication of COM(2016) 730 final on 16 November 2016
Analysis of macroeconomic shocks and policies	Reporting in notes and ECFIN documents	2016	
Compliance of MS with their budgetary obligations under the Treaty and the SGP	Number of MS in compliance with obligations under the SGP, either under the preventive or the corrective arm, depending on MS.	Compliance is assessed on a continuous basis but key milestones follow the Spring forecast and the submission of SCPs (Q2) and the Autumn forecast and the submission of DBPs in the euro area (Q4)	Decisions taken in the 18 May package: - Commission recommendation for a Council decision to abrogate the EDP for Cyprus, Ireland and Slovenia. - Commission reports on the fiscal situation of Belgium, Italy and Finland under Article 126(3) TFEU, in which it reviews their compliance with the debt criterion of the Treaty. (Preventive arm of the SGP) On 17 June ECOFIN Council closed the EDP for Cyprus, Ireland and Slovenia. This reduced the number of MS in EDP to

			six (Croatia, France, Greece, Portugal, Spain and UK), down from 24 in spring 2011. Regarding Spain and Portugal: - 07.07.2016 - Recommendation for a Council decision establishing that no effective action has been taken by Portugal/Spain in response to the Council Recommendation of 21 June 2013 - 27.07.2016 - Recommendation for a Council implementing decision imposing a fine on Spain/Portugal for failure to take effective action to address an excessive deficit - 27.07.2016 - Recommendation for a Council decision giving notice to Spain/Portugal to take measures for the deficit reduction judged necessary in order to remedy the situation of excessive deficit - 16.11.2016 – Communication from the Commission - Assessment of action taken by Portugal and Spain in response to the Council decisions of 8 August 2016 giving notice to take measures for the deficit reduction judged necessary in order to remedy the situation of

			excessive deficit
Report on the transposition of the Fiscal Compact 2016/ECFIN/001	Commission report	Q2 or Q3	Letters of observation sent to MS on 19 May. Report publication to follow reception and analysis of answers
Assessment on the transposition of the Directive on budgetary frameworks	Ongoing assessments, possible infringement steps if warranted	- EU Pilot letters to be sent to the 28 MS in waves over July-September 2016. - Subject to the MS replies, infringement proceedings may be initiated, where warranted, towards the end of the year.	Transposition assessment checks for all 28 MS are close to completion. EU Pilot letters are being drafted with a view to getting additional information or clarifications from the MS in relation to question marks about possibly incorrect or incomplete transposition.
Assessment of fiscal sustainability: Fiscal sustainability report	Commission report	Q1	Fiscal sustainability report published on 18 January
Joint report on health systems and fiscal sustainability	Joint EC (DG ECFIN)-EPC (AWG) report	Q3	The report was published in October
T4T: Economic aspects of a possible comprehensive settlement of the Cyprus issue (reunification)	Analytical notes analysing various relevant economic aspects	Q3 or Q4 depending on the negotiation progress	Several internal notes were prepared to inform the hierarchy about key economic policy issues of the negotiations and to prepare our dialogue with the two Cypriot sides about economic aspects of reunification, in particular in the perspective of the EU acquis.

Activity 4: Contributing to the prevention/correction of macroeconomic imbalances
Main outputs in 2016:

Policy–related outputs

Description	Indicator	Target date	Latest known results (situation on 31/12/2016)
IDRs of MS	Completion of IDRs	February 2016	Publication of the Country Reports on 26 February 2016
AMR	Adoption of the AMR 2017	November 2016	Completed
Assessment of macroeconomic imbalances	Internal ECFIN notes, Notes to EPC and EPC working groups (LIME), contributions to Forecasts and the Country Reports, especially on assessment of external imbalances, stock imbalances, housing markets	Q3	Published
MIP Compendium	SWD providing information on the MIP procedure and its application since its inception.		

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 the 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** (2018 - EFSI Regulation (Preamble 8)	**Latest known results** (year 2016)
No baseline as it is the start of the activity	Mobilise a total investment of EUR 315 billion by July 2018 as per the EFSI Regulation (Preamble 8).	EUR 163.9 billion.

Planned evaluations: An independent external evaluation on the application of the EFSI Regulation was conducted by EY in 2016 (available at https://ec.europa.eu/priorities/publications/independent-evaluation-investment-plan_en).

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 - Budgetary commitments for EIAH Specific Grant Agreements	**Latest known results** (2016)
	2016	2017	2018	2019	2020		

<table>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td>are done in accordance with the provisions of the Financial Regulations and in due time to consume the yearly appropriations)</td><td></td></tr>
<tr><td>EUR 10.000.000</td><td>EUR 19.000.000</td><td>EUR 19.000.000</td><td>EUR 19.000.000</td><td>EUR 19.000.000</td><td>EUR 19.000 000</td><td>Annual commitments made by year end</td><td>Only the prefinancing amount has been transferred to the EIB for 2016 (EUR 7.760.000)</td></tr>
<tr><td colspan="8">Planned evaluations: As per the EIAH Framework Partnership Agreement, Article 6(3), within three years from entry into force of the EFSI Regulation (i.e. by June 2018), the EU shall conduct an independent mid-term evaluation of the functioning of EIAH.</td></tr>
<tr><td colspan="8">Result indicator 3: European Investment Project Portal (EIPP) – Number of projects published on the Portal
Source of data: Commission (DG ECFIN), Web statistics</td></tr>
<tr><td colspan="3">Baseline (2016)</td><td colspan="3">Interim milestones (2017-2020)</td><td>Target (2017)</td><td>Latest known results (2016)</td></tr>
<tr><td colspan="3">Average number of projects published on the Portal in the first year : 1000</td><td colspan="3">Reach a cruising speed for the number of projects submitted on the Portal (20 projects per month).</td><td>1000 projects on average in the database per year 20 projects added per month</td><td>The Portal was launched in June 2016. More than 200 projects have been received for publication in 2016. At the end of December 2016, 140 investment projects were published on the Portal.</td></tr>
<tr><td colspan="8">Planned evaluations: As per Preamble 32 of the EFSI Regulation, within three years from entry into force of the EFSI Regulation (by June 2018), the Commission shall submit an independent evaluation of the application of the EFSI Regulation.</td></tr>
<tr><td colspan="8">Result indicator 4: Providing a guarantee to the EIB for financing and investment operations covered by the EFSI Regulation (EU) 2015/1017</td></tr>
</table>

<table>
<tr><td colspan="9">Source of data: Commission Financial Statements</td></tr>
<tr><td>Baseline (2016)</td><td colspan="6">Interim milestones
- Managing the assets of the EFSI Guarantee Fund in line with sound financial management aiming at protecting the capital while achieving a reasonable return
- Timely payments of the calls under the EFSI Guarantee Fund</td><td>Target (2022 – Target agreed based on potential needs and in view of availabilities of funds under MFF)</td><td>Latest known results (2016)</td></tr>
<tr><td>Building up the fund with a total transfer of EUR 1018 million in EFSI Guarantee Fund</td><td>2017
Transfer of EUR 2300 million</td><td>2018
Transfer of EUR 1800 million</td><td>2019
Transfer of EUR 1050 million</td><td>2020
Transfer of EUR 1050 million</td><td>2021
Transfer of EUR 400 million</td><td>2022
Transfer of EUR 400 million</td><td>Transfer of EUR 8 billion until 2022 building up the EFSI Guarantee Fund</td><td>The Asset Management Guidelines were established.
EUR 1018 million were received and invested throughout 2016.</td></tr>
<tr><td colspan="9">Planned evaluations:
- An independent external evaluation on the application of the EFSI Regulation was conducted by EY in 2016 (available at https://ec.europa.eu/priorities/publications/independent-evaluation-investment-plan_en).
- By 30 June 2018 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.</td></tr>
</table>

<table>
<tr><td colspan="4">Activity 5: Mobilising the Investment Plan effectively towards increasing private sector participation
Main outputs in 2016:</td></tr>
<tr><td colspan="4">Policy–related outputs</td></tr>
<tr><td>Description</td><td>Indicator (e.g. adoption by the Commission; completion)</td><td>Target date</td><td>Latest known results
(situation on 31/12/2016)</td></tr>
<tr><td>a) Additional investment mobilised by European Fund for Strategic Investments (EFSI).</td><td>Mobilise EUR 75 billion of investment under the Infrastructure and Innovation Window (IIW) and EUR 25 billion under the SME Window (SMEW).</td><td>31 December 2016</td><td>As of December 2016, 420 EFSI supported transactions were approved, which are expected to mobilise around EUR 163.9 billion in total investment[73]. The split between the two Windows of the total investment amount</td></tr>
</table>

73 EIB EFSI dashboard: http://www.eib.org/efsi/efsi_dashboard_en.jpg.

			related to approval as of December 2016 was: • Innovation and Infrastructure Window: EUR 94.4 billion • SMEW: EUR 69.5 billion
b) Provide technical assistance for project promoters supporting investment in the EU.	Preparation of the work programme and signature of the 2016 Specific Grant Agreement for the European Investment Advisory Hub (EIAH) in accordance with the EU objectives	31 December 2016	The work programme underlying the 2016 Specific Grant Agreement was agreed with the European Investment Bank (EIB). The Agreement was signed in August 2016.
c) Provide visibility to potential investment projects in the EU through the European Investment Project Portal (EIPP).	Complete the development of the EIPP and publish a critical mass of projects on the EIPP website	31 December 2016	The EIPP launched on 1 June 2016 with more than 80 projects. The Portal displayed at the end of December 140 investment projects to be financed. Work continues on adding more projects and publicising the EIPP widely. Further IT developments are planned for adding more functionalities to the website for both project promoters and investors.
d) Finalise the EFSI SME Equity Window	Completion of negotiations	Q2	Negotiations on the Equity Product were concluded and the product launched.
Main expenditure outputs			
Description	Indicator	Target date	Latest known results (situation on 31/12/2016)
Implementation and management of the EFSI Guarantee Fund	- Building up the fund with a provisioning of EUR 1018[74] million for 2016 (built up until 2022). - Managing the assets of the EFSI Guarantee Fund in line with reasonable returns compatible with	First transfer from the budget into the fund during the first	- EUR 1018 million (EUR 500 million and additional EUR 518 million received during the year) were received and invested throughout 2016.

[74] EUR 500 million and additional EUR 518 million received during the year.

	maintaining a high level of security - Timely payments of the calls under the EFSI Guarantee Fund	semester 2016; by then, asset management guidelines (AMGs) and investment as well as risk strategies to be in place. The transfer of EUR 120 million from the budget into the fund will continue during the second semester 2016 as expected.	- The Asset Management Guidelines were established. They foresee that the managed assets shall provide sufficient liquidity in relation to the potential guarantee calls, while still aiming at optimising the return and risk level that is compatible with maintaining a high degree of security and stability. - No guarantee calls towards the EFSI guarantee fund occurred in 2016.
Activity 6: Enhancing the efficient use of EU resources via financial instruments with a special focus on SMEs and infrastructure **Main outputs in 2016:**			
Policy–related outputs			
Description	Indicator (e.g. adoption by the Commission; completion)	Target date	Latest known results (situation on 31/12/2016)
Evaluation of the Pilot Phase of the Project Bond Initiative (PBI)	Completion	Q1	Staff Working Document SWD(2016)58 was published on 7 March 2016
Activity 7: Ensuring sound and efficient management and follow-up of financial operations **Main outputs in 2016:**			
Policy–related outputs			
Description	Indicator (e.g. adoption by the Commission; completion)	Target date	Latest known results (situation on 31/12/2016)
Proposal for a Council	Adoption by the Commission	Q4	Given that potential Euratom operations were

Decision regarding the future of the Euratom loan facility and a proposal for a new ceiling (2015/ECFIN/009)			delayed, the necessary threshold was not reached and thus the Commission did not issue a proposal in 2016.

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 (2015)	**Interim Milestone** (please introduce as many columns as the number of milestones)		**Target** (2020 – as per decision 446/2014/EU)	**Latest known results** (2016)
	(2016)	(2016)		
End 2015 net cumulative signatures under the ELM reached **EUR 6.8 billion**, corresponding to a **utilisation rate of 26%**	Completion of the mid-term review of the ELM	**EUR 3.9 billion were signed in 2016** under the ELM.	EUR 27 billion in EIB financing (EUR 30 million if optional additional EUR 3 billion is approved in the mid-term review	• The Mid-term review of the ELM was completed. The new proposed ceiling is **EUR 32.3 billion**, including EIB's Resilience initiative to address root causes of migration. • End 2016 cumulative signatures under the ELM reached **EUR 10.7 billion**, corresponding to a **utilisation rate of 40%**.

Planned evaluations: External evaluation in the context of the mid-term review of the External Lending Mandate of the EIB under Decision 446/2014/EU to be completed by end 2016

Result indicator 2: Management and provisioning of the Guarantee Fund for the External Action, whose function is to cover the risk of loans and loan guarantees to third countries, timely management of the guarantee calls
Source of data : ECFIN L4/EIB

Baseline (2015)	**Target** (2016)	**Latest known results** (2016)
On 31 December 2014, net assets of the Fund amounted to EUR 2114,67 million. According to the appropriate provisioning to be done in N+2,	The amount of the Guarantee Fund needs to be kept within the target (currently 9%)	On 31 December 2015, net assets of the Fund amounted to EUR 2,320.06 million. According to the appropriate provisioning to be done in

a provisioning of EUR 257,12 million was inserted in the preliminary EU budget of 2016.		N+2, a provisioning of EUR 240.54 million was inserted in the preliminary EU budget of 2017.

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 (2016)
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 2016 were for Ukraine, Jordan, Tunisia, Georgia and Kyrgyz Republic. Tranche disbursements were made only under the Kyrgyz operation. All other disbursements were delayed due to different reasons (i.e. delays by the national authorities in the fulfilment of the agreed policy measures or in the negotiations of the Memorandum of Understanding with the Commission; delays in the implementation of the relevant IMF programme; delays in the EU legislative process, owing to co-legislators' amendments and consequent trilogue requirements). In case of Kyrgyz operation, the target level of foreign reserves was maintained above the critical 3 months threshold, increasing from 3.7 months in 2015 to 3.8 months in 2016.

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 November 2016).
Source of data: National Authorities, ESTAT, IFIs, International Surveys, other multiple data sources

Baseline	Interim milestone	Target	Latest known results (2016)
Level of compliance as assessed in the 2015 country reports (Commission staff working	Progress with economic reforms conducive to	(No target year for EU accession.) Reaching full compliance with economic	The latest Country Reports, published with the Enlargement Package in November 2016,

documents), only Turkey is yet considered to be a functioning market economy	reaching a higher level of compliance, compared with the baseline, with EU economic accession criteria	accession criteria, i.e. attaining the status of a functioning market economy and become able to withstand competitive pressures within the EU.	indicate that all enlargement countries made progress in at least one of the two economic criteria assessed. By contrast, backsliding was only identified in Turkey. Despite the overall progress made, none of the enlargement countries, except for Turkey, qualifies yet as a functioning market economy, and none of them is considered to have achieved the capacity to cope with the competitive pressures and market forces within the EU.
Planned evaluations: (title of the evaluation; year of completion; spending programme/policy covered). Evaluation of MFA operations in third countries (Ukraine, Jordan, Tunisia, Kyrgyzstan, Georgia) from 2016 onwards.			
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)	**Interim milestone** (2016)	**Target** (2020)	**Latest known results** (2016)
1a) Number of common EU positions coordinated by DG ECFIN on economic/financial issues dealt with in the G20: four EU Terms of Reference for G20 Ministerial meetings in 2015.	1a) Ensure effective coordination of EU positions by preparing EU Terms of Reference (ToR) for four G20 Ministerial meetings during the 2016 Chinese G20 Presidency.	1a) Ensure effective coordination of EU positions during the period 2016-2020 by coordinating EU Terms of Reference for every G20 Finance Ministerial meeting.	On track. We ensure effective coordination of EU positions by preparing EU Terms of Reference (ToR) for at least two G20 Ministerial meetings during the 2017 German G20 Presidency.
1b) G20 members have collectively reached around 0.8% of their 2% additional growth ambition as set out at the 2014 Brisbane Summit.	1b) Take the lead to ensure the G20 takes a critical look at the implementation of the most important areas of the G20 growth strategies.	1b) Work constructively with G20 partners to collectively deliver the 2% additional growth ambition by 2018.	The G20 demonstrated its continued commitment to the implementation of the G20 growth strategies by agreeing on a set of principles for structural reforms and structural indicators to monitor the pace of reform implementation and identify policy areas where challenges to growth exist.
2) Number of common EU positions	2) Produce a substantial	2) Continue to successfully	SCIMF prepared 12 common messages on IMF

and statements in the IMF coordinated by ECFIN to advance the EU policy agenda: 15 common messages in 2015.	number of common messages in 2016 on IMF policy, including governance and multilateral surveillance as well as country items.	produce common messages on IMF policy, including governance and multilateral surveillance as well as country items during the period 2016-2020.	Policy Issues; EWG prepared 2 euro area common messages on IMF Policy Issues; EWG prepared a Presidency Buff for the Article IV of the euro area; EWG prepared 2 euro area common messages for the IMF Flagship Reports; EFC-A prepared 4 common messages on Article IV of non-EU countries (Russia, China, US, Japan).
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 Member States in Asian Infrastructure Investment Bank, Egypt in EBRD, Multilateral Development Banks (MDB) optimization)	3) Interim milestone end 2016: 3-5.	3) Target 2020: in total about 20 (on average 4 per year)	In 2016 EU policy positions were influenced in four areas: on (1) tax avoidance towards EIB, EBRD and WBG; (2) IFIs response to migration crisis, including EIB's Economic Resilience initiative; (3) MDB Optimisation and promotion of innovative financial instruments to G20; and (4) via EIP and in particular the EFSD guarantee on innovative product development in IFIs.
Activity 8: Promoting EU interest, 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 2016:**			
Policy–related outputs			
Description	Indicator (e.g. adoption by the Commission; completion)	Target date	Latest known results (situation on 31/12/2016)
a) Consistent follow up in both EIB and EBRD to the Commission's anti-tax avoidance package	a) Discussion and subsequent adoption of revised policies on non-compliant jurisdictions by the Boards of the EIB and EBRD	31 December 2016	The Commission wrote to the EIB group and to the EBRD to encourage a policy review, considering latest policy developments on anti-tax avoidance. Pending the adoption of the EU common list

			identifying third country jurisdictions that fail to comply with tax good governance standards (expected by end 2017), the Commission asked to use an interim solution reflecting a risk averse line on potential reputational risks: the use of third no/zero tax jurisdictions in the delivery of the EU funds should in principle be avoided. The Commission is committed to promote a level playing field across IFIs - as communicated to the WBG/IFC by DG ECFIN and DG TAXUD in the context of WBG Annual Meeting in October 2016.
b)Submit at least one non-paper on financial instruments to the G20 Infrastructure and Investment Working Group		31 December2016	Completed.
c) Maintain a high share of financial instruments in the EU's external blending operations, following a near-trebling in 2015, to 31%.	A share of financial instruments in the EU's external blending operations >25%	31 December 2016	For the year 2016, the share of financial instruments in the EU's external blending facilities **amounted to 12.3%,** which is relatively low compared to 2016, although in the framework of the External Investment Plan, in 2016, the European Fund for Sustainable Development was proposed to enhance mobilisation of private sector financing into Africa and Europe's neighbourhood, which in addition includes the **EUR 1.5 billion EFSD guarantee** to promote the use of innovative financial instruments.
d) External evaluation in the context of the mid-term review of the External Lending Mandate (ELM) of	Completion	31 December 2016	The Mid-term review of the ELM was completed and the proposed ceiling of the overall mandate compared to the original EUR

the EIB under Decision 446/2014/EU			27 billion is **EUR 32.3 billion**, including EIB's Resilience initiative to address root causes of migration. The negotiations of the draft legislative proposals for the revision of the ELM and of the Guarantee Fund for External Action are concluded in the Council and under the ordinary procedure discussions with the EP started early 2017.
e) Coordination of written EU negotiation positions for G20 finance track meetings	EU G20 Terms of Reference (to be agreed in EFC).	Throughout 2016	DG ECFIN in January 2016 prepared a strategic discussion on the Chinese G20 Presidency in the EFC. We also prepared a note for strategic discussion on the German G20 Presidency (EFC meeting of 12 January 2017). We prepared and coordinated EU Terms of Reference for six meetings in 2016 :(i) the G20 Ministerial meeting on 26-27 February in Shanghai; (ii) the G20 Ministerial meeting on 14-15 April in Washington, (iii) the G20 Deputies meeting on 22-23 June in Xiamen, (iv) the G20 Ministerial meeting on 23-24 July in Chengdu, (v) the G20 Ministerial meeting on 6 October in Washington and (vi) the G20 Deputies meeting on 1 December in Berlin.
f) UNFCCC: United Nations Framework Convention on Climate Change.	Post COP 21 follow-up work on climate finance: contributions to the EPC working group, to the G 20 climate finance WG, to the preparation of ECOFIN conclusions on climate finance.	2016	ECOFIN Council conclusions on climate finance were adopted on 11 October ahead of the UN Conference in Marrakech (COP22). Total contributions of international climate finance from the EU and its Member States amounted to EUR 17.6 billion in 2015 (confirmed by the EFC on 24 October 2016), a significant increase compared to 2014.

g) IMF quota and governance reform 2010	EFC will resume discussions in light of the ratification by the US of the 2010 Reform. Notes for EFC and its sub-committee on various topics would have to be prepared in particular on the outstanding obligation to reduce European representation by 2 seats and on the 15th review.	Throughout 2016	Notes on various IMF topics have been produced, e.g.: "The ratification of the 2010 quota and governance reform and the systemic exemption clause", EFC on 8 January; "Expected work after ratification of the 2010 Quota and Governance Reform", including two seats and 15th Review, SCIMF on 25 January. Notes and analytical inputs have been produced for the discussions on the commitment by advanced European countries to reduce their representation in the IMF Board by two seats. Discussions took place on 4 February (EFC), 7 March (SCIMF), 8 April (EFC), 13 May (EFC), 16 June (ECOFIN), 1 July (SCIMF). An issues note has been produced on IMF Resources for the SCIMF discussion on 24 May. "Strategic discussion on the preparation of the international meetings in Washington in October 2016" including IMF resources and IMF Quota and Governance Reform and two seats, EFC on 4 July. Issues Notes have been produced for the discussions on the Review of the IMF lending toolkit, SCIMF on 1 July 2016 (and 20 January 2017).
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 2016**			
Policy-related outputs			

Description	Indicator	Target date	Latest known results (situation on 31/12/2016)
Implementation of Macro-Financial Assistance (MFA) operations in Neighbourhood countries	Adoption of Decision on the MoU, Release and Borrowing Decisions by the Commission (for Kyrgyz Republic, Georgia, Ukraine, Tunisia)	Depending on the country and the progress with conditionalities	Disbursement of EUR 15 million of MFA for Kyrgyz Republic on 10 February 2016 (EUR 5 million grant) and 13 April 2016 (EUR 10 million loan)
Possible proposals for legislative decisions on MFA to Candidate/Potential Candidate and Neighbourhood countries.	Adoption of the proposals by the Commission (for Tunisia, Moldova); other possible proposals depending on developments (Bosnia, Jordan)	Tunisia: Q1 2016	Adoption of a proposal for additional MFA to Tunisia of up to EUR 500 million on 12 February 2016 (and adopted by co-legislators on 6 July 2016) Adoption of a proposal for additional MFA to Jordan of up to EUR 200 million on 29 June 2016
Regular macroeconomic dialogues with key partners, underpinned by enhanced economic analysis	Contribution to the High-level economic dialogue with China Annual macroeconomic dialogues with key partners, including Neighbourhood Countries, China, Japan, India, Korea, Brazil, Mexico, Australia , South Africa and the Gulf Cooperation Council (GCC)	Throughout 2016	Annual macroeconomic dialogues with Neighbourhood countries held so far with Israel (March 2016), Palestine (April 2016), Belarus (June 2016), Moldova (June 2016), Azerbaijan (September 2016), Ukraine (September 2016), Algeria (October 2016), Tunisia (November 2016), Georgia (December 2016). Annual macroeconomic dialogues with G20 countries held so far with Canada (April 2016), Brazil (May 2016), Argentina (May 2016), India (June 2016), Japan (June 2016, Cabinet Office), Korea (September 2016), Japan (September 2016, Ministry of Finance), South Africa (November 2016), GCC (November 2016), Australia (December 2016).
Main expenditure outputs			

Description	Indicator	Target date	Latest known results (situation on 31/12/2016)
MFA grant commitments and payments to third countries	Disbursement of the grant	Depending on the country and the progress with conditionalities	Disbursement of a EUR 5 million MFA grant for Kyrgyz Republic on 10 February 2016, as part of the second and last MFA tranche
Operational assessments, Public Expenditure and Financial Accountability (PEFA) studies and ex post evaluations	Completion of the reports	Two ex-post evaluations on MFA Ukraine I & II and MFA Jordan to be launched in Q3 2016.	Completion of an operational assessment on Moldova in February 2016 Completion of a new operational assessment on Jordan in September 2016 Completion of the tender for the selection of consultants for the ex-post evaluation of the MFA operations in Ukraine and Jordan in December 2016
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 2016:**			
Policy-related outputs			
Description	Indicator	Target date	Latest known results (situation on 31/12/2016)
Assessment of enlargement countries' medium-term economic reform programmes	The economic and financial dialogue between the EU and the Western Balkans and Turkey adopts policy conclusions with targeted policy guidance for enlargement countries	Adoption Spring 2016	Commission's programme assessments were prepared and published as SWD; on this basis, joint conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey were adopted on 26 May 2016.
Assessment of	Economic chapter of the Country Report for each	October/November	Economic chapters were prepared as

enlargement countries' state of compliance with the economic accession criteria	individual enlargement country	2016	part of the 2016 enlargement package. The Commission adopted the package on 9 November 2016.
Regular monitoring and assessment of major macroeconomic and macrofinancial developments in Neighbourhood countries	Notes and/or Economic Briefs	Throughout 2016	- ECFIN Discussion Paper "The Syrian Refugee Crisis: Labour Market Implications in Jordan and Lebanon", April 2016 - ECFIN Economic Brief "The Maghreb: Macroeconomic Performance, Reform Challenges and Integration with the EU", December 2015 - Various internal notes, inter alia on Ukraine and on oil exporters' adjustment to lower oil prices (Algeria, Azerbaijan)
Regular monitoring and assessment of major macroeconomic and macrofinancial developments in other third countries	Notes and Economic Briefs, notably on macrofinancial stability issues in China and other emerging market economies and on international trade	Throughout 2016	- Participation in Joint ECB – Banque de France Conference on "Understanding the weakness in global trade: What is the new normal?". - Various internal notes, inter alia on China, Argentina, Brazil, Canada, Russia, and the US.

General objective 5: A deeper and fairer Economic and Monetary Union (EMU)

Impact indicator 21: Dispersion of GDP per capita (Euro area MSs)
Source of the data: Eurostat

Baseline (2014)	**Target** (2020)	**Latest known results** (2015)
41.9%%	Reduce	43.0%

Specific objective 5: Improving the efficient functioning of the EMU	Related to Spending Programme

						Pericles
Result indicator 1: Dispersion 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)	**Interim Milestone** (2017)			**Target** (2020)	**Latest known results** (year)	
1.81	1.76			1.71	1.94	
Result indicator 2: People at risk of poverty or social exclusion A goal of EMU deepening is a fairer EMU through a stronger focus on employment and social performance. This ought to be observable through, amongst other measures, a reduction of the number of people at risk of poverty or social exclusion. In order to be consistent with the Commission's impact indicator in this respect, it is proposed to use the Europe 2020 headline target, which covers the EU and not only the EA. **Source of data:** Eurostat (code t2020_50)						
Baseline (2014)		**Target** (2020)		**Latest known results** (year)		
121.6 million people		96.6 million people				
Result indicator 3: Composite Indicator of Sovereign Stress (SovCISS) Euro area, correlation and real GDP-country weights - The composite indicator should remain under a value of 0.1 throughout the period covered by the strategic plan. **Source of data:** ECB (code CISS.M.U2.Z0Z.4F.EC.SOV_GDPW.IDX)						
Baseline (2014)		**Target** (2020)		**Latest known results** (December 2016)		
<0.1		<0.1		0.117		
Result indicator 4: Degree of compliance with convergence criteria **Source of data:** Commission convergence assessments, based on Eurostat criteria						
Baseline (2014)	**Interim Milestone** (please introduce as many columns as the number of milestones)			**Target** (no target for new euro enlargements)	**Latest known results** (2016)	
State of convergence as assessed in the 2014	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	

<table>
<tr><td>Convergence Report (CR)</td><td></td><td></td><td></td><td></td><td>adopting the euro at this stage</td></tr>
<tr><td colspan="6">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 European Technical and Scientific Centre 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. DGECFIN works closely together with the European Central Bank (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.</td></tr>
<tr><td colspan="6">Planned evaluations: Mid-term evaluation of the Pericles 2020 programme (end of 2016)</td></tr>
<tr><td colspan="6">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 convergence assessments, based on Eurostat criteria</td></tr>
<tr><td colspan="3">Baseline
(2015)</td><td colspan="2">Target</td><td>Latest known results
(2016)</td></tr>
<tr><td colspan="3">In the first stage (‘deepening by doing’), the EU institutions and euro area Member States would build on existing instruments and make the best possible use of the existing Treaties.

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.</td><td colspan="2">Completing Stage 1 by 2017

Commission to present a White Paper assessing progress made in Stage 1 and outlining the next steps needed, including measures of a legal nature to complete EMU in Stage 2.</td><td>In November 2016 the Commission issued a legislative proposal on establishing <u>European Deposit Insurance Scheme</u> and a Working Group in the Council was set up to discuss further.

The Commission issued a recommendation for a Council Recommendation on Productivity Boards which was adopted in September 2016. Euro area Member States should implement the recommendation within 18 months from the adoption.

European Fiscal Board: Following an open call for applications in April, interviews with a high-level selection and consultations with Eurogroup Working Group, the National</td></tr>
</table>

		Fiscal Councils and the ECB in August, the Commission has selected the Chair and the four Members of the Board. The Board has been formally appointed and announced publicly on 19 October. Work on the White Paper has advanced and the Commission has issued the paper on 1 March 2017 as was originally planned. The White paper sets out possible paths for the future of Europe. It is the start, not the end, of the debate. It offers five scenarios for the Union of 27 by 2025, depending on the choices that will be made. The Commission will publish, by the end of June, discussion papers on the social dimension, globalisation, the Economic and Monetary Union, defence and the Union's finances. The President will present first conclusions in September 2017 during his State of the Union speech.

Activity 11: Completing EMU by implementing the proposals in the Five President's report
Main outputs in 2016:

Policy–related outputs

Description	Indicator (e.g. adoption by the Commission; completion)	Target date	Latest known results (situation on 31/12/2016)
Assessment of cyclical position of EU economy	Output gaps Internal notes ECFIN, notes EPC Working Group, Output Gaps Working Group (OGWG), contributions to forecasts and to quarterly euro area review	ongoing	Estimates + Boxes for Spring Forecast, Documents prepared for OGWG on meetings on 24 February; 29 June; 7 September; 5 October; and 19 October.
Increase transparency about the implementation of the MIP	Publication of the MIP Compendium	2016	Published in November 2016

Recommendation on National Productivity Boards	Recommendation adopted.	Q3	Adopted
(poss.) input to the Expert Group on EMU deepening	Presentation by the Expert Group on EMU deepening of its report as input to the COM White Paper on EMU stage 2	End of 2016	Input on common convergence standards in the areas of product markets and taxation ECFIN/D provided a background note on external representation of a possible euro area Treasury.
T4T: Reflections on euro area Treasury	Presentation of reports to Commissioner on euro area Treasury and Fiscal capacity	Q1 Q3	Exploratory report on euro area Treasury finalised. Fiscal capacity report underway
Proposal on a unified representation of the euro area	EFC-Report to ECOFIN	Proposal on a unified representation of the euro area	The EFC in January 2016 adopted a work programme on deepening EMU, agreeing to discuss external representation in the IMF in three steps: (1) improving coordination on IMF issues, (2) strengthening constituency arrangements, and (3) working towards a more unified representation of the euro area in the IMF. The work was carried out by the EFC, SCIMF and EWG-A on the basis of several issues notes. The results of the discussions are reflected in an EFC report on external representation which was endorsed by the 17 June ECOFIN. June ECOFIN agreed to improve the coordination among MS to more systematically issue common EU statements of matters with significant EU or euro area relevance. It asked the EFC to work further on proposals to unify euro area representation and to analyse related issues. As agreed by ECOFIN, SCIMF updated the 2007 EFC agreement on coordination at the end of 2016 which is based on Part I of the EFC report to ECOFIN. EFC is

			expected to endorse it in early 2017.
Activity 12: Ensuring euro area reforms proceed within the framework of the European Semester **Main outputs in 2016:**			
Policy-related outputs			
Description	Indicator (e.g. adoption by the Commission; completion)	Target date	Latest known results (situation on 31/12/2016)
Euro area recommendations It covers fiscal policy, competitiveness and productivity, labour market and social issues, EU banking union and the further development of economic and monetary union.	Presentation by the Commission of draft Council recommendations for the euro area	Q3	COM(2016) 726 final - Recommendation for a Council Recommendation on the economic policy of the euro area adopted on 16 November 2016 Approved by the Ecofin Council, on 27 January 2017 with a view to adoption by the Council on 21 March 2017.
Activity 13: Providing financial assistance to Member States **Main outputs in 2016:**			
Policy–related outputs			
Description	Indicator (e.g. adoption by the Commission; completion)	Target date	Latest known results (situation on 31/12/2016)
Economic adjustment process in Cyprus	Completion of the economic adjustment programme for Cyprus - discussion in the Eurogroup	End of March 2016	Conclusion of economic adjustment programme for Cyprus on 31 March 2016
Economic adjustment process in Greece	Reviews of the third economic adjustment programme	Ongoing	- Conclusion of the first review of the ESM programme for Greece Disbursement of EUR7.5 billion by ESM -Publication of the Compliance Report for the 1st review of the ESM programme - Debt Sustainability Analysis (included in the Compliance Report for the 1st review) as a basis for Eurogroup deliberations on debt sustainability

Assessment of the economic adjustment in Portugal 2015/ECFIN/032	Publication of Ex-post evaluation of the Portuguese economic adjustment programme	Q3	Ex-post evaluation of the economic adjustment programme for Portugal published on 9 November
Activity 14: Strengthening the platform for future enlargement of the euro area **Main outputs in 2016:**			
Policy–related outputs			
Description	Indicator (e.g. adoption by the Commission; completion)	Target date	Latest known results (situation on 31/12/2016)
Convergence Report 2016	Adoption by the Commission	June 2016	Convergence Report adopted on 7 June 2016
Activity 15: Protecting the euro against counterfeiting (and managing the euro cash policy legislation following the ECFIN's re-organisation) **Main outputs in 2016:**			
Policy–related outputs			
Description	Indicator (e.g. adoption by the Commission; completion)	Target date	Latest known results (situation on 31/12/2016)
- Develop policy strategy and legislation with respect to the protection of the euro against counterfeiting	- Annual Report to the Economic and Financial Committee (EFC) on the implementation of the Regulation (EU) No 1210/2010[75] concerning the authentication of euro coins and of coins unfit for circulation - Update the ETSC guidelines in order to facilitate the implementation of the Regulation (EU) N° 1210/2010	1st semester 2016	COM report adopted on 12.10.2016 C(2016)6465

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

		By the end of the year	ETSC guidelines were endorsed on 19/12/16 by the CCEG members
- Support partners to effectively protect the euro including technical support 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 (9/3,15/6 and 16/11) 2 CCEG (19/5 and 12/10) 3 ETSC work team (14/3,21/6 and 28/09) 100%
-Management of legislation of euro cash (including the monitoring of the implementation of the monetary agreements with small sized states: Andorra, Monaco, Vatican and San Marino)	COM report on the implementation of Regulation (EU) No 1214/2011 on the professional cross-border transport of euro cash by road between euro-area Member States pursuant to article 26 of this Regulation Update and publish annexes to the monetary agreements Impact Assessment for an EU initiative on restrictions on payments in cash	2nd semester of 2016 Rolling programme 2nd semester 2018	Commission report adopted on 11.1.2017 – COM(2017)5 Commission adopted the update of the annexes on 24.01.2017 (Andorra, Vatican, San Marino) Commission Agenda Planning updated on 9.12.2016 - Inception Impact Assessment published on 23.01.2017.
-Technical approval of designs of euro coins	Publication of the approved designs in the Official Journal	Rolling programme	36 approvals of commemorative coins and regular coins from small sized states
Main expenditure outputs			
Description	Indicator	Target date	Latest known results (situation on 31/12/2016)

- Protection of the euro against counterfeiting through the Pericles programme, established by Regulation (EU) No 331/2014 establishing an exchange, assistance and training programme for the protection of the euro against counterfeiting (the Pericles 2020 programme[76])	- 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 2016 -Adoption of the Financing Decision and of the Annual Work Programme for 2017 of the Pericles 2020 programme	1st semester of 2016 10 actions committed 2nd semester of 2016	Year 2016: **913 435** notes; **207 795** coins Data will become available at the end of 2017 Data will become available at the end of 2017 Commission report adopted on 27.6.2016 – COM(2016)419 13 actions committed (9 grants and 4 Commission actions, total commitment: 1,029,353.87 EUR representing 99,12% of the available budget) Commission Decision adopted on 3.1.2017 - C(2016)8778

[76] OJ L103, 5.4.2014, p.1

Electronically signed on 29/03/2017 15:54 (UTC+02) in accordance with article 4.2 (Validity of electronic documents) of Commission Decision 2004/563