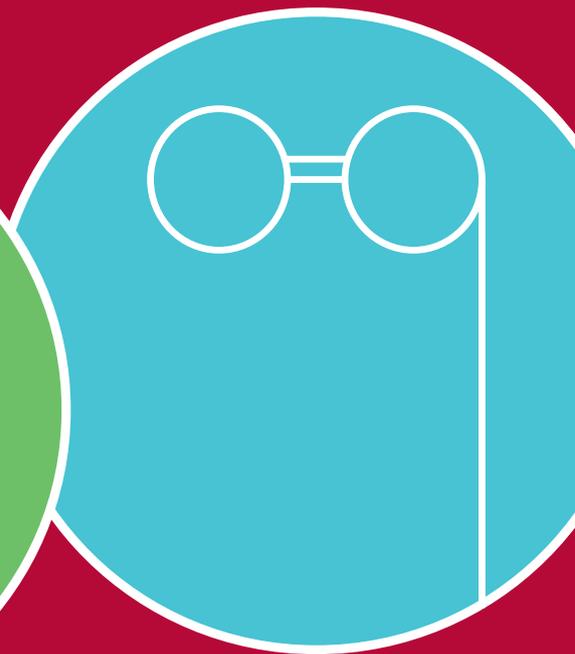


ANNUAL  
REPORT  
2016



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*“The challenge for leaders across the capitals of our continent will be to appreciate the present window of opportunity. This is a rare chance to revisit the European Union’s raison d’être, advance its cause and ensure its future.”*

# SEIZING THE OPPORTUNITY

## *of moving ahead*



by  
*Jean-Claude Trichet,*  
chairman of the Board

Renewal is sometimes forced upon us. 67 years ago Europeans had the idea to engage in a remarkable and bold historical endeavour. Making history is demanding, but we know that at times ‘necessity is the mother of invention.’ This is what we have learned once again in these last years. European integration is a historical process that calls for new advances and changes triggered by unexpected challenges. When history is in the making the job is never finished.

Renewal is often a result of deliberately taking opportunities as they arise, as pointed out by Jean Monnet. It relies on courageous men and women who seize the right moment to enact positive change. And what makes the moment right is when recent historical experience suggests it is time to move: when national interests align; political preferences converge across countries; and when the intellectual debate is open and conducive to innovative and courageous new ideas.

2016 was undoubtedly a difficult year, which culminated in a surprising election in the USA. But irrespective of what one thinks of decisions being made in Washington, it is becoming clearer that our European nations must and, I am sure, will engage in a period of reforms at national and European level. We need new ideas based on our shared values. 2017 should usher in a period where Europe finds a path towards anchoring sustainable growth, strong employment, stability and security. Europe must confidently reinforce both the indispensable governance effectiveness and democratic legitimacy of the European institutions, with subsidiarity where justified.

The challenge for leaders across the capitals of our continent will be to appreciate the present window

of opportunity. This is a rare chance to revisit the European Union’s raison d’être, advance its cause and ensure its future.

In pursuit of this endeavour we can see a changing role for Bruegel in the policymaking space. Not only will Bruegel continue to bring evidence-based analysis to current policy conundrums, but it will also contribute to imagining a more assertive and stronger Europe for the future. We face a new global governance order, and a time where European values should continue to be a solid pillar for uniting a fragmented world.

I can hardly think of an institution better placed than Bruegel to provide the indispensable intellectual input in this policymaking process. Its independence allows it to carve a space, a true laboratory, for an open, fact-based debate without taboos. We at Bruegel are all very proud to report that the University of Pennsylvania’s Global Go-To Think Tank Index has once again confirmed Bruegel’s remarkable position: Bruegel is ranked first for Best New Idea or Paradigm Developed by a Think Tank, and second in the world of think tanks in International Economics.

Let me end by thanking our members, friends and partners for the valuable support they continue to provide to Bruegel. Let me also use the opportunity to welcome our new Board, appointed at the end of 2016. And last but not least, let me welcome Maria Demertzis as Bruegel’s Deputy Director. Maria is a true European and her wide experience will further strengthen Bruegel’s management in this time of European renewal.



*Continental Europe has a real opportunity to remain open and shape global trade, while at the same time adapting its model to support those who lose out from globalisation.*

# A STRONGER EUROPE

## *in a changing world*



by  
*Guntram Wolff,*  
director

2016 was another eventful year in Europe and around the world. The decision by British voters to leave the European Union marked a major shift in European integration. For the first time ever, we are faced not with a country wanting to join the club but a country wanting to leave. Bruegel scholars have analysed many dimensions of what came to be dubbed “Brexit”: the reasons for the vote; the implications for trade, people and resources; and possible future ways to cooperate. Many of our contributions triggered debate in Brussels, the UK, member states of the European Union, and also in Switzerland and Norway. Negotiations are scarcely beginning, but it is clear that the future of the European continent will be one with even more layers of economic integration and policy governance.

Meanwhile, across the Atlantic, the decisive event was certainly the election of Donald Trump as President of the United States. President Trump ran on an election ticket that opposed multilateralism, argued for a renegotiation of “bad trade deals”, and called into question the scientific consensus in areas such as climate change. We are yet to see all these ideas emerge as policies, but the change is substantial. As in the United Kingdom, income inequality and a lack of inclusive growth have been seen as central reasons for the result. But various analyses also show that economics alone falls well short of explaining voting patterns. These elections also revealed tensions around identities and cultural norms.

Both Trump’s victory and Brexit re-draw the map of global governance. Scholars at Bruegel have analysed the implications and options for international trade. We have argued that Europe needs to play a greater role in the global governance of trade, investment, finance and climate change. We have also highlighted the increasing need to

collaborate with China – an ever more influential global player – while still being mindful of the EU’s interests.

In 2016 and throughout 2017, one core topic in Bruegel’s research is how European governance should adapt to allow Europe to play a global role commensurate with its size. Meanwhile, we have also pointed to the need to maintain inclusive growth on the continent and defend Europe’s relatively strong social model. Continental Europe has a real opportunity to remain open and shape global trade, while at the same time adapting its model to support those who lose out from globalisation.

‘Elections in Europe, at least up to the end of May 2017, suggest a political decoupling of Europe from the US. This represents both an opportunity and a real responsibility. This is the time for European policy makers to speed up their work on repairing the architecture of the euro area, while strengthening the stability of the EU. It is not a time for complacency, but for rigorous analysis of the challenges and open debate about the options.

Alongside these major geopolitical changes, Bruegel researchers continue to focus on a wide variety of relevant challenges facing policy makers. Our scholars bring data-driven insights to questions such as problems in the banking system, how to foster innovation and sustainability, and the need to carefully explore the changes triggered by the digital economy.

Please count on the entire Bruegel team to provide you with exactly this: rigorous analysis, open debate and new ideas. As always, let me thank you for the support you have given and that you continue to give to Bruegel. It is an honour and pleasure to work with you, our members and our broader audience. I can assure you that we remain committed to improving economic policy with contributions based on facts and sincerity.

# BRUEGEL AT A GLANCE



TAILOR-MADE FOR IMPACT

TRANSPARENCY

RESEARCH TEAM

STAFF LIST

# TAILOR-MADE FOR IMPACT

## EVIDENCE-BASED POLICY RECOMMENDATIONS

Bruegel scholars use data-driven analysis to assess economic processes, discuss policy options and make proposals, while always keeping an eye on their feasibility. Bruegel does not stand for any particular policy doctrine or political dogma.

## DEMAND-DRIVEN QUESTIONS INDEPENDENT ANSWERS

Bruegel's diverse stakeholders, including members, collaboratively design the research programme. The board takes the final decision on the research programme. However, once a topic or question is chosen, the research team works independently. All publications are released under the signature of their authors. Bruegel takes no institutional standpoint. The director exercises editorial oversight and quality control.



## EUROPEAN IDENTITY OUTWARD LOOKING

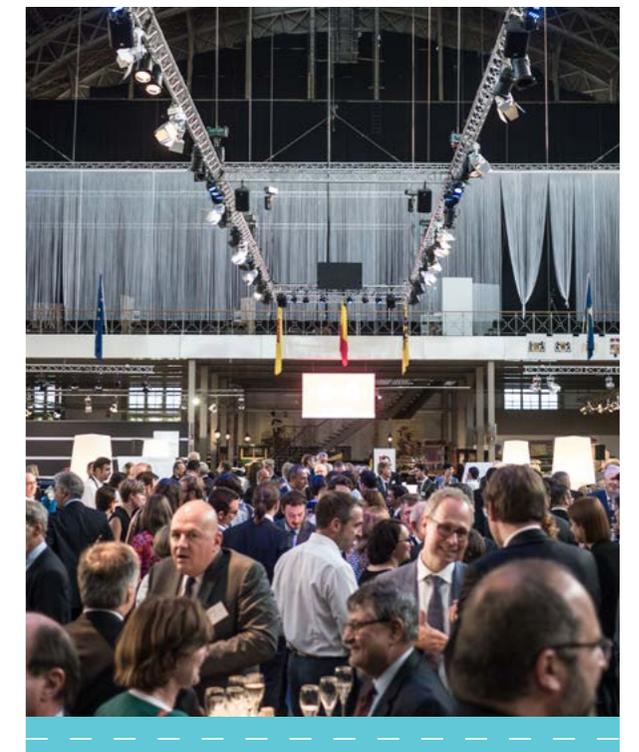
Bruegel scholars address policy areas relevant to individual countries, the European Union, global governance groups and international organisations. Interactions with decision-makers take place at every governance level and in many parts of the world.

## LINKING GOVERNMENT, RESEARCH, BUSINESS & CIVIL SOCIETY

Bruegel provides a forum for informed policy discussions between individuals from diverse backgrounds and sectors through publications, events, social media and its blog. Bruegel also cooperates with leading European and international research institutions on specific research projects or exchange programmes.

*"I much valued Bruegel's contribution to the debate on helping to boost private investment in Africa. This is an important goal and a relevant issue for Europe."*

Dr. Wolfgang Schäuble,  
German finance minister



# TRANSPARENCY

*Independence and integrity are essential for the credibility of any think tank. Transparify, an independent NGO, has repeatedly awarded Bruegel five stars out of five for transparency, recognising its openness in relation to financing and governance. However, transparency is about more than just money.*



## RESEARCH INTEGRITY

Bruegel's statement on research integrity, adopted by the board in May 2006, is available on our website. The statement sets out rules for the avoidance of political, national or commercial conflicts of interest, which could harm the integrity of Bruegel's research. It helps staff and scholars avoid capture by any particular interests. Bruegel researchers and senior staff promise to abide by this statement when they sign contracts with Bruegel.

## EVALUATION REPORT



Every three years an independent review task force is appointed by members to evaluate all aspects of Bruegel's work, from research to management. The review task force also draws on a report by Bruegel's scientific committee that assesses the soundness and rigour of Bruegel research (see page xx).



## PUBLIC DECLARATIONS

Scholars and managers make annual declarations of outside interests, which are available on the Bruegel website. These interests are not just financial: it is important for readers to be aware of other potential influences on a scholar's work. These public declarations are extensive in the areas they cover and represent the highest standard in public transparency for think tanks.

## FINANCIAL STATEMENTS



Finally, Bruegel's commitment to transparency means that we publish detailed financial statements every year (see page xx). Our accounts are independently audited. We detail the origin of every cent of income, and we also report spending along nine spending lines. The financial statements clearly show what each member contributed in any given year, a level of transparency that is rare in our sector. State members of Bruegel also have the right to audit Bruegel at any time.

## MARIA DEMERTZIS APPOINTED AS BRUEGEL'S DEPUTY DIRECTOR

Bruegel's board appointed Maria Demertzis as deputy director for an initial term of three years on 24 November 2016. The appointment was confirmed by Bruegel's members during a General Assembly held on 8 December.

The deputy director assists the director in leading the organisation, with a specific focus on shaping the research programme and ensuring its execution is of the highest quality. The appointment strengthens Bruegel's management team and research output at a time of continued growth for Bruegel and increased demand for its work.

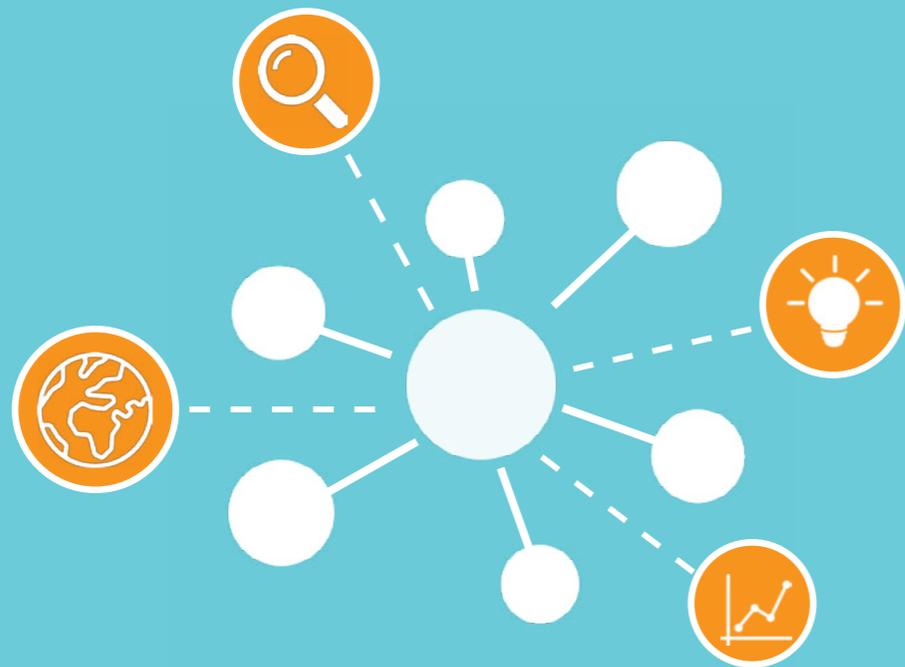
Prior to the appointment, Maria was a research fellow at Bruegel and a visiting professor at the University of Amsterdam. She has previously worked at the European Commission and in the research department of the Dutch Central Bank. She has also held academic positions at the Harvard Kennedy School of Government in the USA and the University of Strathclyde in the UK from where she holds a PhD in economics. She has published extensively in international academic journals and has regularly contributed to both the European Commission's and the European Central Bank's policy outlets.

*"It is an honour to be appointed deputy director of an organisation I had admired for some time before joining. I look forward to working with Bruegel's board, its membership and the entire Bruegel staff."*

Maria Demertzis



# A NETWORK OF TALENTS



The team includes senior fellows, research fellows and affiliate fellows, who are typically PhD students. Resident scholars are part of the core team, while non-resident scholars are contributors typically based outside Brussels.

Bruegel strives for a geographically diverse team. Visiting fellows add to diversity and stay at Bruegel temporarily to conduct

research work and interact with the team and Bruegel stakeholders.

All fellows rely on a team of research assistants and research interns whose skills and commitment are gratefully acknowledged.

A dedicated non-research team is responsible for the daily management, outreach and development of the organisation.

# RESEARCH TEAM

Bruegel relies on a research team that is both international and diverse in its expertise.



## UURIINTUYA BATSAIKHAN

*Affiliate fellow*



Uuriintuya's research interests include macroeconomics, banking and monetary policy, access to finance for SMEs and the political economy of emerging countries. She has a master's degree from Central European University (CEU) in Budapest and a masters in public policy, specialising in political economy, economic institutions and monetary policy from Hertie School of Governance in Berlin. Prior to joining Bruegel, she worked at UNDP in Mongolia and the German Institute for Economic Research in Berlin.

## GRÉGORY CLAEYS

*Research fellow*



Grégory's research interests include international macroeconomics and finance, central banking and European governance. From 2006 to 2009 Grégory worked as an economist in the research department of the French bank Crédit Agricole. Prior to joining Bruegel he also conducted research in several capacities. Grégory is an associate professor at the Conservatoire National des Arts et Métiers in Paris where he teaches macroeconomics. He previously taught undergraduate macroeconomics at Sciences Po in Paris. He holds a PhD in economics from the European University Institute (Florence), an MSc in economics from Paris X University and an MSc in management from HEC (Paris).

## JÉRÉMIE COHEN-SETTON

*Affiliate fellow (until Aug 2016)*



Before leaving Bruegel, Jérémie produced the weekly review of economic blogs for the Bruegel website, summarising online debate and opinion about key topical issues. He was a PhD candidate in economics at UC Berkeley. He was previously an economist at the UK Treasury.

## ZSOLT DARVAS

*Senior fellow*



Zsolt's research interests include macroeconomics, international economics, central banking and time-series analysis. He is also a research fellow at the Institute of Economics of the Hungarian Academy of Sciences and associate professor at the Corvinus University of Budapest. From 2005 to 2008, he was a research adviser to the Argenta Financial Research Group in Budapest. Zsolt holds a PhD in economics from Corvinus University of Budapest.

## MAREK DABROWSKI

*Non-resident fellow*



Marek focuses on economic reforms and prospects in Russia, Ukraine and central Europe. He is a professor at the Higher School of Economics in Moscow and was a fellow under the 2014-2015 fellowship initiative of the European Commission. He was previously first deputy minister of finance of Poland, a member of the Polish Parliament and a member of the Monetary Policy Council of the National Bank of Poland.

## MARIA DEMERTZIS

*Deputy director*



Maria is the deputy director of Bruegel and a visiting professor at the University of Amsterdam. She has previously worked at the European Commission and the research department of the Dutch Central Bank. She has also held academic positions at the Harvard Kennedy School of Government in the USA and the University of Strathclyde in the UK, from where she holds a PhD in economics. She has published extensively in international academic journals and contributed regularly to both the European Commission's and the Dutch Central Bank's policy outlets.

## ALICIA GARCÍA-HERRERO

*Senior fellow*



Alicia is a senior fellow at Bruegel and a non-resident research fellow at Real Instituto Elcano. She is also the chief economist for the Asia Pacific region at NATIXIS. Alicia is currently an adjunct professor at City University of Hong Kong and Hong Kong University of Science and Technology (HKUST) and visiting faculty at China-Europe International Business School (CEIBS). Alicia holds a PhD in economics from George Washington University and has published extensively in journals and books.

## PIA HÜTTL

*Affiliate fellow*



Pia's research interests include macroeconomics, international economics and European political economy. She holds a bachelor's degree in European economics and a master's degree in international economics from the University of Rome Tor Vergata. She also holds a master's degree in European political economy from the London School of Economics.



## RESEARCH ROOTED IN SOLID ANALYSIS

*Bruegel has rapidly established itself as a thought leader in economic policy, so it was a natural base for my visiting fellowship. I found a highly stimulating environment and could quickly engage with other researchers and policy practitioners to flesh out practical ideas. My period here has been hugely stimulating for my research, and rewarding in terms of personal contacts and friendships. As EU policies remain in flux, Bruegel's role is bound to grow and will, I hope, attract others from across Europe.*

**Alexander Lehmann**

Visiting scholar



MY PROFESSIONAL CAREER  
STARTED WITH  
BRUEGEL

*Bruegel offered me with the possibility to learn quickly thanks to the continuous feedback received from research fellows, but also thanks to a friendly, multicultural and open-minded atmosphere.*

**Jaume Martí Romero**  
Research intern

**DALIA MARIN**

*Non-resident fellow*



Dalia's research interests are in international economics, corporate finance and the organisation of the firm, and emerging market economies. She holds the chair in international economics at the University of Munich. Dalia is a fellow of the Centre for Economic Policy Research (CEPR), London, and a member of the International Trade and Organization Working Group of the National Bureau of Economic Research (NBER) in Cambridge. She has been team leader at the Russian European Centre for Economic Policy in Moscow and has acted as a consultant for international organisations.

**J. SCOTT MARCUS**

*Senior fellow*



Scott is an expert in policy and regulatory issues related to electronic communications. From July 2005 to August 2015, Scott Marcus served as a Director of WIK-Consult GmbH in Bad Honnef, Germany. In this role, he led many widely acclaimed projects for the European Parliament, European Commission, and various national governments and regulatory authorities. Scott Marcus holds a BA in political science (public administration) from the City College of New York, and an MS from the School of Engineering, Columbia University.

**SILVIA MERLER**

*Affiliate fellow*



Silvia's research focuses on international macro and financial economics, central banking, and EU institutions and policymaking. She has written on various aspects of the sovereign banking crisis, on monetary policy, macroeconomic imbalances and adjustment and the dynamics of capital flows in the euro area. Silvia was an economic analyst at the European Commission (DG ECFIN), providing supportive analysis for the policy negotiations around the European Stability Mechanism. Silvia holds an MSc in economics and social sciences from Bocconi University in Milan.

**ANDRÉ SAPIR**

*Senior fellow*



André's research focuses on international trade, European governance, and global and European macroeconomics. He is a professor of economics at the Brussels Free University (ULB) and an economic adviser to the president of the European Commission. He is vice-chair and former chair of the scientific council of the European Systemic Risk Board. In 2004 he published "An Agenda for a Growing Europe", a report for the president of the Commission by a group of independent experts that is known as the Sapir report. André holds a PhD in economics from Johns Hopkins University. He is also a research fellow of the Centre for Economic Policy Research (CEPR).

**GEORGIOS PETROPOULOS**

*Research fellow*



Georgios' research at Bruegel focuses on the digital economy, market definition in the digital era, the economic value of big data and the related privacy concerns, and the welfare implications of the emergence of the sharing economy. He holds a bachelor's degree in physics from Aristotle University of Thessaloniki and a master's degree in econometrics and mathematical economics from Tilburg University. He also holds a research master's degree on markets and organisations from Toulouse School of Economics, where he is also doing his PhD.

**DIRK SCHOENMAKER**

*Senior fellow*



Dirk has published research on central banking, financial supervision and stability, European financial integration and climate change. He is a professor of banking and finance at Rotterdam School of Management, Erasmus University Rotterdam. He is also a member of the Advisory Scientific Committee of the European Systemic Risk Board at the ECB and a research fellow at the Centre for European Policy Research (CEPR). Dirk was dean of the Duisenberg School of Finance from 2009 to 2015. From 1998 to 2008, he served at the Ministry of Finance in the Netherlands.

## SIMONE TAGLIAPIETRA

*Research fellow*



Simone is an expert in international energy and climate issues. Before joining Bruegel he spent a year in Istanbul as a visiting researcher at the Istanbul Policy Centre at Sabancı University. He is also a senior researcher at the Fondazione Eni Enrico Mattei. He holds a master's degree in international relations from the Faculty of Political and Social Sciences of the Università Cattolica del Sacro Cuore in Milan, where he completed his PhD on European and Mediterranean energy relations at the department of international economics, institutions and development.

## NICOLAS VÉRON

*Senior fellow*



Nicolas' research is about financial systems and financial reform around the world, including global financial regulatory initiatives and current developments in the European Union. He was a co-founder of Bruegel in 2002. He joined the Peterson Institute as a visiting fellow in 2009 and divides his time between the US and Europe. Nicolas has authored or co-authored numerous policy papers on issues including banking supervision and crisis management, financial reporting, the euro-area policy framework and economic nationalism. He has testified to the European Parliament and US Congress committees.

## ALESSIO TERZI

*Affiliate fellow*



Alessio's research interests include structural reforms, competitiveness, governance of the economic and monetary union (EMU) and the G20. He was a research analyst in the EMU governance division of the European Central Bank and a research assistant at Bruegel. He has also worked for the macroeconomic forecasting unit of DG ECFIN (European Commission), for the Scottish Parliament's Financial Scrutiny Unit and Business Monitor International. Alessio holds an MPA in European public and economic policy from the London School of Economics. He is currently a PhD candidate at the Hertie School of Governance in Berlin.

## REINHILDE VEUGELERS

*Senior fellow*



Reinhilde's research focuses on industrial organisation, international economics and strategy, innovation, and science. She is a full-time professor at the University of Leuven in the Department of Management, Strategy and Innovation. She has been a senior fellow at Bruegel since 2009. She is also a CEPR research fellow and a member of the Royal Flemish Academy of Belgium for Sciences. From 2004-2008, she was an adviser for the European Commission's Bureau of European Policy Analysis (BEPA). She was the president-elect of EARIE (European Association for Research in Industrial Economics). She currently serves on the ERC Scientific Council.

## KAREN WILSON

*Senior fellow*



Karen's work at Bruegel focuses on entrepreneurship and innovation. She has worked in the structural policy division of the Science, Technology and Industry Directorate at the OECD since 2009 and served as a senior fellow at the Kauffman Foundation from 2008-2012. She is an associate fellow at the Said Business School at Oxford University and a visiting lecturer at the Stockholm School of Economics in Riga. Karen is the founder of GV Partners, a research and consulting firm created in 2004. She received, with honours, a bachelor of science in mathematics and management from Carnegie Mellon University and an MBA from Harvard Business School.

## GEORG ZACHMANN

*Senior fellow*



Georg's work at Bruegel focuses on energy and climate change issues. He is also an expert on Ukraine. He is a member of the German Advisory Group in Ukraine and the German Economic Team in Belarus and Moldova. Prior to this, he worked at the German Ministry of Finance and the German Institute for Economic Research in Berlin. He has worked on the EU emissions trading system, the European electricity market and European renewables policy. In addition he covers fuel and commodity markets. Georg holds a PhD from the Technical University of Dresden, and a diploma in economics from Humboldt University, Berlin.

## GUNTRAM WOLFF

*Director*



Guntram is the director of Bruegel. His research focuses on the European economy and governance, fiscal and monetary policy and global finance. He regularly testifies to the European finance ministers' informal ECOFIN meetings, the European Parliament and national parliaments. From 2012-17, he was a member of the French prime minister's economic advisory council. He joined Bruegel from the European Commission, where he worked on the macroeconomics and governance of the euro area. He previously worked at Deutsche Bundesbank. Guntram holds a PhD from the University of Bonn and has taught economics in Pittsburgh and Brussels.



# STAFF LIST

(as of May 2017)

## DIRECTOR

Guntram Wolff

## RESIDENT SCHOLARS

Uriintuya Batsaikhan	Georgios Petropoulos
Grégory Claeys	André Sapir
Zsolt Darvas	Dirk Schoenmaker
Maria Demertzis	Simone Tagliapietra
Alicia García-Herrero	Alessio Terzi
Pia Hüttl	Reinhilde Veugelers
J. Scott Marcus	Nicolas Véron
Silvia Merler	Guntram Wolff
Francesco Papadia	Georg Zachmann

## NON-RESIDENT SCHOLARS

Philippe Aghion	Mark Hallerberg
Carlo Altomonte	Henrik Horn
Suman Bery	Dalia Marin
Massimo Bordignon	Emmanuel Murlon-Druol
Marek Dabrowski	Jörg Rocholl
Uri Dadush	Bruno van Pottelsberghe
Michal Grajek	Karen Wilson

## DEPUTY-DIRECTOR

Maria Demertzis

## VISITING SCHOLARS IN 2016

Malgorzata Kurak	Pravakar Sahoo
Alexander Lehmann	Bogdan Stoian
Hideyuki Makimoto	Jianwei Xu
Geethanjali Nataraj	Lu Yang

## RESEARCH ASSISTANTS

Filippo Biondi	Robert Kalcik
Konstantinos Efstathiou	Enrico Nano
Justine Feliu	

## RESEARCH INTERNS

Dmitry Chervyakov  
 Alexander Roth  
 Inês Gonçalves Raposo

## NON-RESEARCH TEAM

**Eleftheria Avazou**  
 Events assistant

**Alessandro Borsello**  
 Online communication officer

**Pauline Chetail**  
 EU funding project manager

**Stephen Gardner**  
 Publications editor

**Zouhir Khelili**  
 Junior accountant

**Katja Knezevic**  
 Operations coordinator

**Alma Kurtovic**  
 Executive office coordinator

**Cécile Lavis**  
 HR & payroll officer

**Antonija Parat**  
 Communications and events intern

**Matilda Sevón**  
 Events manager

**Scarlett Varga**  
 Partnerships manager

**Bryn Watkins**  
 Press and communications officer

## MANAGEMENT TEAM

**Guntram Wolff**  
 Director

**Maria Demertzis**  
 Deputy-director

**Matt Dann**  
 Secretary general

**Paola Maniga**  
 Head of development

**Giuseppe Porcaro**  
 Head of communications and events

Bruegel is also grateful all those who worked at Bruegel during 2016:

**Non-research staff:** Cristina Bonafe, Aine Quinn, Michel Krmek.

**Non-research interns:** Vanessa Cotterell, Ariane Giraneza, Amila Madzak.

**Research assistants:** Bennet Berger, Nuria Boot, Domenico Favoino, Alvaro Leandro, Elena Vaccarino.

**Research interns:** Jaume Martí Romero, Fabio Matera, Brian Lewis, Luca Nocchiola, Nafia Chowdhury, Max Morales, Andrea Villarreal.

# POLICY IMPACT



POLICY  
POLICY

EDITORIAL OUTPUT

EVENTS

PODCAST - THE SOUND OF ECONOMICS

AWARDS & RANKINGS

TESTIMONIES

Bruegel's mission is to improve economic policy. This ultimately means persuading policymakers to consider and take on board the research and suggestions of Bruegel scholars.

Being present in public debates is a cornerstone of our strategy. Through our publications, social media, blog, events and press outreach, Bruegel has carved out a discussion space for those interested in improving economic policy and those who make it.



## WE RELEASED 63 PUBLICATIONS

Our diverse editorial output is tailored to reach different audiences.

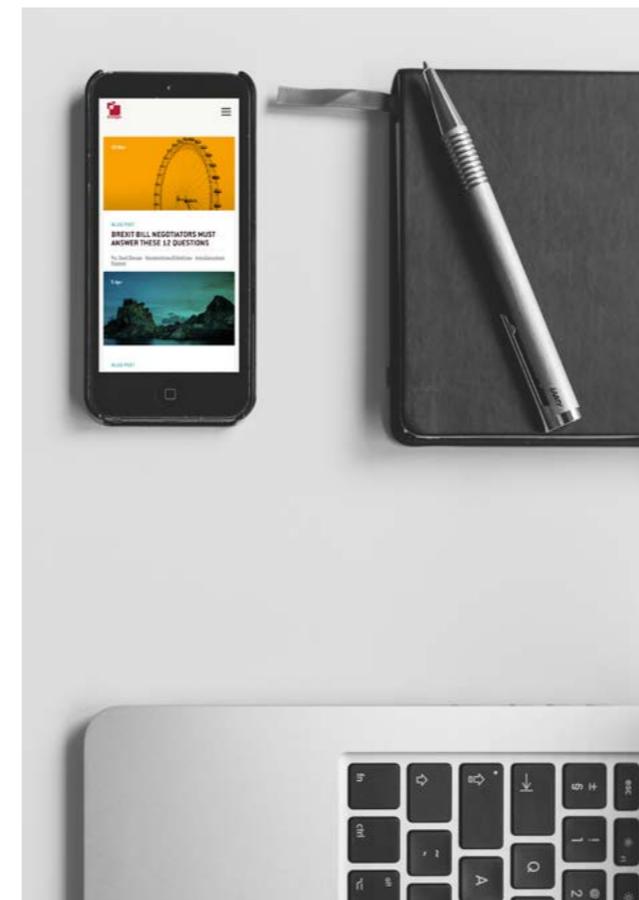
**Policy briefs** are aimed primarily at a policy audience and provide concise, strategic analysis of current issues plus concrete policy recommendations. They are designed to have an impact ahead of policy development or in the evaluation of existing policy frameworks.

**Policy contributions** are focused and concise analytical papers, which contribute to ongoing debates while policies are being drafted. They also include testimonies at hearings or responses to political consultation papers during earlier stages of policymaking.

**Working papers** aim to foster academic debate.

**Blueprints** are longer reports that explore a particular policy area in depth. They are technical studies, with a wider time horizon, leading to policy conclusions.

We also publish **essays and lectures** on topical questions that may be relevant to or arise from Bruegel events.



## WE PUBLISHED 186 BLOG POSTS

The Bruegel blog has become more influential as a source of timely analysis on the latest developments in economic policy. It has become a reference for policymakers, influencers and journalists.

Following the UK's Brexit vote and the US election, the frequency of posts peaked, with several analyses posted daily during the most critical periods.

The blog is also a tool to promote our work to a wider audience, by providing information about ongoing research or less technical summaries of working papers and academic debates.



## 4003 MEDIA MENTIONS ACROSS THE WORLD

*From one crisis to the next, I often found myself turning to Bruegel for comprehensive yet accessible analysis that was unafraid to delve deep into the data and dig into the grisly details of how European institutions actually work, admirably free from the national biases that cloud reporting about the EU in many other outlets.*

Jason Karaian,  
Senior Europe correspondent,  
Quartz



WE INCREASED  
OUR **TWITTER FOLLOWERS**  
FROM 34,000  
TO **44,000** IN 2016



WE WERE RETWEETED  
& LIKED **44,300** TIMES.

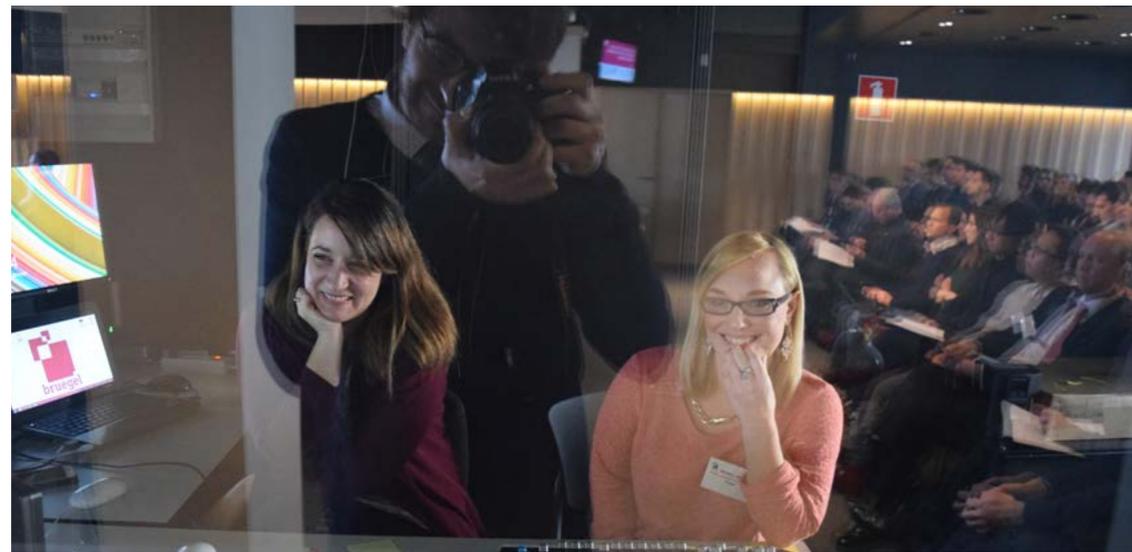
## WE ORGANISED 87 EVENTS

Bruegel's ability to bring together policy influencers means that our events achieve a number of strategic goals: framing public debates, helping to set the policy agenda, exploring pragmatic solutions to political impasses and analysing the policy relevance of current research.

In 2016 we opened a new, more flexible conference facility. This allows us to use different event formats to address different needs. Smaller meetings help inform our research, while larger conferences offer space for debate and to hold officials to account.

The new facility also made our events more effective outreach tools. We increased the number of physical participants at our events from 3756 to 5687. Including online livestreams and video recordings, our events reached more than 24000 people over the year.

We also continued our efforts to achieve a better gender balance in panels. We teamed up with other organisations in Brussels to further promote this aim by supporting the Brussels Binder initiative.

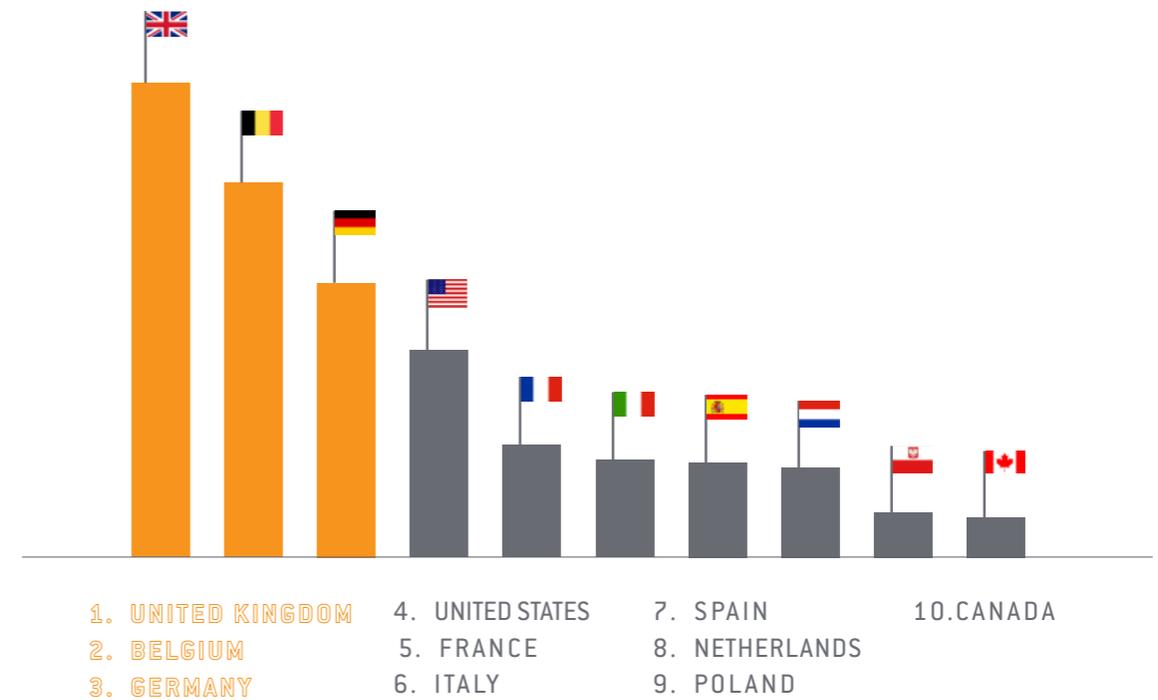


Eleftheria Avazou, events assistant and Antonija Parat, communications and events assistant operating the control room of the new event's suite at Bruegel.



## BRUSSELS-BASED EVENTS WITH A GLOBAL OUTREACH

Top 10 locations of remote viewers of Bruegel's events



On 13 July Bruegel hosted Italian minister Maria Elena Boschi for an off-the record briefing breakfast. Ms. Boschi was responsible for Constitutional Reforms and Relations with the Parliament for Renzi's Government, at the time.



## WE LAUNCHED THE SOUND OF ECONOMICS

These **podcasts** bring our scholars' research to a wider audience by contributing to topical economic policy debates. They offer listeners clear explanations of the issues, fact-based analysis and policy recommendations through the voice of Bruegel researchers and key stakeholders.



IN 2016 WE RELEASED  
TWO PILOT SEASONS AND 10 EPISODES,  
WHICH WERE PLAYED 12700 TIMES

### SEASON 1

- *The future of Europe*
- *Brexit: what happens now?*
- *European fiscal rules*
- *What the euro area can learn from US monetary history*

### SEASON 2

- *Inclusive growth and inequality in Europe*
- *Brexit: the way forward*
- *Debt resolution: moving on after the crisis*
- *Opportunities and challenges for EU-China trade relations*
- *Unlocking the potential of innovation*
- *Decarbonisation and climate change: looking ahead*



## AWARDS & RANKINGS

**Transparify** has repeatedly awarded Bruegel five stars out of five for transparency, including in 2016, recognising its openness about financing and governance.

**Prospect Magazine** Awarded Bruegel European Economic Think Tank of the Year in 2015 and in 2016.



The 2016 **Global Go To Think Tank Report**, published by the University of Pennsylvania, ranked Bruegel:

- #1 FOR BEST IDEA AND NEW PARADIGM (WORLDWIDE)
- #1 BEST QUALITY ASSURANCE AND INTEGRITY POLICIES AND PROCEDURES (EUROPE)
- #2 TOP INTERNATIONAL ECONOMICS THINK TANK (WORLDWIDE)
- #2 IN BEST MANAGED THINK TANK (WORLDWIDE)
- #3 THINK TANK IN THE WORLD (NON-US)
- #6 THINK TANK IN THE WORLD (INCLUDING US)



Giuseppe Porcaro, head of communications and events, at Prospect Magazine Award ceremony, London, 29 November



# TESTIMONIES

## in 2016



Bruegel scholars spoke at the European Parliament and at numerous national parliaments during the year. They also gave evidence to informal meetings of finance ministers.



Yingyi Qian, (Moderator) Lou Jiwei (Chinese finance minister at the time), David Lipton (first deputy managing director, International Monetary Fund), Guntram Wolff (director, Bruegel), Sri Mulyani Indrawati (managing director, World Bank) and Wolfgang Schaueble (German finance minister) at China G20 High-level Seminar on Structural Reform, Shanghai, 26-27 February.

### Completing Europe's Economic and Monetary Union

Guntram Wolff,  
Inquiry of the House of Lords' EU Financial Affairs Sub-Committee, 8 February.

### The European Central Bank's quantitative easing programme: limits and risks

Grégory Claeys, Alvaro Leandro,  
Policy Contribution was prepared for the European Parliament Committee on Economic and Monetary Affairs, 15 February.

### Completing Europe's economic and monetary union

Marek Dabrowski  
Written statement submitted to the UK House of Lords European Union Committee, 10 March.

### Belarusian economy: an overview

Marek Dabrowski  
Presentation at the European Parliament, Delegation for Relations with Belarus, 10 March.

### The European Deposit Insurance Scheme

Guntram Wolff  
Statement prepared for the European Parliament's ECON Committee Public Hearing, 23 May.

### Financial risks and opportunities in the time of climate change

Dirk Schoenmaker, Rens Van Tilburg  
Policy Brief presented at the Informal Meeting of Ministers for Economic and Financial Affairs (ECOFIN), 22 June.

### The effectiveness of the European Central Bank's Asset Purchase Programme

Maria Demertzis, Guntram B. Wolff  
Policy Contribution prepared for the European Parliament's Economic and Monetary Affairs Committee, 23 June.

### Rethinking the security of the European Union's gas supply

Simone Tagliapietra, Georg Zachmann  
Presentation delivered at the European Parliament for the EPP hearing on the "Winter Energy Package", 29 June.

### Total assets versus risk weighted assets: does it matter for MREL?

Bennet Berger, Pia Hüttl, Silvia Merler  
Policy Contribution prepared for the European Parliament's Economic and Monetary Affairs Committee, 9 August.

### What are the prerequisites for a euro-area fiscal capacity?

Maria Demertzis, Guntram B. Wolff  
Policy Brief presented at the Informal Meeting of Ministers for Economic and Financial Affairs (ECOFIN), 9 September.

### The future of financial services in the UK following the Brexit vote

Dirk Schoenmaker  
Written evidence submitted to the UK House of Lords EU Sub-Committee on Financial Affairs, 15 September.

### Low long-term rates: bond bubble or symptom of secular stagnation?

Grégory Claeys  
Policy Contribution prepared for the European Parliament, 26 September 2016.

### Options after Brexit

Guntram Wolff  
Oral presentation at the French Senate, 27 September 2016.

### EU-UK future constitutional relationship

Guntram Wolff  
European Parliament's Committee on Constitutional Affairs, 29 September 2016.

### Legal consequences of the UK vote on Brexit

Guntram Wolff,  
EFTA Parliamentary committee, 18 November 2016.

### Geo-blocking and non audiovisual copyrighted content services

Georgios Petropoulos  
Internal Market Committee Working Group on the Digital Single Market on 14 November 2016.

### Collaborative economy

Georgios Petropoulos  
Testimony to the Internal Market Committee of the European Parliament, 8 November 2016.

### What impact does the ECB's quantitative easing policy have on bank profitability?

Maria Demertzis, Guntram B. Wolff  
Policy contribution prepared for the European Parliament, 28 November 2016.

### Energy policies in Eastern European partners

Georg Zachmann  
Euronest Parliamentary Assembly (component of the EU Eastern Partnership), 1 December 2016.

### The impact of the legal and operational structures of euro-area banks on their resolvability

Dirk Schoenmaker  
Policy Contribution prepared for the Committee on Economic and Monetary Affairs of the European Parliament, 6 December.



Guntram Wolff at the informal ECOFIN presents the policy brief "What are the prerequisites for a euro-area fiscal capacity?", Bratislava, 9 September.

# RESEARCH IN 2016



EUROPEAN MACROECONOMICS AND GOVERNANCE

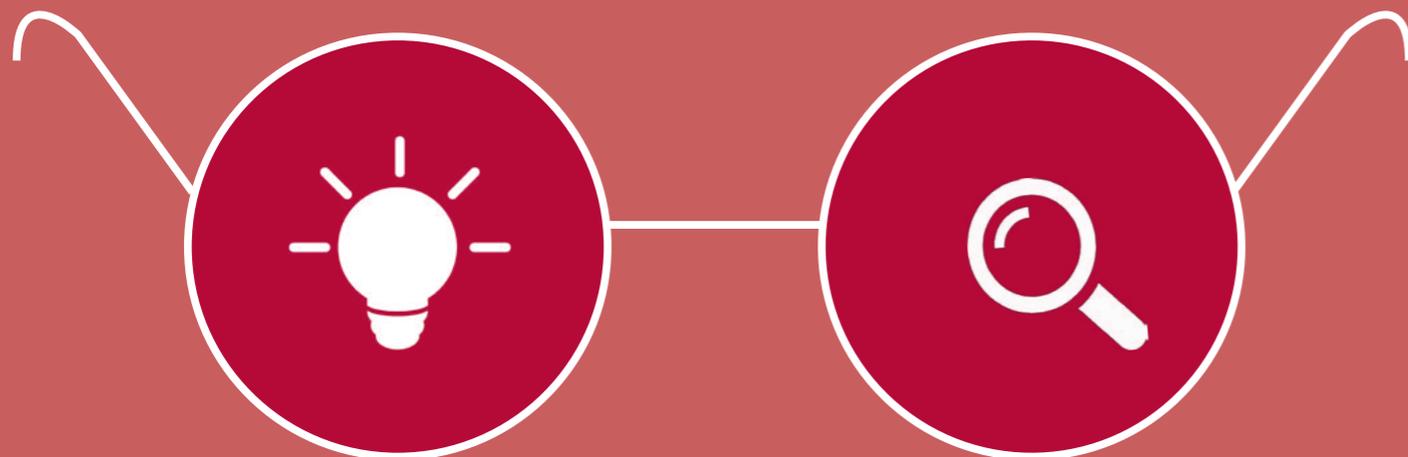
GLOBAL ECONOMICS AND GOVERNANCE

FINANCE AND FINANCIAL REGULATION

INNOVATION AND COMPETITION POLICY

ENERGY AND CLIMATE

# FOCUSED RESEARCH



Bruegel's research is built on a focused medium-term programme. This programme is divided into three-year cycles, and serves as the basis of our approach to governance, research, outreach and fundraising.

Our strategy is based on a 'twin peaks' principle, according to which long-term research investment beyond the usual annual programming cycle is combined with rapid responses to unanticipated policy developments.

Several evaluation processes are used to ensure that high research standards, relevance and impact are maintained. In 2016 the scientific council conducted its three-year evaluation.

Internal evaluations are carried out throughout the year, including weekly research seminars, outreach reports by the communications team and regular discussions with the Bruegel board and the scientific council. The director has the overall editorial responsibility for Bruegel's research.

Bruegel's members play an important role in identifying research priorities. Our annual research programme is adopted by the board each September, after intensive discussions between Bruegel scholars, members and other stakeholders. Bruegel's deputy director leads the process.

# EUROPEAN MACROECONOMICS & GOVERNANCE



## PUBLICATIONS

**One market, two monies: the European Union and the United Kingdom**  
André Sapir, Guntram B. Wolff  
Policy Brief, 28 January

**Measuring competitiveness in Europe: resource allocation, granularity and trade**  
Carlo Altomonte, Gábor Békés  
Blueprint, 28 January

**Analysis of developments in EU capital flows in the global context (2nd report)**  
Zsolt Darvas, Pia Hüttl, Silvia Merler, Thomas Walsh  
External publication, 28 January

**The European Central bank's quantitative easing: limits and risks**  
Grégory Claeys, Alvaro Leandro  
Policy Contribution, 15 February

**Which fiscal union for the euro area?**  
Agnès Bénassy-Quéré, Xavier Ragot, Guntram B. Wolff  
Policy Contribution, 18 February

**A proposal to revive the European Fiscal Framework**  
Grégory Claeys, Zsolt Darvas, Alvaro Leandro  
Policy Contribution, 29 March

**The effectiveness of the European Central Bank's Asset Purchase Programme**  
Maria Demertzis, Guntram B. Wolff  
Policy Contribution, 23 June

**An Italian job: the need for collective wage bargaining reform**  
Alessio Terzi  
Policy Contribution, 6 July

**Europe after Brexit: a proposal for a continental partnership**  
Jean Pisani-Ferry, Norbert Röttgen, André Sapir, Paul Tucker, Guntram B. Wolff  
External Publication, 29 August

**What are the prerequisites for a euro-area fiscal capacity**  
Maria Demertzis, Guntram B. Wolff  
Policy Contribution, 9 September

**Long term rates: bond bubble or symptom of secular stagnation?**  
Grégory Claeys  
Policy Contribution, 26 September

**Income convergence during the crisis: did EU funds provide a buffer?**  
Silvia Merler  
Working Paper, 18 October

**An anatomy of inclusive growth in Europe**  
Zsolt Darvas, Guntram B. Wolff  
Blueprint, 27 October

**Some are more equal than others: new estimates of global and regional inequality**  
Zsolt Darvas  
Working Paper, 8 November

**Are advanced economies at risk of falling into debt traps?**  
Marek Dabrowski  
Policy Contribution, 10 November

**What impact does the ECB's quantitative easing policy have on bank profitability**  
Maria Demertzis, Guntram B. Wolff  
Policy Contribution, 30 November

**EU economic governance: euro area periphery lessons for Central and Eastern European countries**  
External publication, Zsolt Darvas, 9 December





SELECTED BLOG POSTS

The EU must confront the populist challenge in 2016  
Guntram B. Wolff, 11 January

Has ECB QE lifted inflation?  
Zsolt Darvas, 12 January

The economic consequences of Schengen  
Guntram B. Wolff, 2 February

EU migration crisis: facts, figures and disappointments  
Silvia Merler, 12 February

The Eurozone needs less heterogeneity  
André Sapir, 17 February

Central banks: from omnipotence to impotence?  
Francesco Papadia, Guntram B. Wolff, 2 March

“Social dumping” and posted workers: a new clash within the EU  
Elena Vaccarino, Zsolt Darvas, 7 March

The UK’s sovereignty myth  
André Sapir, Guntram B. Wolff, 17 March

ECB decisions put lack of fiscal union in the spotlight  
Agnès Bénassy-Quéré, Guntram B. Wolff, 30 March

Is Greek public debt unsustainable?  
Zsolt Darvas, Pia Hüttl, 7 May

The three dangers of Brexit  
Guntram B. Wolff, 30 May

Brexit vote boosts case for inclusive growth  
Zsolt Darvas, 13 July  
Single market access from outside

the EU: three key prerequisites  
Zsolt Darvas, 19 July

Income convergence during the crisis: did EU funds provide a buffer?  
Silvia Merler, 10 November

Eurozone QE and bank profitability: Why is it too early to taper  
Maria Demertzis, Guntram B. Wolff, 8 December

Socio economic determinants of the Italian vote  
Silvia Merler, 12 December

Explaining inequality  
Zsolt Darvas, 13 December

EVENTS

Central banking after the great recession, 18 January

The economic integration of migrants and refugees, 19 January

The Bank of England in Europe: Does EU membership constrain non-euro central banks? 22 January

Economic weakness and demographic challenges: what next for Europe? 22 February

Adjustment in the Economic and Monetary Union, 23 February

The long-term impact of migration, 25 February

A Fiscal Framework for the EU, 3 March

Stability of EMU and prospects for fiscal union, 9 March

Europe at a crossroads, 22 March

Active labour market policies, what works? 27 April

Fighting corruption: from headlines to real impact, 28 April

The continental response to the UK referendum, 6 June

Britain and the EU after the referendum, 27 June

Does the euro area need a sovereign insolvency mechanism? 12 July

Media Briefing: Europe After Brexit, 29 August

Annual Meetings 2016, 6-7 September

From crisis management to reinforcing growth, 14 September

Inclusive growth in the European Union, 29 September

Potential impediments to long-term investment, 4 October

Financial Times/Bruegel European Forum: Where now for the UK and the EU after the vote for Brexit? 10 October

The euro and the battle of ideas, 13 October

The future of the EU budget, 15 November

Vision Europe Summit 2016, 21-22 November

Labour mobility after Brexit, 2 December

Game Over? The Inside Story of the Greek Crisis, 6 December

Transition for all: Equal opportunities in an unequal world, 7 December

A fiscal stance for the euro area? 15 December





## EUROPEAN GOVERNANCE

Intense debates over the future of European governance continued in 2016. The year started with open questions about the management of refugee and migrant flows. Later, there was the UK referendum and its immediate consequences, with an Italian constitutional referendum in the autumn. Meanwhile France, the Netherlands and Germany were entering pre-electoral campaigns.

Amidst this uncertainty, Bruegel scholars continued to analyse the facts and evidence. They proposed a number of ideas, in particular outlining that efforts to revamp economic policy coordination should have realistic expectations.

Maria Demertzis and Guntram Wolff discussed three progressive steps to strengthen the **fiscal framework** at the euro-area level. These would lead to less interference in national fiscal policymaking thanks to a more credible no-bailout clause, increased risk sharing and different degrees of provision of euro-area-wide public goods and fiscal stabilisation.

Grégory Claeys and Zsolt Darvas argued that pro-cyclical fiscal tightening might be one reason for the anaemic economic recovery in Europe. For this reason they proposed a set of reforms to change the **EU fiscal rules**.



### GOVERNANCE IN A DIVERSE CONTINENT

*Guntram Wolff*

The question of how to govern a varied continent with different levels of integration is again centre stage. After the United Kingdom's decision to leave the EU and the tensions with Turkey, it has become increasingly clear that the future of our continent will be one with many different levels of integration. Also within the EU, numerous tensions between the east and the west and even within the euro area are apparent. The real challenge will be to integrate and collaborate where desired and useful but to also understand that this will create tensions with those not participating. How to manage this complex web of interactions, be it in monetary policy, banking and financial policies, trade and investment policies, climate policies or migration policies, is one of the key challenges. But the rapid political changes abroad, including in the US, also highlight that Europeans share values and are ready to collaborate.

On 15 November, the day preceding the European Economic and Financial Affairs Council, in which negotiations on the 2017 EU budget took place, Bruegel hosted Jens Spahn (parliamentary state secretary at the German Federal Ministry of Finance), to discuss the structure of the EU budget and the challenges ahead.



*"To avoid a gradual disintegration of the EU, political leaders will need to strengthen the attractiveness of the EU and especially the Franco-German alliance," said Guntram Wolff.*

Bloomberg



On 22 March, on the day of the Brussels terrorist attacks, Bruegel was due to host an event with the governor of Banque de France. The event was cancelled because of the events, but the governor delivered nevertheless the speech, which was recorded and published on our website.



### HOW TO REFORM EU FISCAL RULES

*Grégory Claeys*

The EU fiscal rules delivered neither economic stabilisation nor public debt sustainability during the crisis. Even though in theory the current rules appear sensible, in practice they face major hurdles that led the Commission to provide mistaken recommendations at the worst moment. Given that a complete overhaul of the framework appears politically unrealistic today, we think that the rule related to the badly measured structural balance should not be the main operational target of the framework anymore. Instead, the Commission should focus on a modified version of the current expenditure rule limiting the growth rate of public spending, which would help deliver better fiscal policies in Europe.

*"I am convinced that establishing a strong institution led by a euro area Finance Minister would contribute to cement further integration of economic policy."*

François Villeroy de Galhau,  
Governor of Banque de France





## FOCUS ON BREXIT

A major part of our research in 2016 was pre- and post-referendum analysis of Brexit, with more than 50 published pieces, including blog posts, op-eds and publications.

André Sapir, Guntram Wolff, and other researchers, focused on the future of the single market, first as a market with two main currencies and then analysing and proposing new options after the referendum. In particular, they developed a proposal for a Continental Partnership, which provoked a great deal of lively debate.

In the aftermath of the vote, Nicolas Véron warned that the City of London will decline as a financial centre, and the whole continent might be poorer as a consequence, while Dirk Schoenmaker developed a comprehensive guide to explain the consequences should the UK lose passporting rights for financial services.

Our scholars also looked at the consequences for trade, especially with China. Considering the ever-increasing difficulty for the European Union to strike bilateral trade agreements, Alicia García-Herrero and Jianwei Xu looked at the consequences a hypothetical post-Brexit China-UK trade deal would have on the EU.



On 10 October, Bruegel and The Financial Times brought together a panel to discuss the most crucial questions related to Brexit, with the participation of Guntram Wolff, director of Bruegel, Lionel Barber, the chief editor of the Financial Times, Maria Demertzis deputy director of Bruegel (in the photo), and Sylvie Goulard, Member of the European Parliament at the time.

## KEY BLOG POSTS ON BREXIT

**Fog in the Channel: Brexit through the eyes of international trade**  
Pia Hüttl, Silvia Merler, 3 March

**The UK's sovereignty myth**  
André Sapir, Guntram B. Wolff, 17 March

**The three dangers of Brexit**  
Guntram B. Wolff, 30 May

**Berlin and Paris need strategy for Brexit**  
Guntram B. Wolff, 3 June

**The UK/EU separation: how fast does it happen**  
Nicolas Véron, 25 June

**Six lessons about "real" people, Brexit, and the EU**  
Guntram B. Wolff, 27 June

**Lost passports: a guide to the Brexit fallout for the city of London**  
Dirk Schoenmaker, 30 June

**Brexit and competition policy in Europe**  
Georgios Petropoulos, 6 July

**Brexit vote boosts case for inclusive growth**  
Zsolt Darvas, 13 July

**The City will decline, and we will be poorer for it**  
Nicolas Véron, 14 September

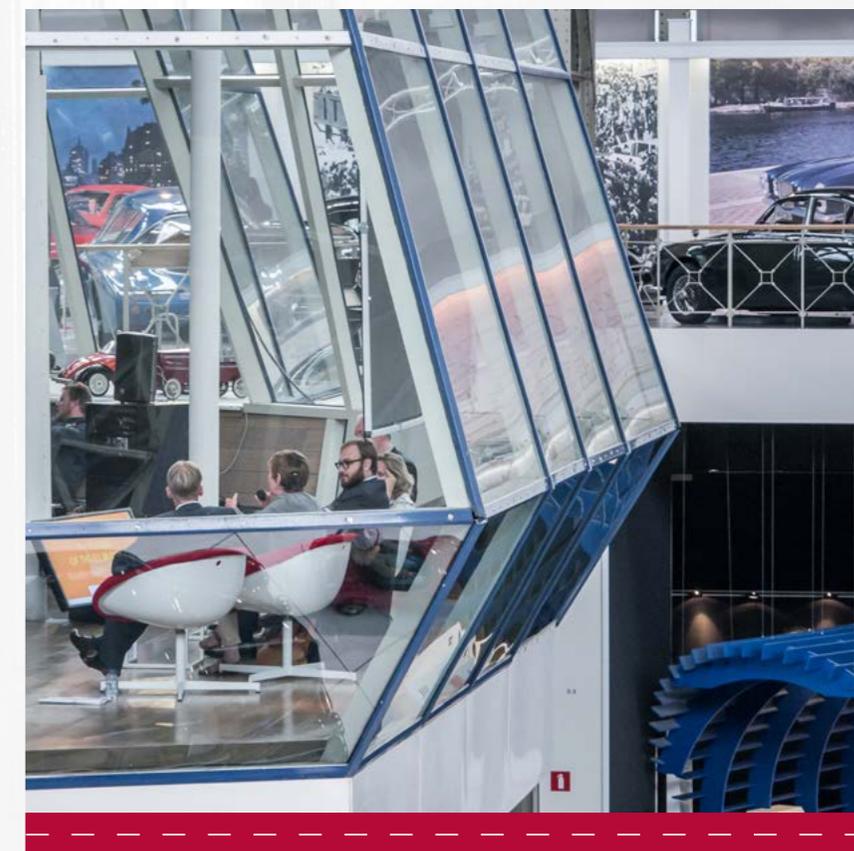
**Beyond hard, soft and no Brexit**  
André Sapir, 21 October

**Stealing London's financial crown would bring both benefits and responsibilities**  
Dirk Schoenmaker, 17 November

**UK-China agreement on trade in services is no substitute for a UK-EU deal**  
Alicia García-Herrero, Jianwei Xu, 6 December

*The Brexit vote was "essentially against economic rationality and driven by identity concerns and unease about globalization and trade," said Nicolas Véron, a senior fellow at Bruegel, an independent research institution in Brussels.*

The New York Times





Carmen M. Reinhart (Minos A. Zombanakis professor of the international financial system at Harvard Kennedy School), giving a lecture on debt overhangs and resolutions, Annual Meetings, Brussels, 6 September.



Sylvie Goulard, (member of the European Parliament), and Romano Prodi (former president of the European Commission) discussing the future of the euro area in historical perspective, Annual Meetings, Brussels, 6 September.

## MONETARY POLICY

We continued to look at monetary policy and its implications for governance.

Grégory Claeys and Alvaro Leandro explored the limits to and risks arising from the European Central Bank's quantitative easing programme, as the unconventional and untested nature of these policies raised legitimate questions about their possible side effects. In their assessment, the benefits of QE outweighed its potential negative impact.



Euro and non euro-area governance sessions at the Annual Meetings, Panel composed of Zsolt Darvas, Daniel Daianu, (member of the Board, National Bank of Romania), Charles Grant (director of the Centre for European Reform) Jean Pisani-Ferry (commissioner-general, France Stratégie), Ludger Schuknecht (director general of Economic and Fiscal Policy Strategy, International Economy and Finance, German Federal Ministry of Finance), Brussels, 7 September.



### HOW QUANTITATIVE EASING HAS AFFECTED BANK PROFITABILITY IN THE EURO AREA

*Maria Demertzis*

Our research in 2016 showed that quantitative easing does not affect bank profits in one direction. On the one hand it drives up bond prices which strengthens banks' balance sheets. At the same time it improves prospects for generating profits by improving the economic outlook. On the other hand, it reduces term spreads and the lending-deposit ratio, which is bad for bank profits. We have shown that the effects of QE so far have not been negative.

*"So-called helicopter money would be a tough sell for ECB. (...) For a start, the central bank would have to create a new instrument beyond those currently allowed in its statute, said Gregory Claeys, an economist at Bruegel in Brussels."*

Bloomberg





## INCLUSIVE GROWTH

With only seven percent of the world's people but about half of its welfare payments, the European Union's levels of inequality and absolute poverty are low in a global context. Nevertheless, EU countries face **social challenges**. **Unemployment** remains high in a number of member states, while the **intergenerational divide** between the young and the old has widened.

**Social mobility** is weak, in particular in the more unequal economies of southern Europe, limiting opportunities for the children of poor and disadvantaged families. Striving for fairness in economic development is crucial in order for societies to be stable and citizens not to feel disenchanting. For these reasons Zsolt Darvas and Guntram Wolff conducted an extensive analysis of inclusive growth in Europe with a global perspective.



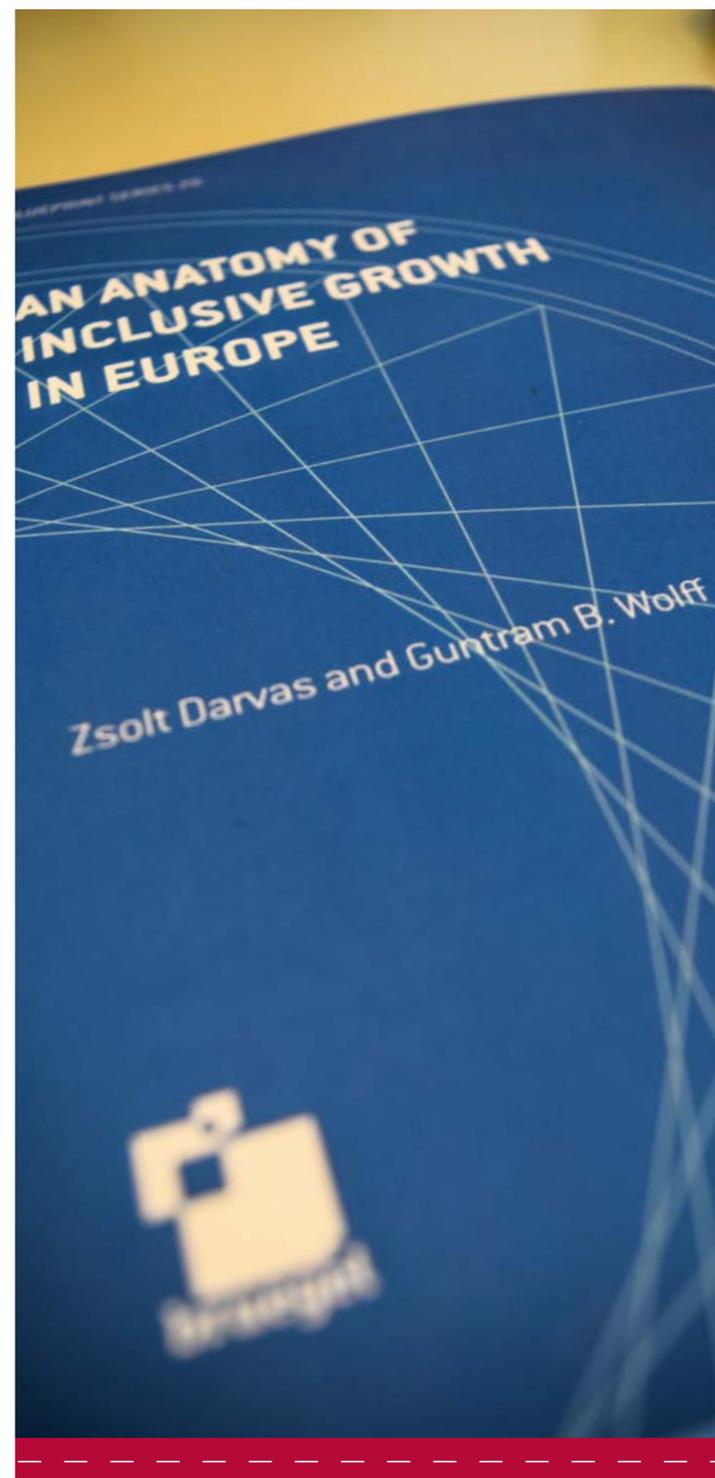
### AN ANATOMY OF INCLUSIVE GROWTH IN EUROPE

*Zsolt Darvas*

Contrary to many perceptions, income inequality in the EU has fallen over the past two decades. However, income inequality has in some cases increased, measured on a country-by-country basis. High inequality can fuel political disenchantment, and may have played a part in the Brexit vote. It is national governments, not the EU, who can plausibly act. Inclusive growth needs to be at the top of the policy agenda, but relevant powers over welfare and education are largely at national level.



On 29 September Bruegel hosted the launch of the research on inclusive growth, discussing why the issue is important and how the EU's social problems differ from social problems in other parts of the world. (From left to right) Stefaan Hermans (chief of cabinet of EU Commissioner Thyssen), Jana Hainsworth (president of the European Social Platform) Zsolt Darvas, (senior fellow at Bruegel), Tim Murphy, (member of the Board, Mastercard Center for Inclusive Growth) and Luca Visentini (general secretary, European Trade Union Confederation)



### THE ITALIAN JOB

*Alessio Terzi*

Since the mid-1990s, Italy has been characterised by a lack of labour productivity growth, combined with a 60 percent growth in labour costs. At the root of this major divergence is the current system of centralised wage bargaining which, in many ways, is designed without regard for the underlying industrial structure and geographical heterogeneity of the Italian economy. This has fostered perverse incentives and imbalances within Italy. I therefore argue that wage bargaining, and in particular the determination of base salaries, should be moved from the national to the regional level."



# FINANCE

## & financial regulation



### PUBLICATIONS

**Should the 'outs' join the European banking union?**

Pia Hüttl, Dirk Schoenmaker  
Policy Contribution, 4 February

**The United States dominates global investment banking: does it matter for Europe?**

Charles Goodhart,  
Dirk Schoenmaker  
Policy Contribution, 7 March

**European banking supervision: the first eighteen months**

Dirk Schoenmaker, Nicolas Véron  
Blueprint, 8 June

**Total assets versus risk weighted assets: does it matter for MREL?**

Bennet Berger, Pia Hüttl,  
Silvia Merler  
Policy Contribution, 9 August

**The IMF's role in the euro-area crisis: financial sector aspects**

Nicolas Véron  
Policy Contribution, 29 August

**Fiscal capacity to support large banks**

Pia Hüttl, Dirk Schoenmaker  
Policy Contribution, 3 October

**Financial regulation: The G20's missing Chinese dream**

Nicolas Véron  
Policy Contribution, 26 October

**What role for the financial markets in Europe?**

Grégory Claeys  
External Publication, 16 November

**Reform of the European Union financial supervisory and regulatory architecture and its implications for Asia**

Zsolt Darvas, Dirk Schoenmaker,  
Nicolas Véron  
Working Paper, 17 November

**The impact of the legal and operational structures of euro-area banks on their resolvability**

Dirk Schoenmaker  
Policy Contribution, 6 December

**European insurance union and how to get there**

Dirk Schoenmaker  
Policy Brief, 13 December



### SELECTED BLOG POSTS

**Getting eurozone deposit insurance right promises benefits**

Guntram B. Wolff, 5 January

**Bad banks and rude awakenings: Italian banks at a crossroads**

Silvia Merler, 26 January

**European banking union: should the 'outs' join in?**

Pia Hüttl, Dirk Schoenmaker, 4 February

**Market turbulence highlights bumpy transition to Europe's new bank policy regime**

Nicolas Véron, 8 March

**The European Union remains a laggard on banking supervisory transparency**

Christopher Gandrud, Mark Hallerberg, Nicolas Véron, 10 May

**European banking supervision: compelling start, lingering challenges**

Dirk Schoenmaker, Nicolas Véron, 8 June

**Lost passports: a guide to the Brexit fallout for the city of London**

Dirk Schoenmaker, 30 June

**Italy's bail-in headache**

Silvia Merler, 19 July

**The IMF's performance on financial sector aspects of the euro area crisis**

Nicolas Véron, 29 August

**Taxpayer should not facilitate risky bank cocos**

Dirk Schoenmaker, 30 September

**ECB bank supervision cannot tackle debt restructuring single-handedly**

Alexander Lehmann, 13 October

**A framework for thinking about bad loans**

Maria Demertzis, 18 October

**Can public support help Europe build distressed asset markets?**

Alexander Lehmann, 29 November

**The strange case of the MPS capital shortfall**

Silvia Merler, 27 December

### EVENTS

**Impact of regulatory and supervisory reform on the banking sector, 28 January**

**How to improve national insolvency regimes? 23 February**

**Stock taking of the on-going bank crisis resolution in Europe, 25 February**

**The Spanish financial crisis: Lessons for the European banking union, 9 June**

**European banking supervision: the first eighteen months, 14 June**

**Sovereign and banking risks: what policies? 5 July**

**The impact of the EU regulatory framework for financial services, 12 July**

**Annual Meetings 2016, 6-7 September**

**Delivering a green Capital Markets Union, 17 October**

**Cross-border insurance in Europe, 12 October**

**Financial Stability Conference 2016, Berlin, 3 November**

**What next for Europe's banking system? 15 November**

**Competition policy and regulation in the banking sector, 21 November**

**Integrating stress tests within the Basel III framework, 24 November**



## BANKING, FINANCIAL REGULATIONS & CAPITAL MARKETS

Our researchers continued to monitor the implementation of the European banking union and European banking supervision. Pia Hüttl and Dirk Schoenmaker analysed financial linkages between banking union's nine 'outs' and 19 'ins'. They found that the 'out' countries could profit from joining banking union, because it would provide a credible arrangement for managing financial stability. In a collective effort with other researchers, Dirk Schoenmaker and Nicolas Véron looked at the first eighteen months of European banking supervision and made a comprehensive assessment, which included a country-by-country evaluation. This work resulted in a Blueprint, which was the first in-depth study of how this ground-breaking reform is working in practice. It included a euro-area overview and chapters on nine countries covering 95 percent of the area's banking assets, illustrating the diversity of experiences, situations and perceptions in different member states.

Another topic high on the agenda has been the issue of bad banks and non-performing loans. Silvia Merler continued to monitor the situation of Italian and Greek banks. She argued that rather than spending time revising rules which have already been agreed, alternatives should be considered to make the guarantee schemes as effective as possible.

Financial markets were also shaken by the UK referendum. Nicolas Véron and Dirk Schoenmaker analysed several options for post-Brexit scenarios. In particular, Dirk outlined how the UK will lose passporting rights for financial services and access to euro clearing and settlement, both of which currently make London attractive as a financial centre. This could pave the way for a substantial part of the UK's wholesale banking and trading sector to move out.



*Maria Demertzis, a fellow at the Bruegel think-tank, pointed out that insolvency law was something "that's very dear to the nations, like tax policy". But, she explained, the need to cut businesses' dependence on bank loans and address the "mountains of debt" weighing on Europe's economy had created momentum to work together at EU-level.*

Financial Times



THE IMF'S ROLE  
IN THE EURO-AREA CRISIS:  
FINANCIAL SECTOR ASPECTS

*Nicolas Véron*

The International Monetary Fund made a significant contribution to addressing the euro area's financial sector challenges. It pointed early at unchecked fragilities in the region's banks, and was a consistent advocate for policy integration and for what we now call banking union. In individual countries under assistance programmes, the IMF helped to preserve short-term stability in Greece and played a successful role in Ireland and Spain, but, together with other creditors, missed the opportunity to clean up the financial sector in Portugal.



AN ITALIAN TAKE ON BANKING CRISIS

Silvia Merler

The year 2016 was not good to Italian banks. While resilient to the first wave of financial crisis in 2008, because of their low exposure to US sub-prime products and because Italy did not have a pre-crisis housing bubble, they have suffered much from the euro sovereign crisis and the ensuing deteriorating economic conditions.



GREECE, ITALY AND PORTUGAL HAVE A LONG WAY TO GO TO BRING THEIR BANKING SYSTEMS BACK TO SOUNDNESS  
[HTTP://BRU.GL/1UMFHTG](http://bruegel.org/1UMFHTG)



Bruegel @Bruegel\_org  
12 March



26



15



Sylvie Matherat (chief regulatory officer and member of the Management Board, Deutsche Bank) and Dirk Schoenmaker (senior fellow at Bruegel), at the Annual Meetings, discussing the future of investment banking, Brussels, 7 September.



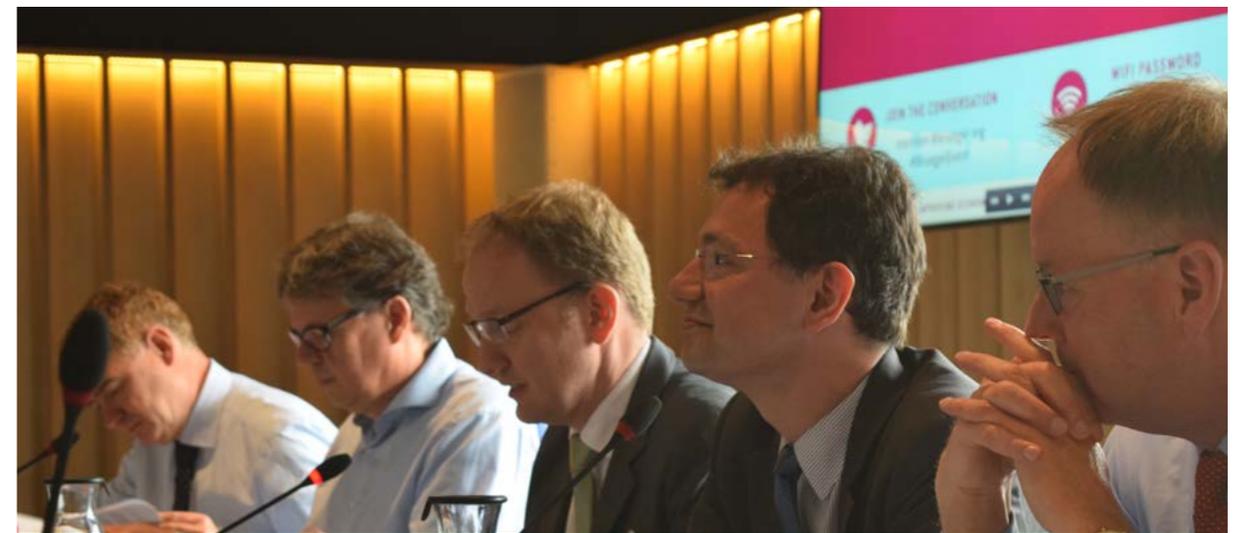
EUROPEAN INSURANCE UNION



Dirk Schoenmaker

Our research showed that the European insurance sector is highly integrated, but experience indicates that coordinated action does not run smoothly in times of crisis. The European Insurance and Occupational Pensions Supervisory Authority currently plays a coordinating role in supervision, with final authority remaining with the national supervisors. A more centralised role for EIOPA in a European insurance union would overcome the supervisory fragmentation and ensure a joined-up view of the large cross-border insurance groups.

Paulina Dejmek-Hack (economic advisor, Cabinet of European Commission President Juncker), and Nicolas Véron (senior fellow at Bruegel), at the Annual Meetings in Brussels, during a session about banking and financial union, 7 September.



On 14 June, Dirk Schoenmaker and Nicolas Véron presented their research on the effects of the first 18 months of the Single Supervisory Mechanism on the European banking system. The findings were also published in a Bruegel Blueprint.

# GLOBAL ECONOMICS & GOVERNANCE



## PUBLICATIONS

### Belarus at a crossroads

Marek Dabrowski  
Policy Contribution, 21 January

### The China-Russia trade relationship and its impact on Europe

Alicia García-Herrero, Jianwei Xu  
Working Paper, 14 July

### Seven years after the crisis: intersecting perspectives

Rim Berahab, Nuria Boot, Uri Dadush, Karim El Aynaoui, Karim El Mokri, Simone Tagliapietra, Karen E. Wilson, Guntram B. Wolff, Georg Zachmann  
External Publication, 19 August

### China's Belt and Road initiative: can Europe expect trade gains?

Alicia García-Herrero, Jianwei Xu  
Working Paper, 5 September

### What consequences would a post-Brexit China-UK trade deal have for the EU?

Alicia García-Herrero, Jianwei Xu  
Policy Contribution, 7 October

### Currency crises in post-Soviet economies – a never ending story?

Marek Dabrowski  
External Publication, 18 October

### Financial regulation: The G20's missing Chinese dream

Nicolas Véron  
Policy Contribution, 26 October

### Reform of the European Union financial supervisory and regulatory architecture and its implications for Asia

Zsolt Darvas, Dirk Schoenmaker, Nicolas Véron  
Working Paper, 17 November



## SELECTED BLOG POSTS

### China is running out of options as foreign reserves drop

Alicia García-Herrero, 21 January

### China continues to focus on growth not reform

Alicia García-Herrero, 4 March

### The G20's structural reform agenda should address income gap and financial system fragility

Guntram B. Wolff, 15 March

### EU Association Agreement could help Ukraine to reform

Marek Dabrowski, 16 March

### Japan needs labour market reform, not just higher wages

Alicia García-Herrero, 14 April

### Brazil can learn from Spain: don't delay adjustments

Alicia García-Herrero, Guntram B. Wolff, 11 May

### Iran: from isolation to economic cooperation

Marek Dabrowski, 15 July

### Assessing China's post-Brexit globalisation strategy

Alicia García-Herrero, Jianwei Xu, 19 July

### What does China's 'belt and road initiative' mean for EU trade

Alicia García-Herrero, Jianwei Xu, 20 September

### China's state owned enterprises reform still lacking bite

Alicia García-Herrero, 4 October

### India's economic journey: why should Europe care?

Suman Bery, 24 October

### Income inequality boosted Trump vote

Zsolt Darvas, Konstantinos Efstathiou, 9 November

### Trump could give a new impetus to EU-China relations

Alicia García-Herrero, Jianwei Xu, 15 November

## EVENTS

### The new Silk Road: what is in it for Europe, Shanghai, 14 January

Seven Years after the Crisis: Intersecting Perspectives, 31 March & 1 April

### Will China's slowdown bring headwinds or opportunities for ECA? 29 April

The United States and Europe: Short-term divergence but shared challenges, 11 May

### Lessons for the euro from early US monetary and financial history, 25 May

### New perspectives for economic cooperation with Iran, 2 June

### China-Russia relations and their impact on Europe, 21 June

### New global imbalances in the aftermath of the crisis, 20 June

Annual Meetings 2016, 6-7 September

### 13th Asia Europe Economic Forum, Beijing, 21-22 September

### Innovation and Economic Reform in Europe and Japan, 18 October

### Trends of the 21st century global economy and implications for Europe, 26 October

### Environment and economics: opportunities and challenges for Iran, 13 December



## FOCUS ON EU-CHINA RELATIONS

EU-China relations are continually evolving as China seeks to rebalance its economy. This offers new opportunities for EU countries to sell consumer goods and services. Meanwhile, China's quest to increase and improve its investments abroad has put Europe among the top recipients of Chinese investment. In 2016 our scholars initially focused on the impact of China's slowdown on global trade and relations with Europe. Later they concentrated on the aftermath of Brexit and Trump, and their implications in the short and longer term for EU-China strategic relations. The slow progress with reform of state-owned enterprises in China was also a focus of research.



### THE EVOLVING CHINA-EU RELATIONSHIP

#### *Alicia Garcia-Herrero*

China's long quest for transformation is a key factor shaping its evolving relations with Europe. From outsourcing production to China, EU companies are increasingly the target of Chinese M&A bids. Such a rapid shift requires a well thought-out strategy from the European side. In addition, the new US administration has said it will take an "America first" approach. This should make Europe and China, as the other two largest blocs in the world, think about how to move forward. One way, of course, would be to continue to support multilateralism in trade and investment, while stepping up their economic relationship.



EU – China: Towards a strategic relationship, roundtable at the Annual Meetings, 7 September 2016. The panel discussed ways forward in the current difficult environment, with China experiencing a slowdown and Europe facing its own difficulties. Among the guest speakers: Pascal Lamy (president emeritus, Jacques Delors Institute), Lawrence J. Lau (Ralph and Claire Landau professor of economics, The Chinese University of Hong Kong), Matthew Lobner (chief of staff and head of strategy for Europe, HSBC).



### TRADE POLICY

#### *André Sapir*

The year 2016 was certainly eventful as far as EU trade policy was concerned. Three developments clearly stand out. The first was the decision by the European Commission to propose that CETA, the Comprehensive Economic and Trade Agreement between the EU and Canada, be treated as a 'mixed' agreement, requiring approval by all EU member states. This led to extraordinary complications with the signature of the deal, and also to uncertainty about the ability of the EU to engage effectively in international trade agreements in the future. The second development was the election of Donald Trump as president of the United States and his promises to drastically revamp US trade policy, moving away from multilateral and regional agreements to adopt a more bilateral or even unilateral approach to trade deals. The third key development was the controversy over the granting of 'market economy status' to China, which led to the decision by China to launch a WTO action against the EU on its anti-dumping actions and by the EU to reform its anti-dumping legislation.



Bruegel actively promotes a global dialogue between European and Asian policy experts and economists. The Asia-Europe Economic Forum is Bruegel's leading initiative in Asia.

The yearly forum alternates between Asia and Europe and is jointly organised with the Centre d'Études Prospectives et d'Information Internationale and the Bertelsmann Stiftung on the European side; the Asia-Europe Foundation, Asian Development Bank Institute, Caixin Insight Group, Chinese Academy of Social Sciences and Korea University on the Asian side.

It is an invitation-only event, and participants include former and current high-ranking officials, senior parliamentarians, central bank governors, prominent academics, and private sector economists. The Forum celebrated its 10th Anniversary in September 2016 in Beijing.



Alicia Garcia-Herrero (senior fellow at Bruegel), speaking at the Asia Europe Economic Forum 2016 in Beijing.



## NEIGHBOURHOOD

Throughout 2016, the geopolitical situation on the borders of the European Union and beyond has continued to be characterised by turmoil and complexity. Bruegel scholars researched topics relevant to this diverse geographical area.

Marek Dabrowski analysed Ukraine's Association Agreement with the EU and the related debate that was the subject of a referendum in the Netherlands. He also explored the changing economic landscape in Iran. With some sanctions temporarily lifted, 2016 was an opportunity for Iran to reintegrate into the global economy and political system. But comprehensive economic and political reforms are needed. Meanwhile, Simone Tagliapietra analysed the issue of energy security in Southern Mediterranean countries (see the energy section of this report).



### BELARUS: TIME TO REFORM

#### *Marek Dabrowski*

Over the last 25 years Belarus has gained a reputation as the most reluctant reformer among the former communist countries of Europe. This did not prevent the Belarusian economy from growing rapidly between 1997 and 2011 because of the combination of administrative dirigisme, a high rate of government-initiated investment and support from Russia. However, since 2012, growth has halted and the years 2015-2016 brought recession. The previous growth factors stopped working. Moreover, the country has suffered from permanent high inflation and several balance-of-payment crises (the last one occurring in 2014-2015). In my Policy Contribution and blog I discussed policy changes and institutional reforms needed to return to growth. Unfortunately, they did not happen.



On 1 April 2016, Bruegel organised a high-level conference in Rabat, Morocco, in cooperation with the OCP Policy Centre. With Europe and the Middle Eastern and North Africa (MENA) region both seeking routes to sustainable and inclusive growth, participants addressed the key issues facing advanced and emerging economies seven years after the financial crisis.

# INNOVATION AND COMPETITION POLICY



## PUBLICATIONS

**Measuring competitiveness in Europe: resource allocation, granularity and trade**  
Carlo Altomonte, Gábor Békés  
Blueprint, 28 January

**Getting the most from public R&D spending in times of budgetary austerity**  
Reinhilde Veugelers  
Working Paper, 24 February

**The dynamics of leniency application and the knock-on effect of cartel enforcement**  
Jun Zhou  
Working Paper, 29 February

**The European Union's growing innovation divide**  
Reinhilde Veugelers  
Policy Contribution, 7 April

**E-commerce in Europe: parcel delivery prices in a digital single market**  
J. Scott Marcus, Georgios Petropoulos  
Policy Contribution, 25 May

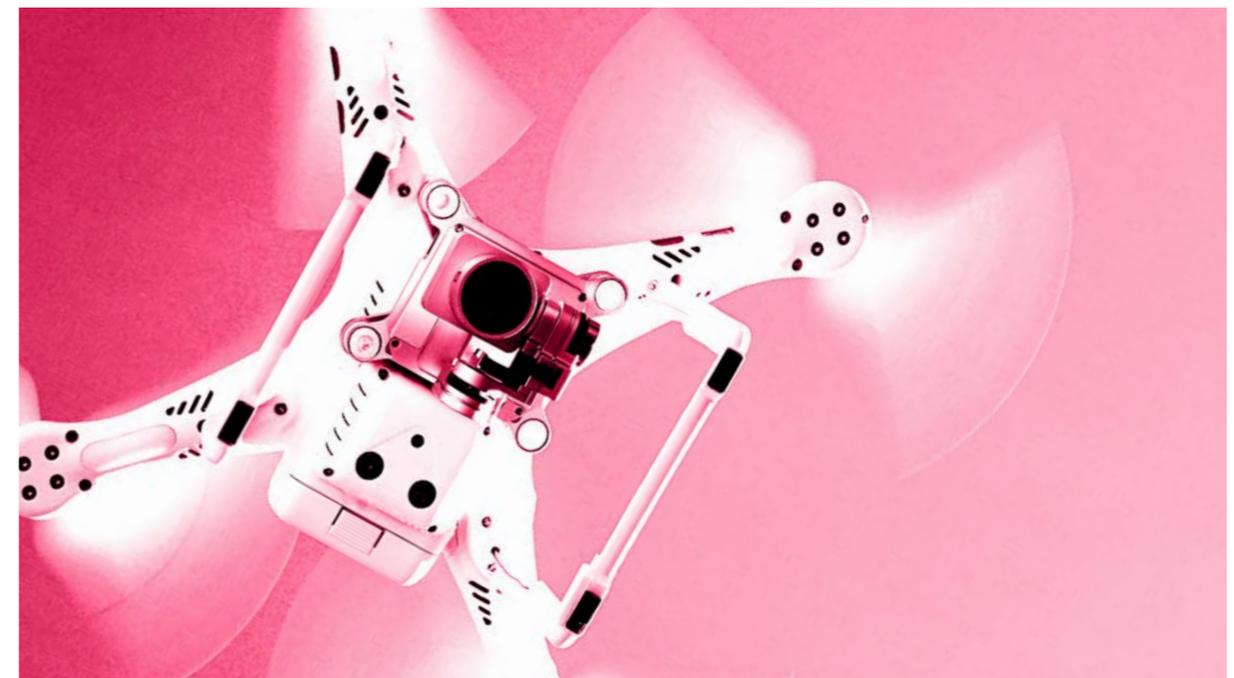
**Bias against novelty in science: a cautionary tale for users of bibliometric indicators**  
Paula Stephan, Reinhilde Veugelers, Jian Wang  
External Publication, 9 June

**Challenging prospects for roam like at home**  
J. Scott Marcus, Georgios Petropoulos  
Working Paper, 15 June

**New network neutrality rules in Europe: comparisons to those in the U.S.**  
J. Scott Marcus  
External Publication, 15 September

**Providing efficient network access to green power generators: A long-term property rights perspective**  
Georgios Petropoulos, Bert Willems  
Working Paper, 2 November

**Policy and Politics in the Era of the Industrial Internet: How the Digital Transformation Will Change the Political Arena**  
Giuseppe Porcaro  
External Publication, 7 December





SELECTED BLOG POSTS

The economic value of personal data for online platforms, firms and consumers  
Cassandra Liem, Georgios Petropoulos, 14 January

Uber and the economic impact of sharing economy platforms  
Georgios Petropoulos, 22 February

German Facebook probe links data protection and competition policy  
Nuria Boot, Georgios Petropoulos, 14 March

The knowns and unknowns of the European competitiveness debate  
Carlo Altomonte, Gábor Békés, 27 April

European e-commerce needs better visibility into cross-border delivery prices  
J. Scott Marcus, Georgios Petropoulos, 25 May

New EU net neutrality guidelines are a pragmatic next step  
J. Scott Marcus, 8 June

Mobile roaming, Brexit, and unintended consequences  
J. Scott Marcus, 28 June

Brexit and competition policy in Europe  
Georgios Petropoulos, 6 July

Search engines, big data and network effects  
Georgios Petropoulos, 22 November

EVENTS

Innovation and sustainability of European healthcare systems, 27 January

Measuring competitiveness in Europe, 28 January

The Sharing/Collaborative Economy, 10 February

Sustainability and green innovation in competition policy, 2 March

What can Europe learn from US Science Policy? 7 April

Competing with big data, 26 April

E-commerce in Europe: Lessons for parcel delivery from electronic communications, 3 May

State Aid evaluation: two years of implementation, 30 May

Internet taxation: challenges and policy recommendations, 7 June

The role of market definition in a globalised economy, 30 June

Policies for digital innovation, 11 July

Tackling antimicrobial resistance, 14 July

Annual Meetings 2016, 6-7 September

Big data, digital platforms and market competition, 3 October

Europe Lab: Competitiveness and inclusive growth, 12 October

Digital Platforms: a Policy and Research Agenda, 20 October

Value-added tax challenges for cross-border commerce and SMEs, 25 October

How SMEs can meet the standards for trade, 9 November

Antitrust concerns in zero price markets, 16 November



INVESTMENT IN INNOVATION AND DIGITAL MARKETS

The European Union's ambition is that its future prosperity should be built on foundations of innovation and digital revolution.

Reinhilde Veugelers analysed how, since the crisis, the divide between EU countries in public spending on R&I has increased. The leading countries have forged ahead but the followers have not been able to keep up, resulting in a wider gap in public R&D spending now than before the crisis. She pointed out that the EU will be able to achieve its ambition of becoming a world innovation leader only if it understands and addresses the difficulties of its lagging members and its growing internal innovation divide.

Our scholars highlighted the challenges in digital innovation in the context of the European digital single market.

J. Scott Marcus and Georgios Petropoulos pointed out that the expansion of e-commerce, a substantial growth opportunity for Europe, is hampered by high cross-border parcel delivery prices. Their paper analysed the economics of cross-border parcel delivery and made a comparison with the telecommunications sector. Georgios has also focused on the economic impact of sharing economy platforms such as Uber, while Scott looked at the impact of network neutrality and mobile roaming. Giuseppe Porcaro looked at the impact of the industrial internet in politics and policymaking.



EU'S INNOVATION DIVIDE



Reinhilde Veugelers

The research I led in 2016 highlighted a serious divide between EU member states in terms of their capacity to innovate, with convergence taking place only very slowly and unevenly. The divide between the innovation leaders and the innovation laggards is proving very persistent. The process of convergence, which was already very slow before 2008, has since stalled, and has more recently moved into reverse, especially in terms of the inability of the southern EU countries to catch up.



There is plenty of hype around big data. But does it only offer operational advantages, or can it provide firms with sustainable competitive advantage?

These and other key questions were debated on 26 April at an event with Catherine Tucker (distinguished professor of management science, MIT Sloan School of Management, USA).



CROSS-BORDER E-COMMERCE

*J. Scott Marcus, Georgios Petropoulos*

Online purchases are growing rapidly within the European Union, generating benefits for the broader European society. Nevertheless, cross-border e-commerce lags significantly behind domestic online purchasing. If Europe wants to maximise the benefits from e-commerce, it should adequately address challenges that arise in cross-border online purchases. In our research we provide policy recommendations for overcoming the impediments to cross-border commerce (parcel delivery prices, VAT transparency and harmonisation, privacy protection, geo-blocking measures), in order to increase societal welfare.



*Cross-border data flows have accrued monetary value thanks to legal frameworks like Safe Harbour. "Safe Harbour was one of the main reasons why the economic value of data grew year by year so greatly," Georgios Petropoulos, a research fellow at Brussels-based think tank Bruegel, tells Quartz.*

Quartz



Reinhilde Veugelers (senior fellow at Bruegel), chairing a session on innovation policies with Alberto Bravo-Biosca (head of Innovation Growth Lab, Nesta), Dominique Guellec (head of science and technological policy, Directorate for Science, Technology and Industry, OECD), Robert Madelin (senior advisor, European Commission), Egon Schulz (director of Wireless Innovation Centre, Huawei), Scott Stern (professor of management, MIT Sloan School of Management), at the Annual Meetings, Brussels, 6 September.

# ENERGY AND CLIMATE



## PUBLICATIONS

**Rethinking the security of the European Union's gas supply**  
Simone Tagliapietra, Georg Zachmann  
Policy Contribution, 20 January

**Financial risks and opportunities in the time of climate change**  
Dirk Schoenmaker, Rens Van Tilburg  
Policy Brief, 22 April

**Energy across the Mediterranean: a call for realism**  
Simone Tagliapietra, Georg Zachmann  
Policy Brief, 28 April

**An approach to identify the sources of low-carbon growth for Europe**  
Georg Zachmann  
Policy Contribution, 27 September

**Providing efficient network access to green power generators: A long-term property rights perspective**  
Georgios Petropoulos, Bert Willems  
Working Paper, 2 November

**Going local: empowering cities to lead EU decarbonisation**  
Simone Tagliapietra, Georg Zachmann  
Policy Contribution, 30 November

**Climate policy in China, the European Union and the United States: Main drivers and prospects for the future**  
Alina Averchenkova, Samuela Bassi, Keith J. Benes, Fergus Green, Augustin Lagarde, Isabella Neuweg, Georg Zachmann  
External Publication, 6 December

**Energy Relations in the Euro-Mediterranean: A Political Economy Perspective**  
Simone Tagliapietra  
External Publication, 13 December





SELECTED BLOG POSTS

The oil-price slump: crisis symptom or fuel for growth  
Georg Zachmann, 11 January

Is the oil price-GDP link broken?  
Domenico Favoino, Georg Zachmann, 31 March

EU must step up energy cooperation with southern Mediterranean countries  
Simone Tagliapietra, 4 May

Nord Stream 2: a bad deal for Germany and Eastern Europe  
Georg Zachmann, 18 July

Could Europe come up short in the race to the Marrakesh climate conference?  
Simone Tagliapietra, 28 September

Can North Africa's energy challenges become opportunities?  
Simone Tagliapietra, Georg Zachmann, 3 October

Decarbonisation: a future fiscal headache for Europe?  
Simone Tagliapietra, Georg Zachmann, 25 October

President Trump: what next for global climate action?  
Simone Tagliapietra, 9 November

How to put cities at the heart of EU clean energy plans  
Simone Tagliapietra, Georg Zachmann, 30 November

EVENTS

Rethinking security of gas supply in the EU, 20 January

How will the Paris agreement impact EU climate and energy policies? 8 February

Re-powering Electricity Markets, 24 February

Euro-Mediterranean energy talks, 31 May & 1 June

The European energy transition: a vision between decarbonisation and digitalisation, 16 June

Annual Meetings 2016, 6-7 September

Towards a zero-carbon and digital energy system: which policy challenges for Europe? 27 October

Unpacking European energy policy, 24 November



DECARBONISATION AND FOLLOW-UP TO COP21

Combatting climate change is a policy challenge of our times, and both action and inaction come with a cost. The outcome of COP21 in Paris was optimistically welcomed by our scholars, but they also cast a critical eye over the market reactions and the need to use a fast-track procedure for the EU to ratify the agreements in time for COP22 at the end of 2016.

The cornerstone of the EU's climate policy is decarbonisation. After analysing European political preferences for decarbonisation, the work of our scholars focused on the role of oil in the EU economy. For example, they investigated the oil price slump and the oil price-GDP link.

Looking ahead, low-carbon technologies will become the new competition arena. From this perspective, Bruegel's scholars thoroughly analysed how to make low-carbon technology support smarter and proposed a data-driven approach to identify the sources of low-carbon growth for Europe.

Simone Tagliapietra and Georg Zachmann also looked at the security aspect of energy policy, in particular analysing the issue of gas supply in connection with the EU relationship with its eastern and southern neighbourhood.



CAN NORTH AFRICA'S ENERGY CHALLENGES BECOME OPPORTUNITIES?

Simone Tagliapietra

We believe that cooperation in the energy sector could increase economic prosperity and political stability in North Africa and also generate economic opportunities for Europe. We therefore proposed the establishment of an EU-North Africa Sustainable Energy Fund, aimed at coordinating the North African activities of Europe's public long-term investors, to enable economies of scale and stronger leverage.



Georg Zachmann (senior fellow at Bruegel), Connie Hedegaard (chair KR Foundation), Brigitte Knopf (secretary general, Mercator research Institute on Global Commons and Climate Change), Simone Mori (executive vice president, Enel, and president of Elettricità Futura), and Laszlo Varro (chief economist, International Energy Agency), talking about emerging energy union and climate policies, Annual Meetings, Brussels, 6 September.



The COP21 negotiations in Paris resulted in ambitious targets but little detail on implementation. Which measures should the EU take? On 8 February Bruegel was pleased to welcome Commissioner Cañete for a discussion on the proposed Commission Work Programme for 2016.



DECARBONISE THE EUROPEAN ECONOMY

*Georg Zachmann*

We expect that decarbonisation, digitalisation, decentralisation and convergence will shape the energy sector in the coming decades. This requires European sector rules to be adapted, and implies that local governments should play a greater role in facilitating the roll-out of corresponding integrated systems. Decarbonisation also brings significant business opportunities for Europe. We find that several European regions have a comparative advantage in producing low-carbon technologies. Interestingly, sectoral strength not only appears in the western member states, but also in some regions in other member states.

*The researchers Simone Tagliapietra and Georg Zachmann at Bruegel suggested that the EU's current focus on finding new sources of supply to offset dependence on Russia is both expensive and inadequate.*

Bloomberg



Maros Sefcovic, (vice-president for Energy Union, European Commission,) closing the Bruegel Annual Meetings with an intervention on energy union and challenges for jobs, growth and investment, Brussels, 7 September.

# GOVERNANCE AND MEMBERSHIP



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[GOVERNANCE MODEL](#)

[THE BOARD](#)

[SCIENTIFIC COUNCIL](#)

[OUR MEMBERS](#)

[BRUEGEL'S TRIENNIAL REVIEW 2016](#)

[MANAGEMENT TEAM](#)

[BRUEGEL'S FUNDING](#)

[FINANCIAL STATEMENTS](#)

# Our GOVERNANCE

Bruegel's distinctive nature rests on a balanced partnership between private and public stakeholders.

Our member base is composed of EU member states, international corporations and independent institutions.

With membership fees constituting more than 80 percent of the annual budget, but no single member contributing more than 5 percent, Bruegel succeeds in collaborating with a wide array of partners while protecting its principal assets: independence, professional integrity and objectivity.

Bruegel is committed to the highest levels of transparency, both at the level of the institution and at the level of individual scholars. This level of disclosure represents a new standard in public transparency for think tanks.

# GOVERNANCE model



# THE BOARD

The 11-person board's composition reflects the diversity of Bruegel's stakeholders. It is made up of high-ranking individuals from government, industry and civil society, each acting in a personal capacity.

A diversity of backgrounds, nationalities and gender is guaranteed through a combination of elections and appointments.

Bruegel's new board was confirmed by members in March 2017:

**JEAN-CLAUDE TRICHET**  
**[CHAIRMAN]**  
FORMER PRESIDENT, EUROPEAN CENTRAL BANK

**THIES BÜTTNER**  
FULL PROFESSOR OF PUBLIC FINANCE AND ECONOMICS, FRIEDRICH-ALEXANDER UNIVERSITY AT ERLANGEN-NURNBERG

**KAROLINA EKHOLM**  
PROFESSOR OF ECONOMICS AND STATE SECRETARY TO THE SWEDISH MINISTER FOR FINANCE

**JOSÉ MANUEL GONZÁLEZ-PÁRAMO**  
EXECUTIVE BOARD DIRECTOR, BBVA

**VINCENZO LA VIA**  
DIRECTOR GENERAL OF DEPARTMENT OF TREASURY, ITALIAN MINISTRY OF ECONOMY AND FINANCE

**RACHEL LOMAX**  
FORMER DEPUTY GOVERNOR OF THE BANK OF ENGLAND AND A MEMBER OF THE MONETARY POLICY COMMITTEE

**ISABELLE MATEOS Y LAGO**  
MANAGING DIRECTOR, BLACKROCK INVESTMENT INSTITUTE

**SIMONE MORI**  
GROUP HEAD OF EUROPEAN AFFAIRS, ENEL

**ELENA PISONERO**  
PRESIDENT, HISPASAT

**PAWEL SAMECKI**  
MEMBER OF THE MANAGEMENT BOARD OF NARODOWY BANK POLSKI

**HANS VIJLBRIEF**  
TREASURER-GENERAL, DUTCH MINISTRY OF FINANCE

We thank the members of the previous board that served Bruegel in the previous term (2014-2016):

Carlos Egea, Anna Ekström, Iñigo Fernandez de Mesa, Wolfgang Franz, Jerzy Hausner, Wolfgang Kopf, Vincenzo La Via, Rachel Lomax, Andreas Penk, Jean-Claude Trichet, Hans Vijlbrief.

# SCIENTIFIC COUNCIL

The scientific council consists of internationally recognised economists appointed by the board for a three-year mandate. It advises Bruegel's board, director and deputy director, and assesses the scientific quality of Bruegel's output. The scientific council chair attends board meetings.

This is the list of the scientific council that served Bruegel until 31 December 2016:

**LUCREZIA REICHLIN**  
CHAIR OF THE SCIENTIFIC COUNCIL, PROFESSOR OF ECONOMICS, LONDON BUSINESS SCHOOL

**GIUSEPPE BERTOLA**  
PROFESSOR OF ECONOMICS, EDHEC BUSINESS SCHOOL, FRANCE

**SERGEI GURIEV**  
PROFESSOR OF ECONOMICS, SCIENCES PO, PARIS

**KAI KONRAD**  
MANAGING DIRECTOR, MAX PLANCK INSTITUTE OF TAX LAW AND PUBLIC FINANCE

**PHILIPPE MARTIN**  
PROFESSOR OF ECONOMICS, SCIENCES PO, PARIS

**KEVIN O'ROURKE**  
CHICHELE PROFESSOR OF ECONOMIC HISTORY AND FELLOW OF ALL SOULS COLLEGE, UNIVERSITY OF OXFORD

**PAUL SEABRIGHT**  
PROFESSOR OF ECONOMICS, TOULOUSE SCHOOL OF ECONOMICS

The Board is appointing a new scientific council, check our website for the updated list.

# *Our* MEMBERS

Members are at the core of our organisational framework. They engage in a partnership, an exchange of ideas, and a commitment to Bruegel's mission.

Their representation at board level, their contribution to the research agenda, their interactions with scholars, and their participation in events are a guarantee that Bruegel remains both accountable and relevant.

Members are committed to Bruegel's standards of transparency and integrity. They recognise Bruegel's independence and agree to refrain from seeking to influence the course of Bruegel's research work or to obstruct publication. We are grateful to each of them for their support.





Austria  
 Belgium  
 Cyprus  
 Denmark  
 Finland  
 France  
 Germany  
 Hungary  
 Ireland

Italy  
 Luxembourg  
 Malta  
 The Netherlands  
 Poland  
 Slovakia  
 Spain  
 Sweden  
 United Kingdom

STATE MEMBERS

Banca d'Italia  
 Bank of England  
 Banque Centrale du Luxembourg  
 Banque de France  
 Caisse des Dépôts  
 Danmarks National Bank  
 The European Bank for Reconstruction and Development (EBRD)  
 The European Investment Bank (EIB)  
 Fundación Instituto de Crédito Oficial (ICO)  
 National Bank of Poland  
 National Bank of Romania  
 Sveriges Riksbank

INSTITUTIONAL MEMBERS



CORPORATE MEMBERS

Amazon	Generali	MetLife	Schroders
Banco Santander	Google	Microsoft	Shell
BBVA	HSBC	Moody's	Société Générale
BlackRock	Huawei	Morgan Stanley	Standard & Poor's
Deutsche Bank	Iberdrola	Norinchukin Bank	Telefónica
Deutsche Telekom	ING	Novartis	Uber
ENEL	Mastercard	Pfizer	IIES (Toyota Group)
Euronext	Merck	Schneider Electric	UniCredit Group

# Bruegel's TRIENNIAL REVIEW 2016

The idea that Bruegel should be regularly reviewed had its genesis in the first agreements with the EU member states that supported Bruegel at the very beginning. These early investors in Europe's economics think tank wanted to be sure that further funding of the organisation would be dependent on it fulfilling certain criteria: to have a broad and balanced funding base, to have established a reputation and to have begun the production of quality output.

It became clear after the first review that a regular assessment of Bruegel's output would bring many benefits. Funders and other stakeholders could be informed of value-for-money. Bruegel's team could have a clear understanding of how its work was being perceived and whether it was making a positive contribution to debates. Scholars could have the quality of their outputs measured by peers. The public could monitor Bruegel's progress and judge if it was indeed a public good. All of Bruegel's stakeholders could use the assessment to plan for the future and hold management and board accountable against the standards outlined in the reports.

In 2016 the fourth of these assessments was carried out. As in previous reviews, Bruegel's members appointed an independent Review Task Force with representatives from policymaking, academia, business and the policy-research arena. The task force was chaired by Professor **Katarzyna Śledziwska**, economist and director of the Digital Economy Lab at the University of Warsaw. She was assisted by Dame **Frances Cairncross**, a British economist and journalist,

former chair of the Executive Committee of the Institute for Fiscal Studies and interim director of the National Institute of Economic and Social Research; Professor **Otmar Issing** – the former chief economist and member of the board of the European Central Bank, and the president of the Centre for Financial Studies (CFS) at Goethe University in Frankfurt am Main; Professor **Enrico Letta** – the former prime minister of Italy, the secretary general of the think tank Agenzia di Ricerche e Legislazione and the dean of the Paris School of International Affairs (PSIA) at Sciences Po in Paris; and Professor **Xavier Ragot**, a researcher at the CNRS-PSE, the president of the French Economic Observatory and associate professor at the Paris School of Economics. The task force benefitted from a rapporteur, Dr **Renata Włoch**, a sociologist and evaluator from the Digital Economy Lab at the University of Warsaw, who wrote up the report but also played an important role in designing the assessment the task force was to make.

The review is published on our website, and we encourage you to read it.

## MANAGEMENT Team



**GUNTRAM WOLFF**

*Director*

Guntram is responsible for Bruegel's overall executive management, for the preparation of the board meetings, the preparation of Bruegel's strategy, the research strategy and the hiring of staff. He exercises editorial oversight and quality control. Guntram was deputy director of Bruegel before being appointed director in 2013. Before this, he worked on euro-area governance at the European Commission and fiscal policy at the Bundesbank. He holds a PhD in economics and has published numerous pieces on the European economy and governance, on monetary and fiscal policies and on finance. From 2012-2016, he was a member of the French prime minister's economic advisory council. He is a board member at Solvay Business School.



**MARIA DEMERTZIS**

*Deputy director*

Maria is the deputy director of Bruegel since 2016. The deputy director assists the director in leading the organisation, with a specific focus on shaping the research programme and ensuring its execution is of the highest quality. The appointment strengthens Bruegel's management team and research output at a time of continued growth for Bruegel and increased demand for its work. She has previously worked at the European Commission and the research department of the Dutch Central Bank. She has also held academic positions at the Harvard Kennedy School of Government in the USA and the University of Strathclyde in the UK, from where she holds a PhD in economics.



**MATT DANN**

*Secretary general*

Matt supports the director in his executive tasks. He oversees the management of Bruegel's non-research operations, takes care of finances and manages institutional relations with Bruegel's members. Matt is an experienced media professional who has worked in television and the financial sector. He is a graduate of Keele University, UK, and has an MBA from the Solvay Business School of the Université Libre de Bruxelles.



**PAOLA MANIGA**

*Head of development*

Paola and her team are responsible for generating new income streams from public and private sources. She was previously secretary general of the European Association of Sugar Traders (ASSUC) and trade policy adviser for the associations representing international trade in flowers and EU imports of processed agriculture and fishery products. Paola holds two master's degrees, in local economic development from the London School of Economics and in management from Bocconi University.



**GIUSEPPE PORCARO**

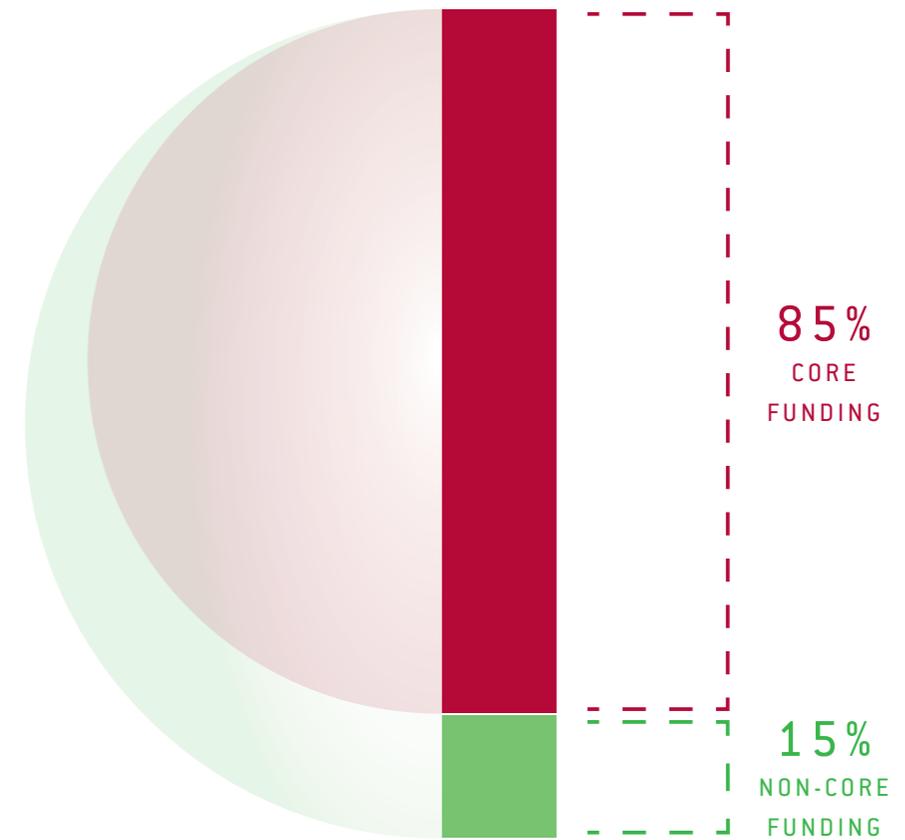
*Head of communications & events*

Giuseppe and his team are responsible for press and online outreach and the organisation of Bruegel's events. He has extensive experience of organisational management, communication and policy development at European and international level. He was secretary general of the European Youth Forum between 2009 and 2014 and previously worked at the World Bank in Kosovo and Paris. Giuseppe holds a master's degree in international relations and a PhD in geography of development from the University of Naples L'Orientale.

# Bruegel's FUNDING

Bruegel is pleased to be fully transparent about its funding. Bruegel's management is required by the board and members to pursue balanced funding, with goals stipulating the proportion of funding that should be received from membership and non-membership sources.

Bruegel is therefore committed to building a diverse set of stakeholders, to help buttress its independence and so that the budget covers the funding cycle. Diversity of funding also allows Bruegel to operate during downturns in the business/funding cycle. Our funding structure is based on:



No member contributes more than a small percentage of the annual budget (3-5 percent depending on budget years), which protects Bruegel's independence further. An arm's-length relationship with members is also guaranteed by Bruegel's statute and bylaws, which clearly define the role that members play in the organisation.

The financial statements fully detail our funding streams for both core and non-core funding.

Bruegel's development is planned to be organic, with a gradual expansion of the membership programme

and the sustainable growth of other funding streams in harmony with Bruegel's core values. A large part of making Bruegel's financial future sustainable also rests in constant innovation in operations: finding ways to cut costs whilst expanding output.

Bruegel maintains reserves of just over €2.5 million. These reserves are sufficient to cover six months' operating costs and help maintain financial stability. Bruegel's cash flows are carefully managed and Bruegel has never borrowed to finance operations or for capital investments.

# FINANCIAL Statements

## BALANCE SHEET 2016 - 2015

	2016	2015
<b>FIXED ASSETS</b>		
<b>FIXED ASSETS</b>	<b>496,270.54</b>	<b>138,111.79</b>
FURNITURE AND OFFICE EQUIPMENT	75,100.68	28,781.68
IT DEVELOPMENT	72,404.44	100,760.91
NEW OFFICE SPACE DEVELOPMENT	348,765.42	8,569.20
<b>CURRENT ASSETS</b>	<b>728,113.81</b>	<b>547,166.86</b>
TRADES RECEIVABLES	722,323.81	547,166.86
OTHER DEBTORS	5,790.00	0.00
FUNDED PROJECT RECEIVABLES	0.00	0.00
<b>CASH AND FINANCIAL ASSETS</b>	<b>2,026,935.44</b>	<b>2,781,305.59</b>
<b>DEFERRALS AND ACCRUALS</b>	<b>141,805.19</b>	<b>34,302.09</b>
DEFERRED CHARGES	141,805.19	34,302.09
<b>TOTAL ASSETS</b>	<b>3,393,124.98</b>	<b>3,500,886.33</b>
<b>CURRENT LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>	<b>1,053,847.87</b>	<b>723,219.15</b>
TRADE PAYABLES	232,937.33	171,335.34
REMUNERATION AND SOCIAL SECURITY PAYABLES	261,019.13	252,590.47
FUNDED PROJECT CREDITORS	126,298.75	0.00
PREPAID INCOME	291,666.67	183,416.66
VAT PAYABLE	27,466.81	0.00
ACCRUED CHARGES	6,435.18	7,852.68
PROVISIONS	108,024.00	108,024.00
<b>NET ASSETS</b>		
<b>NET ASSETS</b>	<b>2,339,277.11</b>	<b>2,777,667.18</b>
SURPLUS/LOSS OF THE YEAR	-438,390.07	280,203.40
ACCUMULATED RESERVES	2,777,667.18	2,497,463.78
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>3,393,124.98</b>	<b>3,500,886.33</b>

## INCOME STATEMENT 2016 - 2015

	2016	2015
<b>REVENUE</b>		
<b>SUBSCRIPTIONS - STATE MEMBERS</b>	<b>2,124,992.00</b>	<b>2,124,992.00</b>
<b>SUBSCRIPTIONS - CORPORATE MEMBERS</b>	<b>1,433,333.32</b>	<b>1,556,251.00</b>
<b>SUBSCRIPTIONS - INSTITUTIONAL MEMBERS</b>	<b>408,333.33</b>	<b>360,417.00</b>
(see Complete Funding Annex for breakdown)		
<b>OTHER REVENUES</b>	<b>444,725.86</b>	<b>498,585.96</b>
HONORARIA	19,245.39	44,806.88
PROJECT-BASED FUNDING	149,312.10	325,601.40
FOUNDATION GRANTS	273,893.71	118,447.26
FINANCIAL INCIOME (GROSS)	516.83	4,773.70
OTHER INCOME	1,757.83	4,956.72
<b>TOTAL REVENUE</b>	<b>4,411,384.51</b>	<b>4,540,245.96</b>
<b>EXPENSES</b>		
<b>WAGES AND COMPENSATION</b>	<b>-3,379,193.99</b>	<b>-3,066,702.30</b>
<b>OPERATING EXPENSES</b>	<b>-1,279,300.41</b>	<b>-1,116,600.43</b>
STAFF TRAVEL COSTS	-130,096.14	-128,087.33
EXTERNAL RESEARCH COSTS	-53,132.08	-40,396.87
DOCUMENTATION COSTS	-206,774.95	-200,243.75
OUTREACH RELATED COSTS	-408,765.21	-343,654.56
OFFICE RENT AND RUNNING COSTS	-366,439.69	-307,539.63
EXTERNAL PROFESSIONAL SERVICES	-109,640.84	-87,796.28
FINANCIAL CHARGES	-4,451.50	-8,882.01
<b>DEPRECIATION EXPENSES</b>	<b>-168,349.14</b>	<b>-76,739.83</b>
<b>TOTAL EXPENSES</b>	<b>-4,826,843.54</b>	<b>-4,260,042.56</b>
SURPLUS / DEFICIT (BEFORE EXTRAORDINARY ITEMS)	-415,459.03	280,203.40
INCOME WRITE-OFFS FROM PREVIOUS YEARS	-22,931.04	
FINAL RESULT	-438,390.07	

**CORE FUNDING ANNEX 2016 - 2015**

**REVENUE**

**SUBSCRIPTIONS - STATE MEMBERS**

	2016	2015
<b>SUBSCRIPTIONS - STATE MEMBERS</b>	<b>2,124,992.00</b>	<b>2,124,992.00</b>
<b>CATEGORY 1</b>	<b>99,609.00</b>	<b>99,609.00</b>
CYPRUS	33,203.00	33,203.00
LUXEMBOURG	33,203.00	33,203.00
MALTA	33,203.00	33,203.00
<b>CATEGORY 2</b>	<b>132,812.00</b>	<b>132,812.00</b>
IRELAND	66,406.00	66,406.00
SLOVAKIA	66,406.00	66,406.00
<b>CATEGORY 3</b>	<b>498,045.00</b>	<b>498,045.00</b>
AUSTRIA	99,609.00	99,609.00
DENMARK	99,609.00	99,609.00
FINLAND	99,609.00	99,609.00
HUNGARY	99,609.00	99,609.00
SWEDEN	99,609.00	99,609.00
<b>CATEGORY 4</b>	<b>398,436.00</b>	<b>398,436.00</b>
BELGIUM	132,812.00	132,812.00
NETHERLANDS	132,812.00	132,812.00
POLAND	132,812.00	132,812.00
<b>CATEGORY 5</b>	<b>996,090.00</b>	<b>996,090.00</b>
FRANCE	199,218.00	199,218.00
GERMANY	199,218.00	199,218.00
ITALY	199,218.00	199,218.00
SPAIN	199,218.00	199,218.00
UNITED KINGDOM	199,218.00	199,218.00

**SUBSCRIPTIONS - CORPORATE MEMBERS**

	2016	2015
<b>SUBSCRIPTIONS - CORPORATE MEMBERS</b>	<b>1,433,333.32</b>	<b>1,531,251.00</b>
AMAZON <i>Joined 2016</i>	29,166.66	0.00
BBVA	50,000.00	50,000.00
BLACK ROCK <i>Joined 2015</i>	50,000.00	12,500.00
DEUTSCHE BANK	50,000.00	50,000.00
DEUTSCHE TELEKOM	50,000.00	50,000.00
EDF <i>Left 2016</i>	0.00	50,000.00
ENEL <i>Joined 2015</i>	50,000.00	35,417.00
EURONEXT <i>Left 2016</i>	37,500.00	50,000.00
GENERALI	50,000.00	50,000.00
GOLDMAN SACHS <i>Left 2016</i>	0.00	50,000.00
GOOGLE	50,000.00	50,000.00
HSBC	50,000.00	50,000.00
HUAWEI <i>Joined 2015</i>	50,000.00	41,667.00
Iberdrola <i>Joined 2015</i>	50,000.00	29,167.00
IIES (TOYOTA GROUP)	50,000.00	50,000.00
ING <i>Joined 2015</i>	50,000.00	37,500.00
MASTERCARD <i>Left 2015, rejoined 2016</i>	8,333.33	25,000.00
MCEM (MOORE CAPITAL)	50,000.00	50,000.00
METLIFE	50,000.00	50,000.00
MICROSOFT	50,000.00	50,000.00
MOODY'S	50,000.00	50,000.00
MORGAN STANLEY	50,000.00	50,000.00
MSD (MERCK) <i>Joined 2016</i>	16,666.67	0.00
NORINCHUKIN BANK <i>Joined 2016</i>	20,833.33	0.00
NOVARTIS	50,000.00	50,000.00
PFIZER	50,000.00	50,000.00
PRUDENTIAL <i>Left 2016</i>	0.00	50,000.00
QUALCOMM <i>Left 2016</i>	20,833.33	50,000.00
SCHNEIDER ELECTRIC <i>Joined 2016</i>	16,666.67	0.00
SCHRÖDERS	50,000.00	50,000.00
SHELL	50,000.00	50,000.00
SOCIÉTÉ GÉNÉRALE	50,000.00	50,000.00
STANDARD & POOR'S	50,000.00	50,000.00
STANDARD CHARTERED <i>Left 2016</i>	0.00	50,000.00

TELEFONICA	50,000.00	50,000.00
TUDOR FUNDS <i>Left 2016</i>	33,333.33	50,000.00
UNICREDIT	50,000.00	50,000.00

**SUBSCRIPTIONS - INSTITUTIONAL MEMBERS**

	2016	2015
<b>SUBSCRIPTIONS - INSTITUTIONAL MEMBERS</b>	<b>408,333.33</b>	<b>360,417.00</b>
BANCA D'ITALIA <i>Joined 2015</i>	25,000.00	10,417.00
BANK OF ENGLAND	25,000.00	25,000.00
BANQUE CENTRALE DU LUXEMBOURG	25,000.00	25,000.00
BANQUE DE FRANCE	25,000.00	25,000.00
CAISSE DES DÉPÔTS	50,000.00	50,000.00
DANMARKS NATIONALBANK	25,000.00	25,000.00
EUROPEAN INVESTMENT BANK	50,000.00	50,000.00
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT	50,000.00	50,000.00
FUNDACION ICO	50,000.00	50,000.00
NARODOWY BANK POLSKI	25,000.00	25,000.00
SVERIGES RIKSBANK	25,000.00	25,000.00
BANCA NAȚIONALĂ A ROMÂNIEI <i>Joined 2016</i>	33,333.33	0.00

**PROJECTS & GRANTS ANNEX**

**INCOME FOR RESEARCH ACTIVITIES FROM PUBLIC ORGANISATIONS**

	2016	2015
<b>INCOME FOR RESEARCH ACTIVITIES FROM PUBLIC ORGANISATIONS</b>	<b>149,312.10</b>	<b>325,601.40</b>
ASIAN DEVELOPMENT BANK INSTITUTE, INCLUSIVE GROWTH PROJECT	12,224.60	0.00
COP 21 RIMPPLES PROJECT, FUNDED BY THE EUROPEAN COMMISSION HORIZON 2020	3,697.50	0.00
EUROPEAN CAPITAL FLOWS PROJECT, FUNDED BY EUROPEAN COMMISSION, DG MARKT	95,090.00	95,090.00
EUROPEAN PARLIAMENT ECON COMMITTEE	12,300.00	14,653.00
EUROPEAN PARLIAMENT IMCO COMMITTEE	23,000.00	0.00
EUROSTAT, STATISTICAL PROJECT	3,000.00	0.00
MAPCOMPETE PROJECT, FUNDED BY THE EUROPEAN COMMISSION 7TH FRAMEWORK	0.00	75,044.44
RASTANEWS PROJECT, FUNDED BY EUROPEAN COMMISSION 7TH FRAMEWORK	0.00	9,000.00
SIMPATIC PROJECT, FUNDED BY EUROPEAN COMMISSION 7TH FRAMEWORK	0.00	131,813.96

**INCOME FOR RESEARCH ACTIVITIES FROM PRIVATE ORGANISATIONS**

	2016	2015
<b>INCOME FOR RESEARCH ACTIVITIES FROM PRIVATE ORGANISATIONS</b>	<b>273,893.71</b>	<b>46,628.87</b>
ASIA-EUROPE FOUNDATION (CONTRIBUTION TO THE AEEF CONFERENCE)	0.00	18,262.01
ASIAN DEVELOPMENT BANK	0.00	41,400.00
BERTELSMANN STIFTUNG (CONTRIBUTION TO THE AEEF CONFERENCES)	0.00	29,899.88
CEPII/CLUB DU CEPII (CONTRIBUTION TO AEEF CONFERENCES)	0.00	2,383.13
COMPAGNIA DI SAN PAOLO (POLICY DIALOGUE WITH EMERGING ECONOMIES PROJECT)	20,226.00	0.00
ECONOMIC RESEARCH INSTITUTE FOR ASEAN AND EAST ASIA (ERIA) (ASIA EUROPE CONNECTIVITY PROJECT)	886.46	0.00
EUROPEAN CLIMATE FOUNDATION (MAPPING OF GREEN INNOVATION PROJECT)	74,031.36	0.00
MASTERCARD (INCLUSIVE GROWTH IN EUROPE PROJECT)	107,484.21	0.00
MERCATOR STIFTUNG (EXPENSES FOR SILK ROAD: EUROPE EVENT)	46,258.50	0.00
THE JAPAN FOUNDATION (EXPENSES FOR JOINT EVENT)	13,007.18	5,992.82
TOSHIBA INTERNATIONAL FOUNDATION (EXPENSES FOR JOINT EVENT)	12,000.00	7,058.03
US MISSION (EXPENSES FOR JOINT EVENTS)	0.00	13,451.39

**HONORARIA, FOR CONFERENCES, WRITTEN PIECES ETC.**

	2016	2015
<b>HONORARIA, FOR CONFERENCES, WRITTEN PIECES ETC.</b>	<b>19,245.39</b>	<b>44,806.88</b>
AL JAZEERA	221.62	0.00
ANALITIKA	3,000.00	0.00
BAYME VBM	0.00	19,137.00
BEIJING BAOA YAZHUANG CULTURAL MEDIA HOUSE	0.00	456.80
BROOKINGS INSTITUTE (TT PROJECT)	0.00	885.60
CENTAR ZA DRUS ISTRAZIVAN	0.00	750.00
CHOSUN ILB	6,648.46	0.00
COLLABORATIVE YEARBOOK 2016	1,000.00	0.00
FRIEDRICH EBERT STIFTUNG	0.00	1,000.00
FRIEDRICH NAUMANN STIFTUNG	0.00	150.00
FUNDACION DE ESTUDIOS FINANCIEROS	0.00	1,000.00
GROUPE BPCE	0.00	15,000.00
INTERNATIONAL MONETARY FUND	0.00	913.47
NEUE ZURCHER ZEITUNG	135.31	0.00
NORGES BANK	0.00	4,000.00
PROJECT SYNDICATE	0.00	264.01
PROVOBIZZ	1,500.00	0.00
RIETI TOKYO	0.00	1,250.00
SAL OPPENHEIM	5,000.00	0.00
SUDDEUTSCHE ZEITUNG	240.00	0.00
VLERICK	1,500.00	0.00

**STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING  
OF THE ASSOCIATION AISBL BRUEGEL  
FOR THE YEAR ENDED 31 DECEMBER 2016**

As required by law and the association's articles of association, we report to you in the context of our appointment as statutory auditor. This report includes our opinion on the annual accounts, as well as the required additional statements. The annual accounts include the balance sheet as at 31 December 2016, the income statement for the year then ended, and the disclosures.

**Report on the annual accounts - Unqualified opinion**

We have audited the annual accounts of the association AISBL Bruegel for the year ended December 31, 2016, prepared in accordance with the financial reporting framework applicable in Belgium, which show a balance sheet total of € 3.393.125 and a loss for the year of € 438.390.

*Responsibility of the board of Directors for the preparation of the annual accounts*

The board of Directors is responsible for the preparation of annual accounts that give a true and fair view in accordance with the financial reporting framework applicable in Belgium, and for such internal control as the board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

*Responsibility of the statutory auditor*

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted in Belgium. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the statutory auditor considers the association's internal control relevant to the preparation of annual accounts that give a true and fair view, in order to design control procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of valuation rules used and the reasonableness of accounting estimates made by board of Directors, as well as evaluating the overall presentation of the annual accounts.

We have obtained from board of Directors and association officials the explanations and information necessary for our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Unqualified opinion*

In our opinion, the annual accounts of Bruegel AISBL give a true and fair view of the association's equity and financial position as at 31 December 2016 and of the results of its operations for the year then ended, in accordance with the financial reporting framework applicable in Belgium.

**Report on other legal and regulatory requirements**

The board of Directors is responsible for the compliance with the law of 27 June 1921 on not-for-profit organisations, international not-for-profit organisations and foundations, with the articles of association and with the legal and regulatory requirements regarding bookkeeping.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statements, which do not modify the scope of our opinion on the annual accounts:

- Without prejudice to certain formal aspects of minor importance, the accounting records are maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- Except for not having filed several deeds at the chancery office of the Commercial Court and their publication in the disclosures of the Belgian Official Gazette, there are no transactions undertaken or decisions taken in breach of the articles of association or of the Law of 27 June 1921 on not-for-profit organisations, international not-for-profit organisations and foundations that we have to report to you.

May 11, 2017

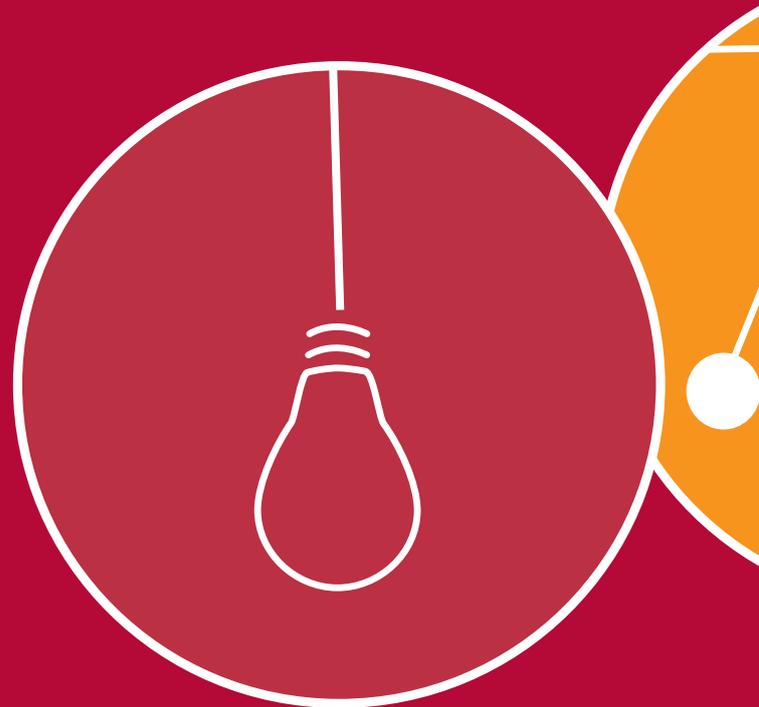
**The Statutory Auditor**



**VRC Registered Auditors**  
Represented by André GEEROMS

**Bruegel is a European think tank specialising in economics. Established in 2005, Bruegel is independent and non-doctrinal. Its mission is to improve the quality of economic policy with open and evidence-based research, analysis and debate.**

Bruegel is registered as a Belgian international non-profit association (Association Internationale Sans But Lucratif) under the number 0867636096, with registered offices at rue de la Charité 33, B-1210 Brussels. The basis for its governance is found in its statute and bylaws.



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