

IV

(Notices)

NOTICES FROM EUROPEAN UNION INSTITUTIONS, BODIES, OFFICES AND AGENCIES

EUROPEAN COMMISSION

COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL AND THE COURT OF AUDITORS

Consolidated annual accounts of the European Union for the financial year 2018

(2019/C 327/01)

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FOREWORD

It is my pleasure to present the 2018 annual accounts of the European Union. They provide a complete overview of the EU finances and the implementation of the EU budget for the last year, including information on contingent liabilities, financial commitments and other obligations of the Union. Reflecting the multiannual nature of the Union's activities, they offer explanations of the key financial figures and their evolution. The **consolidated annual accounts of the European Union** are part of the Commission's **integrated financial and accountability reporting** package and form an essential part of our highly developed system of financial accountability.

Despite its relatively modest size, the EU budget makes a big difference to millions of Europeans. It complements national budgets and supports political priorities where it has real added value and where it can deliver results in the most efficient way.

2018 was the fifth year under the current multiannual financial framework; all the financial programmes are fully operational. The implementation of the EU budget totalled EUR 173,1 billion in commitment appropriations, and EUR 156,7 billion in payment appropriations. Throughout the year, the EU budget continued to provide our response to the challenges deriving from a complex geopolitical environment while simultaneously guaranteeing strategic investment and sustainable growth in Europe.

Nearly half of the funds were aimed at stimulating growth, employment and competitiveness. Funding was provided for research and innovation under Horizon 2020, for small and medium-sized enterprises under the COSME programme or for education under Erasmus+. The European Fund for Strategic Investments, Connecting Europe Facility and the European Structural and Investment Funds all had also a major role to play. I invite you to discover the stories behind many EU investments on the 'InvestEU' portal (<https://europa.eu/investeu>).

The EU budget offered also strong support in other priority areas such as the EU's comprehensive approach to migration, the security union and the EU's external action. It allowed the Union to play a strong role beyond our borders during a period of turbulence in Europe's neighbourhood and contributed to achieving cross-cutting policy objectives related to the climate change and the biodiversity. In 2018 the amount allocated to climate mainstreaming amounted to more than EUR 32 billion, 20 % of the total budget.

Finally, the continued support was provided to promoting sustainable growth and the preservation of Europe's natural resources through the Common Agricultural and Fisheries Policies and activities in the fields of climate and environment under the LIFE programme.

The consolidated annual accounts of the European Union are produced in accordance with **International Public Sector Accounting Standards**. In order to uphold these standards, the Commission is consistently improving its rules and procedures, organisational structure and agility. Reporting consistently and effectively increases the accountability of the EU spending, not only for the purpose of legal compliance. It helps to engage with citizens and with other stakeholders, and to maintain their confidence and trust in the European Union.

Günther H. OETTINGER

Commissioner for Budget and Human Resources

EUROPEAN UNION POLITICAL AND FINANCIAL FRAMEWORK, GOVERNANCE AND ACCOUNTABILITY

The European Union (EU) is a Union within which the Member States confer competences to attain objectives they have in common. The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail.

1. POLITICAL AND FINANCIAL FRAMEWORK

EU Treaties

The overarching objectives and principles that guide the Union and the European Institutions are defined in the Treaties. The Union and the EU institutions may only act within the limits of the competences conferred by the Treaties so as to attain the objectives set out therein and must do this in accordance with the principles⁽¹⁾ of subsidiarity and proportionality. To attain its objectives and carry out its policies, the Union provides itself with the necessary financial means. The Commission is responsible for implementing the objectives in cooperation with the Member States and in accordance with the principle of sound financial management.

The EU pursues the objectives established in the Treaty with a number of tools, one of which is the EU budget. Others are, for example, proposing legislation or pursuing policy strategies.

Commission political priorities

The political priorities of the Commission are defined in the political guidelines set by the President of the Commission. These guidelines provide a roadmap for the Commission's action that is fully consistent and compatible with Europe 2020 as the EU's long-term growth strategy.

10 PRIORITIES

- A new boost for jobs, growth and investment.
- A balanced and progressive trade policy to harness globalisation.
- A connected digital single market.
- An area of Justice and Fundamental Rights based on mutual trust.
- A resilient Energy Union with a forward-looking climate change policy.
- Towards a new policy on migration.
- A deeper and fairer internal market with a strengthened industrial base.
- Europe as a stronger global actor.
- A deeper and fairer Economic and Monetary Union (EMU).
- A Union of democratic change.

Europe 2020 strategy

The Europe 2020 strategy agreed in 2010 by the Heads of State or Government of EU Member States defined a 10-year jobs and growth strategy for the EU⁽²⁾. The strategy put forward three mutually reinforcing priorities of smart, sustainable and inclusive growth with five EU headline targets.

The EU budget is one of the EU levers contributing to the delivery of the Europe 2020 objectives. A wide range of actions at national, EU and international levels are being mobilised to deliver concrete results in relation to the Europe 2020 strategy.

⁽¹⁾ Under the principle of subsidiarity, the Union shall act only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States but can rather, by reason of the scale or effects, be better achieved at Union level. Under the principle of proportionality, the content and form of Union action shall not exceed what is necessary to achieve the objectives of the Treaties. See Article 5 of the TFEU.

⁽²⁾ See Communication from the Commission, Europe 2020, *A strategy for smart, sustainable and inclusive growth*, COM(2010) 2020, 3 March 2010.

2030 Agenda for Sustainable Development ⁽³⁾

Sustainable development has long been at the heart of the European project. The EU Treaties give recognition to its economic, social and environmental dimensions which should be addressed together. The EU is committed to development that meets the needs of the present without compromising the ability of future generations to meet their own needs. The EU budget plays an essential role in many sustainability challenges from youth unemployment to ageing populations, climate change, pollution, sustainable energy and migration. Under the current Commission, sustainable development is mainstreamed in key cross-cutting projects as well as in sectoral policies and initiatives.

The policies supported by the EU budget are implemented in accordance with the Multiannual Financial Framework (MFF) and corresponding sectorial legislation defining spending programmes.

Multiannual Financial Framework and spending programmes

The Multiannual Financial Framework translates the EU's political priorities into financial terms over a period long enough to be effective and to provide a coherent long-term vision for beneficiaries of EU funds and co-financing national authorities. It sets maximum annual amounts (ceilings) for EU expenditure as a whole and for the main categories of expenditure (headings). The sum of the ceilings of all headings gives the total ceiling of commitment appropriations. The Multiannual Financial Framework is adopted by unanimity indicating the agreement of all Member States to the objectives and the level of spending (maximum level of budget commitments and payments), with the consent of the European Parliament.

Interinstitutional agreement

The Multiannual Financial Framework is complemented by the interinstitutional agreement ⁽⁴⁾ which is a political agreement between the European Parliament, the Council and the Commission. The purpose of this agreement, adopted in 2013 in accordance with Article 295 of the TFEU, is to implement budgetary discipline, improve the functioning of the annual budgetary procedure and cooperation between the institutions on budgetary matters as well as to ensure sound financial management.

Annual budget

The annual budget is prepared by the Commission and usually agreed by mid-December by the European Parliament and the Council, based on the procedure of Art. 314 TFEU. According to the principle of budget equilibrium, total revenue must equal total expenditure (payment appropriations) for a given financial year.

The main sources of funding of the EU are own resources revenues which are complemented by other revenues. There are three types of own resources: traditional own resources (such as custom duties and sugar levies), the own resource based on value added tax (VAT) and the own resource based on gross national income (GNI). Other revenues arising from the activities of the EU (e.g. competition fines) normally represent less than 10 % of total revenue. The overall amount of own resources needed to finance the budget is determined by total expenditure less other revenue. In the current MFF the total amount of own resources cannot exceed 1,20 % of the sum of gross national income (GNI) of the Member States.

The EU's operational expenditure covers the various headings of the Multiannual Financial Framework and takes different forms, depending on how the money is paid out and managed. The EU budget is implemented in three management modes:

- Shared management: under this method of budget implementation, tasks are delegated to Member States. About 75 % of the expenditure falls under this management mode covering such areas as agricultural spending and structural actions.
- Direct management: this is where the budget is implemented directly by the Commission services.
- Indirect management: this refers to cases where the Commission confers tasks of implementation of the budget to third parties, such as the EU regulatory agencies or international organisations.

⁽³⁾ Commission communication 'Next steps for a sustainable European future European action for sustainability', SWD(2016) 390 final, 22 November 2016.

⁽⁴⁾ Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management (2013/C 373/01).

Financial Regulation

The Financial Regulation (FR) ⁽⁵⁾ applicable to the general budget is a central act in the regulatory architecture of the EU's finances defining EU financial rules applicable to the EU budget.

2. GOVERNANCE AND ACCOUNTABILITY

2.1. INSTITUTIONAL STRUCTURE

The organisational governance of the EU consists of institutions, agencies and other EU bodies, which are listed in note 9 of the notes to the consolidated financial statements. The European Investment Bank (EIB), the European Investment Fund (EIF) and the European Central Bank (ECB) are not included in the scope of the Financial Regulation. The main institutions, in the sense of being responsible for drafting policies and taking decisions, are the European Parliament, the European Council, the Council and the Commission.

The European Commission is a unique organisation. Under the Treaty, the Commission is responsible for planning, preparing and proposing legislation; for managing EU policies, including the monitoring of implementation of EU legislation and ensuring its enforcement and allocating EU funding; and for representing the EU internationally.

As foreseen in the Treaty ⁽⁶⁾, the Commission implements the budget in cooperation with the Member States. Together, they ensure that the appropriations are used in accordance with the principles of sound financial management. Regulations lay down the control and audit obligations of the Member States in the implementation of the budget and the resulting responsibilities. They also lay down the responsibilities and detailed rules for each institution concerning its part in effecting its own expenditure.

The Commission performs these roles under the leadership of the College of Commissioners, which sets priorities and takes overall political responsibility for the decisions of the Commission. The President, whose role was strengthened by the Nice and Lisbon Treaties, decides on the internal organisation of the Commission, ensuring that it acts consistently, efficiently and as a collegiate body.

The Commission's internal functioning is based on a number of key principles underpinning good governance: clear roles and responsibilities, a strong commitment to performance management and compliance with the legal framework, clear accountability mechanisms, a high quality and inclusive regulatory framework, openness and transparency, and high standards of ethical behaviour.

2.2. THE COMMISSION'S GOVERNANCE STRUCTURE

The European Commission has a unique governance system, with a clear distinction between political and administrative oversight structures and well-defined lines of responsibility and financial accountability ⁽⁷⁾. The system is based on the Treaties and the structure has evolved to adapt to a changing environment and to remain in line with best practice as set out in relevant international standards ⁽⁸⁾.

In 2018, the Commission adopted a 'governance package' ⁽⁹⁾, which significantly streamlined and strengthened its corporate governance arrangements and leveraged recent audit work by the European Court of Auditors ⁽¹⁰⁾ and the Internal Audit Service.

— The College of Commissioners assumes collegial political responsibility for the work of the Commission. Operational implementation of the budget is delegated to Directors-General and Heads of Service who lead the administrative structure of the Commission ⁽¹¹⁾.

⁽⁵⁾ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).

⁽⁶⁾ Treaty on the Functioning of the European Union, Article 317.

⁽⁷⁾ For more details see Communication to the Commission from President Juncker and First Vice-President Timmermans: Governance in the European Commission, C(2017) 6915 final of 11 October 2017, URL: https://ec.europa.eu/info/sites/info/files/c_2017_6915_final_en.pdf.

⁽⁸⁾ E.g. internal control standards are based on the COSO 2013 Internal Control principles.

⁽⁹⁾ https://ec.europa.eu/info/publications/governance-in-the-commission_en. For more details see Communication to the Commission C(2018)7704 "Streamlining and strengthening corporate governance within the European Commission", https://ec.europa.eu/info/sites/info/files/file_import/streamlining-strengthening-corporate-governance-european-commission_en.pdf.

⁽¹⁰⁾ Special Report N° 27/2016 on "Governance at the European Commission – best practice?".

⁽¹¹⁾ As a result, the term 'European Commission' is used to denote both the institution – the College – formed by the Members of the Commission, and its administration managed by the Directors-General of its departments (and heads of other administrative structures such as services, offices and executive agencies).

- The College delegates financial management tasks to the Directors-General or Heads of Service who thereby become Authorising Officers by Delegation (AOD). These tasks can further be delegated to Directors, Heads of Unit and others, who thereby become Authorising Officers by Sub-Delegation. The responsibility of the Authorising Officers covers the entire management process, from determining what needs to be done to achieve the policy objectives set by the institution to managing the activities from both an operational and budgetary standpoint.
- The Audit Progress Committee follows-up implementation of audits, in particular of the Internal Audit Service but also on the basis of European Court of Auditors audits.
- Under the authority of the President, the Corporate Management Board, chaired by the Secretary-General, brings together on a regular basis the Directors-General responsible for budget, human resources and security, and the Director-General of the Legal Service. The Member(s) responsible for budget and administration in the Cabinet of the President, as well as the Head(s) of Cabinet of the Member(s) of the Commission in charge of budget, human resources and administration, are observers. The board provides coordination, oversight, advice and strategic orientations on corporate management issues, in areas including the management of financial and human resources, risk management, performance management, IT governance, cyber- and physical security, business continuity, and information management. In this way, the Corporate Management Board contributes to ensuring that the necessary structures, processes and administrative policies are in place in the Commission to deliver on the political priorities of the College and the tasks entrusted to it by the Treaties in an efficient and effective manner.

2.3. THE COMMISSION'S FINANCIAL MANAGEMENT

In the Commission, the roles and responsibilities in financial management are clearly defined (e.g. in the Financial Regulation) and applied. This is a decentralised approach with clear responsibilities with the aim of creating an administrative culture that encourages civil servants to take responsibility for activities over which they have control and to give them control over the activities for which they are responsible.

The Commission may also delegate the implementation of specific programmes to executive agencies. Expenditure decisions can also be managed via, or together with, another institution or body. A large proportion of the budget is managed under a system of shared management with the Member States, notably in the areas of structural funds and agriculture.

Budget implementation tasks are also entrusted to:

- national agencies;
- the European Investment Bank Group;
- third countries;
- international organisations (e.g. the World Bank or the United Nations);
- other entities.

As authorising officers by delegation, the Directors-General are responsible for the sound financial management of resources. In implementing the EU budget, authorising officers by delegation must comply with the provisions of the Financial Regulation and establish an appropriate internal control framework. Among other things, the internal control objectives focus on:

- effectiveness, efficiency and economy of operations;
- financial control and anti-fraud;
- integrity and ethics;
- the management of human resources;
- reliable reporting;
- communication;
- the safeguarding of assets and information.

Each authorising officer by delegation may rely on one or two senior or middle managers in charge of risk management and internal control to oversee and monitor the implementation of internal control systems. The Commission's central services provide guidance and advice and promote best practices.

Within the context of the Commission's Strategic Planning and Programming cycle, each authorising officer is required to prepare an annual activity report ("AAR") on the activities and policy achievements and results of the year. In the AAR he/she declares that resources have been used based on the principles of sound financial management and that he/she has set in place control procedures which provide the necessary guarantee concerning the legality and regularity of the underlying transactions. At Commission level the Annual Management and Performance Report for the EU budget is the main instrument through which **the College of Commissioners takes political responsibility for the management of the budget.**

The Accounting Officer of the Commission is centrally responsible for the treasury management, recovery procedures, laying down accounting rules based on International Public Sector Accounting Standards and methods, validating accounting systems and the preparation of the Commission's and consolidated annual accounts of the EU. Furthermore, the Accounting Officer is required to sign the annual accounts declaring that they present fairly, in all material aspects, the financial position, the results of the operations and the cash flows of the Union. The annual accounts are adopted by the College of Commissioners. The Accounting Officer is an independent function and bears a major responsibility as regards financial reporting in the Commission. The Internal Auditor of the Commission is likewise a centralised and independent function and provides independent advice, opinions and recommendations on the quality and functioning of internal control systems inside the Commission, EU agencies and other autonomous bodies.

2.4. PERFORMANCE FRAMEWORK

Implementing robust performance frameworks is essential for ensuring a strong focus on results, EU added value and sound management of EU programmes. The performance framework of the EU budget is highly specified, scoring higher than any Organisation for Economic Co-operation and Development (OECD) country in the standard index of performance budgeting frameworks. The EU budget performance framework reports on several types and levels of strategic goals, objectives and targets, including the Europe 2020 strategy and other political priorities. It must also take account of the complementarity and mainstreaming of policies and programmes and the key role of the Member States in implementing the EU Budget.

- Objectives, indicators and targets are strongly featured in the programmes' legal basis and every year the Commission reports on them through the **Programme Statements** that accompany the draft budget. They provide all of the key information that is necessary for careful programme scrutiny and performance measurement: this includes 7-year financial commitments; programme performance baselines (starting points for policy action); end-goals (to be achieved at the end of the multi-annual programming period); and intermediate milestones.
- To ensure resources are allocated to priorities and that every action brings high performance and added value, the Commission promotes a performance culture across the Commission services. Moreover, over the past years it has developed an approach that promotes a better balance between compliance and performance.
- The **Annual Management and Performance Report for the EU budget** provides a comprehensive overview on the performance, management and protection of the EU budget. It explains how the EU budget supports the European Union's political priorities, the results achieved with the EU budget, and the role the Commission plays in ensuring and promoting the highest standards of budgetary and financial management.
- The European Court of Auditors takes a systematic and thorough approach to assessing the qualitative aspects of budgeting, including the performance dimension, as a normal part of its annual reporting and through special reports.

All of these elements place the budget authority in a strong position to take performance into account as a significant factor in deciding on the next annual budget.

2.5. FINANCIAL REPORTING

The main element of EU financial reporting is the **Integrated Financial and Accountability Reporting** of the EU, which comprises the consolidated annual accounts of the EU, the Annual Management and Performance Report for the budget, which includes the evaluation report according to Art. 247(1) (e) FR, the annual internal audit report, a long-term forecast of future inflows and outflows covering the next five years and the report on the follow-up to the discharge. The Integrated Financial and Accountability Reporting provides the public with a comprehensive view of the financial and operational situation of the EU each year.

The consolidated annual accounts of the EU provide financial information on the activities of the institutions, agencies and other bodies of the EU from both an accrual accounting and budgetary perspective. These accounts do not encompass the annual accounts of Member States.

The consolidated annual accounts of the EU consist of two separate but linked parts:

- a) the consolidated financial statements; and
- b) the reports on implementation of the budget, which provide an aggregated record of budget implementation.

In addition, the consolidated annual accounts of the EU are accompanied by a Financial Statement Discussion and Analysis (FSDA), which summarises significant changes and trends in the financial statements and explains significant risks and uncertainties the EU has faced and needs to address in future.

Reporting and Accountability in the Commission:

Integrated Financial & Accountability Reporting Article 247 FR	<ul style="list-style-type: none"> — Consolidated Annual Accounts of the EU — Annual Management and Performance Report for the EU budget (incl. reporting on the evaluation of the EU finances) — Annual internal audit report — A long-term forecast of future in- and outflows for 5 years — Report on the follow up to the discharge
Other reports	<ul style="list-style-type: none"> — Communication package at the occasion of the State of the Union address — General Report on the activities of the EU — Annual Activity Reports of the Directorates-General — Report on Budgetary and Financial Management

2.6. EXTERNAL AUDIT AND DISCHARGE PROCEDURE

External audit

The European Court of Auditors (ECA) is the external auditor of the EU institutions (and bodies). The ECA's mission is to contribute to improving EU financial management, promote accountability and transparency, and act as the independent guardian of the financial interests of the citizens of the EU. Its role as the EU's independent external auditor is to check that EU funds are correctly accounted for, are collected and spent in accordance with the relevant rules and regulations and have achieved value for money.

As part of its activities, the ECA draws up for the use of the European Parliament and the Council:

- (1) an annual report on the activities financed from the general budget, detailing its observations on the EU annual accounts and underlying transactions;
- (2) an opinion, based on its audits and included in the annual report in the form of a statement of assurance, on (i) the reliability of the accounts and (ii) the legality and regularity of the underlying transactions involving both revenue collected and payments to final beneficiaries; and
- (3) special reports covering specific areas as well as specific annual reports (on e.g. the European Development Fund, on EU Agencies).

Discharge

The final step of the budget lifecycle is the discharge procedure for a given financial year. It represents the political dimension of the external control of budget implementation and is the decision by which the "Discharge Authority" (i.e. the European Parliament, acting on a Council recommendation) "releases" the Commission (and other EU bodies) from its responsibility for the management of a given budget. This decision is based on an examination of the EU consolidated annual accounts and a set of Commission reports (the Annual Management and Performance Report for the EU budget, the report on the follow-up to the previous year's discharge and the annual report to the discharge authority on internal audits carried out) as well as on the European Court of Auditors' Annual Report, audit opinion (the "Statement of Assurance") and Special Reports. It also takes account of the Commission written replies to questions and other information requests as well as hearings of the Budget Commissioner, Commissioners and Directors-General responsible for the main spending areas and the Secretary General before the European Parliament's Budgetary Control Committee (CONT).

The outcome of the discharge procedure may be threefold: granting, postponement or refusal of the discharge. The final discharge reports also include specific requests addressed to the Commission by both the European Parliament and the Council. These requests are subject to a follow up report in which the Commission outlines the concrete actions it has already taken or intends to take.

NOTE ACCOMPANYING THE CONSOLIDATED ACCOUNTS

The consolidated annual accounts of the European Union for the year 2018 have been prepared on the basis of the information presented by the institutions and bodies under Article 246(2) of the Financial Regulation applicable to the general budget of the European Union. I hereby declare that they were prepared in accordance with Title XIII of this Financial Regulation and with the accounting principles, rules and methods set out in the notes to the financial statements.

I have obtained from the accounting officers of these institutions and bodies, who certified its reliability, all the information necessary for the production of the accounts that show the European Union's assets and liabilities and the budgetary implementation.

I hereby certify that based on this information, and on such checks as I deemed necessary to sign off the accounts of the European Commission, I have a reasonable assurance that the accounts present fairly, in all material aspects, the financial position, the results of the operations and the cashflows of the European Union.

Rosa ALDEA BUSQUETS

Accounting Officer of the Commission

21 June 2019

HIGHLIGHTS OF THE FINANCIAL YEAR 2018

Implementation of the 2018 Union budget

The 2018 adopted budget focused on two main policy priorities for Europe among the ten priorities set by President Juncker at the beginning of this Commission's mandate. One was a European response to the new challenges deriving from the complex geopolitical environment, from migration management to the protection of the EU's external borders and the security of its citizens. The other was strategic investment and sustainable growth, to support economic cohesion, and create jobs, in particular for young people. In addition to these two clear priorities, in 2018, the EU budget and other instruments continued to support farmers and rural development, and deepened and strengthened the strategic interconnectors and networks between EU countries with the implementation of the digital single market and the energy union. The Commission continued to support the external projection of the EU as a key economic and political partner as well as a leading international provider of investment and humanitarian assistance.

The implementation of the EU budget in 2018 totalled EUR 173,1 billion in commitment appropriations, and EUR 156,7 billion in payment appropriations.

Nearly half of the funds – EUR 87,4 billion in commitment appropriations were aimed at stimulating smart and inclusive **growth, jobs, competitiveness and cohesion**. This included funding for research and innovation under Horizon 2020, education under Erasmus+, small and medium-sized enterprises under the COSME programme, the Connecting Europe Facility (CEF), the guarantee fund for the European Fund for Strategic Investments (EFSI) which is the tool behind the Investment Plan for Europe, and fostering convergence among Member States and among regions through the European Structural and Investment Funds (ESIF). Moreover, the EU budget support to **European farmers** amounted to EUR 44,4 billion in payments made.

The budget was also used to reinforce the **external borders** of the Union and address the **migration and refugee crisis** by funding actions including emergency assistance, relocation, border control, resettlement, return and integration of refugees and asylum-seekers. Finally, the budget continued to fund programmes to support the protection of justice and fundamental rights as well as social cohesion so that our European societies remain inclusive, free and fair.

The United Kingdom's withdrawal from the European Union*Background*

On 23 June 2016 a majority of the citizens of the United Kingdom who voted in the referendum on membership of the European Union voted to leave the EU. On 29 March 2017, the United Kingdom formally notified the European Council of its intention to leave the EU and the European Atomic Energy Community (Euratom). In doing so, it triggered Article 50 of the Treaty on European Union, which sets out the procedure for a Member State to withdraw from the Union.

The negotiation process

On 19 March 2018 the Commission published a draft of the Withdrawal Agreement that outlined the progress made in the negotiations. In the financial settlement part of the draft Withdrawal Agreement, the EU and the UK translated the progress achieved in the first phase of negotiations into a legal text.

A Joint Report was published on 14 November 2018 reporting agreement at negotiators' level on the full text of the draft Withdrawal Agreement, and on an outline of the Political Declaration on the framework for the future relationship between the United Kingdom and the European Union. On the same day, this updated and agreed draft Withdrawal Agreement was published, in which the UK agreed to pay all its obligations under the current Multiannual Financial Framework (MFF) and previous financial perspectives as if it were still a Member State, including its share of the Union's liabilities and contingent liabilities. The UK government approved the draft Withdrawal Agreement on the 14 November and the European Council endorsed it on 25 November 2018. On 11 January 2019, the Council (Article 50) approved the decision on the conclusion of the Withdrawal Agreement and sent it to the European Parliament for its consent. On the request of the United Kingdom, in accordance with the procedure set in the Article 50 of the TFEU, on 21 March 2019 the European Council agreed to extend the UK's departure date to 22 May 2019, provided the Withdrawal Agreement was approved by the House of Commons by 29 March 2019 at the latest and to the 12 April 2019 if it was not the case⁽¹²⁾. Subsequent to this, the House of Commons did not approve the Withdrawal Agreement by 29 March 2019 and so, again on the request of the United Kingdom, on 10 April 2019 the European Council agreed to an extension to the UK's departure until 31 October 2019⁽¹³⁾. The withdrawal should take place on the first day of the month following the completion of the ratification procedures or on 1 November 2019, whichever is the earliest. The United Kingdom will remain a Member State until the new withdrawal date, with full rights and obligations in accordance with Article 50 TEU, and the United Kingdom has a right to revoke its notification at any time.

Financial settlement and the 2018 EU annual accounts

With regard to the financial settlement, it was stated in the draft Withdrawal Agreement published on 14 November 2018, that the UK would pay all its obligations under the current MFF and previous financial perspectives as if it were still a Member State. More specifically, the draft Withdrawal Agreement states that the United Kingdom shall in particular be liable to the Union for its share of:

- The budgetary commitments of the Union budget and of the budgets of the Union decentralised agencies outstanding on 31 December 2020 – see Article 140 of the draft Withdrawal Agreement;
- The financing of the Union's liabilities incurred until 31 December 2020, with certain exceptions – see Article 142;
- The contingent financial liabilities of the Union arising from financial operations decided/approved before the withdrawal date – see Articles 143 & 144; and
- The payments required to discharge the contingent liabilities of the Union that become due related to legal cases concerning financial interests of the Union (provided that the facts forming the subject matter of those cases occurred no later than 31 December 2020) – see Article 147.

At the time of the signature of these accounts, and in the absence of ratification by the United Kingdom, the actual departure date and manner of departure (with or without agreement) is not yet known. Based on this current situation, there is no financial impact to be reported in the 2018 consolidated EU annual accounts.

⁽¹²⁾ European Council Decision (EU) 2019/476 taken in agreement with the United Kingdom of 22 March 2019 extending the period under Article 50(3)TEU (OJ L 80I, 22.3.2019, p. 1).

⁽¹³⁾ European Council Decision (EU) 2019/584 taken in agreement with the United Kingdom of 11 April 2019 extending the period under Article 50(3) TEU (OJ L 101, 11.4.2019, p. 1)

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES ⁽¹⁴⁾

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⁽¹⁴⁾ It should be noted that due to the rounding of figures into millions of euros, some financial data in the tables below may appear not to add up.

BALANCE SHEET

EUR million

	Note	31.12.2018	31.12.2017
NON-CURRENT ASSETS			
Intangible assets	2.1	446	405
Property, plant and equipment	2.2	11 185	10 745
Investments accounted for using the equity method	2.3	591	581
Financial assets	2.4	65 231	59 980
Pre-financing	2.5	26 006	25 022
Exchange receivables and non-exchange recoverables	2.6	416	611
		103 875	97 344
CURRENT ASSETS			
Financial assets	2.4	4 168	8 655
Pre-financing	2.5	23 968	24 005
Exchange receivables and non-exchange recoverables	2.6	24 248	11 755
Inventories	2.7	73	295
Cash and cash equivalents	2.8	18 113	24 111
		70 570	68 821
TOTAL ASSETS		174 444	166 165
NON-CURRENT LIABILITIES			
Pension and other employee benefits	2.9	(80 456)	(73 122)
Provisions	2.10	(3 281)	(2 880)
Financial liabilities	2.11	(53 289)	(50 063)
		(137 025)	(126 065)
CURRENT LIABILITIES			
Provisions	2.10	(852)	(659)
Financial liabilities	2.11	(2 617)	(6 850)
Payables	2.12	(32 227)	(39 048)
Accrued charges and deferred income	2.13	(63 186)	(63 902)
		(98 882)	(110 459)
TOTAL LIABILITIES		(235 907)	(236 524)
NET ASSETS			
Reserves	2.14	4 961	4 876
Amounts to be called from Member States (*)	2.15	(66 424)	(75 234)
NET ASSETS		(61 463)	(70 359)

(*) The European Parliament adopted a budget on 12 December 2018 which provides for the payment of the Union's short-term liabilities from own resources to be collected by, or called up from, the Member States in 2019. Additionally, under Article 83 of the Staff Regulations (Council Regulation 259/68 of 29 February 1968 as amended), the Member States shall jointly guarantee the liability for pensions.

STATEMENT OF FINANCIAL PERFORMANCE

EUR million

	Note	2018	2017
REVENUE			
Revenue from non-exchange transactions			
GNI resources	3.1	105 780	78 620
Traditional own resources	3.2	22 767	20 520
VAT resources	3.3	17 624	16 947
Fines	3.4	6 740	4 664
Recovery of expenses	3.5	2 215	1 879
Other	3.6	3 312	10 376
		158 438	133 006
Revenue from exchange transactions			
Financial revenue	3.7	3 115	1 845
Other	3.8	1 379	1 332
		4 494	3 177
Total Revenue		162 932	136 183
EXPENSES			
Implemented by Member States	3.9		
European Agricultural Guarantee Fund		(43 527)	(44 289)
European Agricultural Fund for Rural Development and other rural development instruments		(13 149)	(11 359)
European Regional Development Fund and Cohesion Fund		(30 230)	(17 650)
European Social Fund		(11 935)	(7 353)
Other		(2 826)	(1 253)
Implemented by the Commission, executive agencies and trust funds	3.10	(17 551)	(15 738)
Implemented by other EU agencies and bodies	3.11	(3 396)	(2 667)
Implemented by third countries and international organisations	3.11	(4 016)	(4 115)
Implemented by other entities	3.11	(3 569)	(1 478)
Staff and pension costs	3.12	(10 929)	(10 002)
Changes in employee benefits actuarial assumptions	3.13	—	(3 544)
Finance costs	3.14	(1 677)	(1 896)
Other expenses	3.15	(6 208)	(6 756)
Total Expenses		(149 014)	(128 101)
ECONOMIC RESULT OF THE YEAR		13 918	8 082

CASHFLOW STATEMENT

EUR million

	2018	2017
<i>Economic result of the year</i>	13 918	8 082
Operating activities		
<i>Amortisation</i>	104	99
<i>Depreciation</i>	998	888
<i>(Reversal of) impairment losses on investments</i>	—	—
<i>(Increase)/decrease in loans</i>	1 041	497
<i>(Increase)/decrease in pre-financing</i>	(947)	(3 557)
<i>(Increase)/decrease in exchange receivables and non-exchange recoverables</i>	(12 299)	(745)
<i>(Increase)/decrease in inventories</i>	222	(130)
<i>Increase/(decrease) in pension and other employee benefits</i>	7 334	5 891
<i>Increase/(decrease) in provisions</i>	594	928
<i>Increase/(decrease) in financial liabilities</i>	(1 007)	(438)
<i>Increase/(decrease) in payables</i>	(6 821)	(957)
<i>Increase/(decrease) in accrued charges and deferred income</i>	(716)	(3 678)
<i>Prior year budgetary surplus taken as non-cash revenue</i>	(556)	(6 405)
<i>Remeasurement of employee benefits liability (non-cash movement not included in statement of financial performance)</i>	(4 396)	—
<i>Other non-cash movements</i>	(71)	3
Investing activities		
<i>(Increase)/decrease in intangible assets and property, plant and equipment</i>	(1 583)	(1 687)
<i>(Increase)/decrease in investments accounted for using the equity method</i>	(9)	(53)
<i>(Increase)/decrease in available for sale financial assets</i>	(1 811)	(3 190)
<i>(Increase)/decrease in financial assets at fair value through surplus or deficit</i>	7	(22)
NET CASHFLOW	(5 998)	(4 474)
<i>Net increase/(decrease) in cash and cash equivalents</i>	(5 998)	(4 474)
<i>Cash and cash equivalents at the beginning of the year</i>	24 111	28 585
<i>Cash and cash equivalents at year-end</i>	18 113	24 111

STATEMENT OF CHANGES IN NET ASSETS

EUR million

	Amounts to be called from Member States Accumulated Surplus/(Deficit)	Other reserves	Fair value reserve	Net Assets
BALANCE AS AT 31.12.2016	(76 881)	4 516	325	(72 040)
<i>Movement in Guarantee Fund reserve</i>	(20)	20	—	—
<i>Fair value movements</i>	—	—	(2)	(2)
<i>Other</i>	(11)	62	(46)	5
<i>2016 budget result credited to Member States</i>	(6 405)	—	—	(6 405)
<i>Economic result of the year</i>	8 082	—	—	8 082
BALANCE AS AT 31.12.2017	(75 234)	4 598	278	(70 359)
<i>Movement in Guarantee Fund reserve</i>	(186)	186	—	—
<i>Fair value movements</i>	—	—	(47)	(47)
<i>Remeasurements in employee benefits liabilities</i>	(4 396)	—	—	(4 396)
<i>Other</i>	30	(54)	—	(24)
<i>2017 budget result credited to Member States</i>	(556)	—	—	(556)
<i>Economic result of the year</i>	13 918	—	—	13 918
BALANCE AS AT 31.12.2018	(66 424)	4 730	231	(61 463)

NOTES TO THE FINANCIAL STATEMENTS**1. SIGNIFICANT ACCOUNTING POLICIES****1.1. LEGAL BASIS AND ACCOUNTING RULES**

The accounts of the EU are kept in accordance with Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 ⁽¹⁵⁾ hereinafter referred to as the 'Financial Regulation' (FR).

In accordance with Article 80 of the Financial Regulation, the EU prepares its financial statements on the basis of accrual-based accounting rules that are based on International Public Sector Accounting Standards (IPSAS). These accounting rules, adopted by the Accounting Officer of the Commission, have to be applied by all the institutions and EU bodies falling within the scope of consolidation in order to establish a uniform set of rules for accounting, valuation and presentation of the accounts with a view to harmonising the process for drawing up the financial statements and consolidation.

Application of new and amended European Union accounting rules (EAR)

Revised EAR which is effective for annual periods beginning on or after 1 January 2018

The following accounting rules, adopted by the Accounting Officer of the Commission, became mandatorily effective in the current year:

- Revision of EAR 12 "Employee Benefits": The revised EAR 12 was adopted by the Accounting Officer in 2017 which is based on the new IPSAS 39 "Employee Benefits" published in July 2016. For the first application of the revised EAR 12 there were no significant impacts on the EU consolidated financial statements, aside from the recognition of any gain or loss resulting from changes in the actuarial assumptions, which under the revised EAR is recognised directly in net assets, in contrast with the previous requirement to recognise in surplus or deficit.

New EAR adopted but not yet effective at 31 December 2018

The EU has not applied the following new EAR, which have been adopted by the Accounting Officer of the Commission, but which is not yet effective:

- New EAR 20 "Public Sector Combinations" (effective for annual periods beginning on or after 1 January 2019): The EAR 20, which is based on the IPSAS 40 "Public Sector Combinations", establishes the classification of a public sector combination into two different types depending on whether the transaction takes place under common control or not: (i) amalgamation, in which the transaction is based on the carrying amounts of the entity combined with the EU; and (ii) acquisition, in which the transaction is based on the acquisition date fair values of the entity acquired by the EU. Both have distinct requirements and levels of disclosure, in order to provide a better understanding of its effects to users of the financial statements of the EU.

The impact on the EU financial statements in the year of initial application will depend on whether in that period the EU would enter into a public sector combination transaction.

1.2. ACCOUNTING PRINCIPLES

The objective of financial statements is to provide information about the financial position, performance and cashflows of an entity that is useful to a wide range of users. For the EU as a public sector entity, the objectives are more specifically to provide information useful for decision-making, and to demonstrate the accountability of the entity for the resources entrusted to it. It is with these goals in mind that the present document has been drawn up.

The overall considerations (or accounting principles) to be followed when preparing the financial statements are laid down in EU accounting rule 1 "Financial Statements" and are the same as those described in IPSAS 1: fair presentation, accrual basis, going concern, consistency of presentation, materiality, aggregation, offsetting and comparative information. The qualitative characteristics of financial reporting are relevance, faithful representation (reliability), understandability, timeliness, comparability and verifiability.

⁽¹⁵⁾ OJ L 193, 30.7.2018, p. 1.

1.3. CONSOLIDATION

Scope of consolidation

The consolidated financial statements of the EU comprise all significant controlled entities (i.e. the EU institutions (including the Commission) and the EU agencies), associates and joint ventures. The complete list of consolidated entities can be found in note 9 of the EU financial statements. It now comprises 52 controlled entities and 1 associate. Entities that fall under the consolidation scope, but which are immaterial to the EU consolidated financial statements as a whole, need not be consolidated or accounted for using equity method where to do so would result in excessive time or cost to the EU. Those entities are referred to as 'Minor entities' and are separately listed in note 9. In 2018, 7 entities have been classified as minor entities.

Controlled entities

The decision to include an entity in the scope of consolidation is based on the control concept. Controlled entities are all entities for which the EU is exposed, or has right, to variable benefits from its involvement and has the ability to affect the nature and amount of those benefits through its power over the other entity. This power must be presently exercisable and must relate to the relevant activities of the entity. Controlled entities are fully consolidated. The consolidation begins at the first date on which control exists, and ends when such control no longer exists.

The most common indicators of control within the EU are: creation of the entity through founding treaties or secondary legislation, financing of the entity from the EU budget, the existence of voting rights in the governing bodies, audit by the European Court of Auditors and discharge by the European Parliament. An individual assessment for each entity is made in order to decide whether one or all of the criteria listed above are sufficient to result in control.

Under this approach, the EU's institutions (except the European Central Bank) and agencies (excluding the agencies of the former 2nd pillar) are considered as under the exclusive control of the EU and are therefore included in the consolidation scope. Furthermore, the European Coal and Steel Community (ECSC) in Liquidation is also considered as a controlled entity.

All material "inter-entity transactions and balances" between EU controlled entities are eliminated, while unrealised gains and losses on such transactions are not material and so have not been eliminated.

Joint Arrangements

A joint arrangement is an agreement over which the EU and one or more parties have joint control. Joint control is contractually agreed sharing of control over an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of parties sharing control. Joint agreements can be either joint operations or joint ventures. In case a joint arrangement is structured through a separate vehicle and parties to the joint arrangement have rights to the net assets of the arrangement, this joint arrangement classifies as a joint venture. Participations in joint ventures are accounted for using the equity method (see note 1.5.4). In case the parties have rights to the assets, and obligations for the liabilities, related to the arrangement, this joint arrangement is classified as a joint operation. In relation to its interest in joint operations, the EU recognises in its financial statements: its assets and liabilities, revenue and expense, as well as its share of assets, liabilities, revenue and expense held or incurred jointly.

Associates

Associates are entities over which the EU has, directly or indirectly, significant influence but not control. It is presumed that significant influence exists if the EU holds directly or indirectly 20 % or more of the voting rights. Participations in associates are accounted for using the equity method (see note 1.5.4).

Non-consolidated entities the funds of which are managed by the Commission

The funds of the Joint Sickness Insurance Scheme for staff of the EU, the European Development Fund and the Participants Guarantee Fund are managed by the Commission on their behalf. However, since these entities are not controlled by the EU, they are not consolidated in its financial statements.

1.4. BASIS OF PREPARATION

Financial statements are presented annually. The accounting year begins on 1 January and ends on 31 December.

1.4.1. *Currency and basis for conversion*

Functional and reporting currency

The financial statements are presented in millions of euros, unless stated otherwise, the euro being the EU's functional and reporting currency.

Transactions and balances

Foreign currency transactions are translated into euros using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the re-translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of financial performance. Translation differences on non-monetary financial instruments classified as available for sale financial assets are included in the fair value reserve.

Different conversion methods apply to property, plant and equipment and intangible assets, which retain their value in euros at the rate that applied at the date when they were purchased.

Year-end balances of monetary assets and liabilities denominated in foreign currencies are converted into euros on the basis of the European Central Bank (ECB) exchange rates applying on 31 December:

Euro exchange rates

Currency	31.12.2018	31.12.2017	Currency	31.12.2018	31.12.2017
BGN	1,9558	1,9558	PLN	4,3014	4,177
CZK	25,7240	25,5350	RON	4,6635	4,6585
DKK	7,4673	7,4449	SEK	10,2548	9,8438
GBP	0,8945	0,8872	CHF	1,1269	1,1702
HRK	7,4125	7,4400	JPY	125,8500	135,01
HUF	320,9800	310,3300	USD	1,145	1,1993

1.4.2. *Use of estimates*

In accordance with IPSAS and generally accepted accounting principles, the financial statements necessarily include amounts based on estimates and assumptions by management based on the most reliable information available. Significant estimates include, but are not limited to: amounts for employee benefit liabilities, provisions, financial risk on inventories and accounts receivable, accrued revenue and charges, contingent assets and liabilities, degree of impairment of intangible assets and property, plant and equipment and amounts disclosed in the notes concerning financial instruments. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known.

1.5. BALANCE SHEET

1.5.1. *Intangible assets*

Acquired computer software licences are stated at historical cost less accumulated amortisation and impairment losses. The assets are amortised on a straight-line basis over their estimated useful lives (311 years). The estimated useful lives of intangible assets depend on their specific economic lifetime or legal lifetime determined by an agreement. Internally developed intangible assets are capitalised when the relevant criteria of the EU accounting rules are met and the expenses relate solely to the development phase of the asset. The costs capitalisable include all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by management. Costs associated with research activities, non-capitalisable development costs and maintenance costs are recognised as expenses as incurred.

1.5.2. *Property, plant and equipment*

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition, construction or transfer of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits or service potential associated with the item will flow to the EU and its cost can be measured reliably. Repairs and maintenance costs are charged to the statement of financial performance during the financial period in which they are incurred.

Land and works of art are not depreciated as they are deemed to have an indefinite useful life. Assets under construction are not depreciated, as these assets are not yet available for use. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Type of asset	Straight line depreciation rate
<i>Buildings</i>	4 % to 10 %
<i>Space assets</i>	8 % to 25 %
<i>Plant and equipment</i>	10 % to 25 %
<i>Furniture and vehicles</i>	0 % to 25 %
<i>Computer hardware</i>	25 % to 33 %
<i>Other</i>	10 % to 33 %

Gains or losses on disposals are determined by comparing proceeds less selling expenses with the carrying amount of the disposed asset and are included in the statement of financial performance.

Leases

Leases of tangible assets, where the EU has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The interest element of the finance lease payment is charged to expenditure over the period of the lease at a constant periodic rate in relation to the balance outstanding. The rental obligations, net of finance charges, are included in financial liabilities (non-current and current). The interest element of the finance cost is charged to the statement of financial performance over the lease period so as to produce a constant periodic interest rate on the remaining balance of the liability for each period. The assets held under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

Leases where the lessor retains a significant portion of the risks and rewards inherent to ownership are classified as operating leases. Operating lease payments are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term.

1.5.3. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation/depreciation and are tested annually for impairment. Assets that are subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable (service) amount. The recoverable (service) amount is the higher of an asset's fair value less costs to sell and its value in use.

Intangible assets and property, plant and equipment residual values and useful lives are reviewed, and adjusted if appropriate, at least once per year. An asset's carrying amount is written down immediately to its recoverable (service) amount if the asset's carrying amount is greater than its estimated recoverable (service) amount. If the reasons for impairments recognised in previous years no longer apply, the impairment losses are reversed accordingly.

1.5.4. Investments accounted for using the equity method

Participations in associates and joint ventures

Investments accounted for using the equity method are initially recognised at cost, being the carrying amount subsequently increased or decreased to recognise the EU's share of the surplus or deficit of the investee after the date of acquisition. The EU's share of the investee's surplus or deficit is recognised in the statement of financial performance, and its share of investee's movements in equity is recognised in the reserves within net assets. The initial cost together with all movements (further contributions, share of economic results and reserve movements, impairments and dividends) give the book value of the investment in the financial statements at the balance sheet date. Distributions received from the investment reduce the carrying amount of the asset.

If the EU's share of deficits of an investment accounted for using the equity method equals or exceeds its interest in the investment, the EU discontinues recognising its share of further losses ("unrecognised losses"). After the EU's interest is reduced to zero, additional losses are provided for and a liability is recognised only to the extent that the EU has incurred legal or constructive obligation or made payments on behalf of the entity.

If there are indications of impairment, a write-down to the lower recoverable amount is necessary. The recoverable amount is determined as described under note 1.5.3. If the reason for impairment ceases to apply at a later date, the impairment loss is reversed to the carrying amount that would have been determined had no impairment loss been recognised.

In cases where the EU holds 20 % or more of an investment capital fund, it does not seek to exert significant influence. Such funds are therefore treated as financial instruments and categorised as available for sale financial assets.

Associates and joint ventures classified as minor entities are not accounted for under the equity method. EU contributions to those entities are accounted for as an expense of the period.

1.5.5. *Financial assets*

Classification

The EU classifies their financial assets in the following categories: financial assets at fair value through surplus or deficit; loans and receivables; held-to-maturity investments; and available for sale financial assets. The classification of financial instruments is determined at initial recognition and re-evaluated at each balance sheet date.

(i) *Financial assets at fair value through surplus or deficit*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the entity. Derivatives are also categorised in this category. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the EU provides money, goods or services directly to a debtor with no intention of trading the receivable, or in case the EU is subrogated to the rights of the original lender following a payment made by the EU under a guarantee contract. Payments due within 12 months of the balance sheet date are classified as current assets. Payments due after 12 months from the balance sheet date are classified as non-current assets. Loans and receivables include term deposits with the original maturity above three months.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the EU has the positive intention and ability to hold to maturity. During this financial year, the EU did not hold any investments in this category.

(iv) *Available for sale financial assets*

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are classified as either current or non-current assets, depending on the period of time the EU expects to hold them. Investments in entities that are neither consolidated nor accounted for using the equity method and other equity-type investments (e.g. Risk Capital Operations) are also classified as available for sale financial assets.

Initial recognition and measurement

Purchases and sales of financial assets at fair value through surplus or deficit, held-to-maturity and available for sale are recognised on trade-date – the date on which the EU commits to purchase or sell the asset. Cash equivalents and loans are recognised when cash is deposited in a financial institution or advanced to borrowers. Financial instruments are initially recognised at fair value. For all financial assets not carried at fair value through surplus or deficit transactions costs are added to the fair value at initial recognition. Financial assets carried at fair value through surplus or deficit are initially recognised at fair value and transaction costs are expensed in the statement of financial performance.

The fair value of a financial asset on initial recognition is normally the transaction price (i.e. the fair value of the consideration received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets (e.g. in case of some derivative contracts). However, when a long-term loan that carries no interest or an interest below market conditions is granted, its fair value can be estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument with a similar credit rating.

Loans granted are measured at their nominal amount, which is considered to be the fair value of the loan. The reasoning for this is as follows:

- The “market environment” for EU lending is very specific and different from the capital market used to issue commercial or government bonds. As lenders in these markets have the opportunity to choose alternative investments, the opportunity possibility is factored into market prices. However, this opportunity for alternative investments does not exist for the EU, which is not allowed to invest money on the capital markets; it only borrows funds for the purpose of lending at the same rate. This means that there is no alternative lending or investment option available to the EU for the sums borrowed. Thus, there is no opportunity cost and therefore no basis of comparison with market rates. In fact, the EU lending operation itself represents the market. Essentially, since the opportunity cost “option” is not applicable, the market price does not fairly reflect the substance of the EU lending transactions. Therefore, it is not appropriate to determine the fair value of EU lending with reference to commercial or government bonds.
- Furthermore, as there is no active market or similar transactions to compare with, the interest rate to be used by the EU for fair valuing its lending operations under the EFSM, BOP and other such loans, should be the interest rate charged.
- In addition, for these loans, there are compensating effects between loans and borrowings due to their back-to-back character. Thus, the effective interest for the loan equals the effective interest rate for the related borrowings. The transaction costs incurred by the EU and then recharged to the beneficiary of the loan are directly recognised in the statement of financial performance.

Financial instruments are derecognised when the rights to receive cashflows from the investments have expired or the EU has transferred substantially all risks and rewards of ownership to another party.

Subsequent measurement

- a) Financial assets at fair value through surplus or deficit are subsequently carried at fair value. Gains and losses arising from changes in the fair value of the ‘financial instruments at fair value through surplus or deficit’ category are included in the statement of financial performance in the period in which they arise.
- b) Loans and receivables are carried at amortised cost using the effective interest method. In the case of loans granted on borrowed funds, the same effective interest rate is applied to both the loans and borrowings since these loans have the characteristics of ‘back-to-back operations’ and the differences between the loan and the borrowing conditions and amounts are not material. The transaction costs incurred by the EU and then recharged to the beneficiary of the loan are directly recognised in the statement of financial performance.
- c) Held to maturity assets are carried at amortised cost using the effective interest method. The EU currently holds no held to maturity investments.
- d) Available for sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available for sale financial assets are recognised in the fair value reserve, except for translation differences on monetary assets, which are recognised in the statement of financial performance. When assets classified as available for sale financial assets are derecognised or impaired, the cumulative fair value adjustments previously recognised in the fair value reserve are recognised in the statement of financial performance. Interest on available for sale financial assets calculated using the effective interest method is recognised in the statement of financial performance. Dividends on available for sale equity instruments are recognised when the EU’s right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities and over-the-counter derivatives), the EU establishes a fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cashflow analysis, option pricing models and other valuation techniques commonly used by market participants.

Investments in Venture Capital Funds, classified as available for sale financial assets, which do not have a quoted market price in an active market are valued at the attributable net asset value, which is considered as an equivalent of their fair value.

In cases where the fair value of investments in equity instruments that do not have a quoted market price in an active market cannot be reliably measured, these investments are valued at cost less impairment losses.

Impairment of financial assets

A financial asset is impaired and a loss is recognised if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cashflows of the financial asset that can be reliably estimated. The EU assesses at each reporting date whether there is objective evidence that a financial asset is impaired.

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cashflows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of financial performance. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The calculation of the present value of the estimated future cashflows of a collateralised financial asset reflects the cashflows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of financial performance.

(b) Assets carried at fair value

In the case of equity investments classified as available for sale financial assets, a significant or permanent (prolonged) decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of financial performance – is removed from reserves and recognised in the statement of financial performance. Impairment losses recognised in the statement of financial performance on equity instruments are not reversed through the statement of financial performance. If, in a subsequent period, the fair value of a debt instrument classified as available for sale financial asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the statement of financial performance.

1.5.6. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other directly attributable costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. When inventories are held for distribution at no charge or for a nominal charge, they are measured at the lower of cost and current replacement cost. Current replacement cost is the cost the EU would incur to acquire the asset on the reporting date.

1.5.7. Pre-financing amounts

Pre-financing is a payment intended to provide the beneficiary with a cash advance, i.e. a float. It may be split into a number of payments over a period defined in the particular contract, decision, agreement or basic legal act. The float or advance is either used for the purpose for which it was provided during the period defined in the agreement or it is repaid. If the beneficiary does not incur eligible expenditure, they have the obligation to return the pre-financing advance to the EU. The amount of the pre-financing may be reduced (wholly or partially) by the acceptance of eligible costs (which are recognised as expenses).

Pre-financing is, on subsequent balance sheet dates, measured at the amount initially recognised on the balance sheet less eligible expenses (including estimated amounts where necessary) incurred during the period.

Interest on pre-financing is recognised as it is earned in accordance with the provisions of the relevant agreement. An estimate of the accrued interest revenue, based on the most reliable information, is made at the year-end and included on the balance sheet.

Other advances to Member States which originate from reimbursement by the EU of amounts paid as advances by the Member States to their beneficiaries (including “financial instruments under shared management”) are recognised as assets and presented under the pre-financing heading. Other advances to Member States are subsequently measured at the amount initially recognised on the balance sheet less a best estimate of the eligible expenses incurred by final beneficiaries, calculated on the basis of reasonable and supportable assumptions.

The EU contributions to the trust funds of the European Development Fund or other unconsolidated entities are also classified as pre-financing since their purpose is to give a float to the trust fund to allow it to finance specific actions defined under the trust fund’s objectives. The EU contributions to trust funds are measured at the initial amount of the EU contribution less eligible expenses, including estimated amounts where necessary, incurred by the trust fund during the reporting period and allocated to the EU contribution in accordance with the underlying agreement.

1.5.8. *Exchange receivables and non-exchange recoverables*

As the EU accounting rules require a separate presentation of exchange and non-exchange transactions, for the purpose of drawing up the accounts, receivables are defined as stemming from exchange transactions and recoverables are defined as stemming from non-exchange transactions, i.e. when the EU receives value from another entity without directly giving approximately equal value in exchange (for example recoverables from Member States related to own resources).

Receivables from exchange transactions meet the definition of financial instruments and are thus classified as loans and receivables and measured accordingly (see note 1.5.5). The financial instruments notes disclosures concerning receivables from exchange transactions include accrued revenue and deferred charges from exchange transactions, as they are not material. A general write-down based on past experience is made for outstanding recovery orders not already subject to a specific write-down.

Recoverables from non-exchange transactions are carried at original amount (adjusted for interest and penalties) less write-down for impairment. A write-down for impairment of recoverables from non-exchange transactions is established when there is objective evidence that the EU will not be able to collect all amounts due according to the original terms of recoverables from non-exchange transactions. The amount of the write-down is the difference between the asset’s carrying amount and the recoverable amount. The amount of the write-down is recognised in the statement of financial performance. A general write-down, based on past experience, is also made for outstanding recovery orders not already subject to a specific write-down. See note 1.5.14 concerning the treatment of accrued revenue at year-end. Amounts displayed and disclosed as recoverables from non-exchanges transactions are not financial instruments, as they do not arise from a contract that would give rise to a financial liability or equity instrument. However, in the notes to the financial statements recoverables from non-exchange transactions are disclosed together with receivables from exchange transactions where appropriate.

1.5.9. *Cash and cash equivalents*

Cash and cash equivalents are financial instruments and include cash at hand, deposits held at call or at short notice with banks and other short-term highly liquid investments with original maturities of three months or less.

1.5.10. *Employee benefits*

The accounting policy for employee benefits has been updated in line with the requirements of the revised accounting rule EAR 12 Employee Benefits, effective for periods beginning on or after 1 January 2018, which is based on the new IPSAS 39 (Employee Benefits) published in July 2016. The main change, arising from the revision of accounting rule 12, is the presentation of actuarial gains and losses as a movement in net assets instead of in the statement of financial performance.

Accounting for defined benefit plans is complex because actuarial assumptions and judgement are required to measure the obligation. In applying the revised accounting rule, the EU has reassessed the judgements used, in particular, as regards to the estimate of the ultimate cost of the benefit attributed to the employees. As a result of this exercise, the appropriateness of the use of the estimated active service period of the employee as the basis for attributing benefits to periods of service was confirmed. The benefits which the EU's employees are entitled to are given under a single plan – although split in two schemes – and they must be treated similarly so as to give a fair presentation of the situation and reflect the economic reality.

The EU provides a set of benefits (emoluments and social security) to employees. For accounting purposes these have to be classified into short-term and post-employment benefits.

Short-term employee benefits

Short-term employee benefits are those benefits due to be settled before twelve months after the end of the reporting period in which employees rendered the service, such as salaries, annual and paid sick leaves, and other short-term allowances. Short-term employee benefits are recognised as an expense when the related service is provided. A liability is recognised for the amount expected to be paid if the EU has a present legal or constructive obligation to pay as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits

The EU grants a set of post-employment benefits to employees, which include retirement, invalidity and survival pensions, as well as medical coverage (see note 2.9).

The EU provides its staff with a post-employment benefit plan that includes:

- i. Pension Scheme of European Officials (PSEO): The benefits granted under this notionally funded ⁽¹⁶⁾ scheme relate to seniority, invalidity and survival, as well as, family allowances, death before retirement to those employees that work or worked in the EU Institutions, Agencies and other EU bodies or are survivors of deceased officials or pensioners. Staff contribute one third of the expected cost of these benefits from their salaries.
- ii. Joint Sickness Insurance Scheme (JSIS): Under this scheme, the EU provides health coverage for staff of the European Commission, Institutions, Agencies and other EU bodies through the reimbursement of medical expenses. The benefits granted to the “inactives” of this scheme (i.e. pensioners, orphans, etc.) are classified as post-employment benefits.

The EU also provides post-employment benefits to members of the EU institutions via separate pension schemes. These are shown under the heading other retirement benefit schemes. Under these schemes the EU provides pension benefits to members of the Commission, Court of Justice and General Court, Court of Auditors, Council, European Parliament, Ombudsman, Data Protection Supervisor, Civil Service Tribunal. The EU provides health coverage to the members of the EU Institutions via the JSIS.

The above post-employment benefits qualify as defined benefit obligations of the EU and are calculated at each reporting date by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The calculation of defined benefit obligation is performed annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

⁽¹⁶⁾ The PSEO is a notional (virtual) fund with defined benefits, in which staff's contributions serve to finance their future pensions. Although there is no actual investment fund, the amount that would have been collected by such a fund is considered to have been invested in the Member States' long-term bonds and is reflected in the pension liability that is registered in the annual accounts of the European Union. Member States jointly guarantee the payment of the benefits pursuant to Article 83 of the Staff Regulations and Article 4(3) of the Treaty on European Union (see COM(2018) 829 for a detailed description of the scheme).

The post-employment benefits provided to EU staff are incorporated in a single plan comprising both a pension scheme (PSEO) and a sickness insurance scheme (JSIS), with the right to coverage under the JSIS scheme being dependent on having acquired the right to coverage under the PSEO scheme. Under the terms of this single plan, as set out in the Staff Regulation, certain entitlements, such as the right to a deferred and reduced pension under the PSEO scheme, are acquired after 10 years of service. However, the entitlements acquired under the single plan by the employee's subsequent service are materially higher than those initial entitlements as reflected by subsequent annually accrued pension rights.

Therefore, in order to depict the economic substance of the underlying transaction required by the faithful representation qualitative characteristic of financial reporting as outlined in both EAR 1 and the IPSAS Conceptual Framework, the service cost incurred is accrued on a straight-line basis over staff's estimated active service period, i.e. the period from the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases. This approach is applied consistently to the benefits provided for under the single plan.

Remeasurements of the net defined benefit liability comprise actuarial gains and losses and the return on plan assets, and are recognised immediately in net assets.

The EU recognises the net interest expense (income) and other expenses related to the defined benefit plans in the statement of financial performance within the caption 'staff and pension costs'.

When benefits provided are changed or curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in the statement of financial performance. Gains and losses on settlement are recognised when the settlement occurs. Past service cost is recognised immediately in the statement of financial performance, unless the changes are conditional on the employees remaining in service for a specified period of time.

1.5.11. **Provisions**

Provisions are recognised when the EU has a present legal or constructive obligation towards third parties as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses. The amount of the provision is the best estimate of the expenses expected to be required to settle the present obligation at the reporting date. Where the provision involves a large number of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities ("expected value" method).

Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

1.5.12. **Financial liabilities**

Financial liabilities are classified as financial liabilities at fair value through surplus or deficit, financial liabilities carried at amortised cost or as financial guarantee liabilities.

Borrowings are composed of borrowings from credit institutions and debts evidenced by certificates. They are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred, then subsequently carried at amortised cost using the effective interest method; any difference between proceeds, net of transaction costs, and the redemption value is recognised in the statement of financial performance over the period of the borrowings using the effective interest method. In the case of loans granted on borrowed funds, the effective interest method may not be applied to loans and borrowings, based on materiality considerations. The transaction costs incurred by the EU and then recharged to the beneficiary of the loan are directly recognised in the statement of financial performance.

Financial liabilities categorised at fair value through surplus or deficit include derivatives where fair value is negative. They follow the same accounting treatment as financial assets at fair value through surplus or deficit, see note 1.5.5.

Financial guarantee liabilities are initially recognised at fair value, being the premium received. Subsequently, financial guarantee liabilities are measured at the higher of the best estimate of the expenses expected to be required to settle the financial guarantee liability and the amount initially recognised less, when appropriate, cumulative amortisation. The EU recognises a financial guarantee liability when it receives consideration for granting of the guarantee, that is at market terms, or when the fair value of the guarantee can be measured reliably. In case no active market for a directly equivalent guarantee contract exists, the EU discloses the guarantee given as a contingent liability (see note 1.7.2) or - when it is more likely than not that an outflow of resources will be required to settle the obligation – the EU recognises a provision (see note 1.5.11).

Financial liabilities are classified as non-current liabilities, except for maturities less than 12 months after the balance sheet date.

EU trust funds that are considered as part of the Commission's operational activities are accounted for in the Commission accounts and further consolidated in the EU annual accounts. Therefore, contributions from other donors to the EU trust funds fulfil the criteria of revenues from non-exchange transactions under conditions and they are presented as financial liabilities until the conditions attached to the contributions transferred are met, i.e. eligible costs are incurred by the trust fund. The trust fund is required to finance specific projects and return remaining funds at the time of winding-up. At the balance sheet date the outstanding contribution liabilities are measured at contributions received less the expenses incurred by the trust fund, including estimated amounts when necessary. For reporting purposes the net expenses are allocated to the contributions of other donors in proportion to net contributions paid as at 31 December. This allocation of contributions is only indicative. When the trust fund is wound up the actual split of remaining resources will be decided by the trust fund board.

1.5.13. *Payables*

A significant amount of the payables of the EU are unpaid cost claims from beneficiaries of grants or other EU funding (non-exchange transactions). They are recorded as payables for the requested amount when the cost claim is received. Upon verification and acceptance of the eligible costs, the payables are valued at the accepted and eligible amount.

Payables arising from the purchase of goods and services are recognised at invoice reception for the original amount and corresponding expenses are entered in the accounts when the supplies or services are delivered and accepted by the EU.

1.5.14. *Accrued and deferred revenue and charges*

Transactions and events are recognised in the financial statements in the period to which they relate. At year-end, if an invoice is not yet issued but the service has been rendered, the supplies have been delivered by the EU or a contractual agreement exists (e.g. by reference to a treaty), an accrued revenue will be recognised in the financial statements. In addition, at year-end, if an invoice is issued but the services have not yet been rendered or the goods supplied have not yet been delivered, the revenue will be deferred and recognised in the subsequent accounting period.

Expenses are also accounted for in the period to which they relate. At the end of the accounting period, accrued expenses are recognised based on an estimated amount of the transfer obligation of the period. The calculation of accrued expenses is done in accordance with detailed operational and practical guidelines issued by the Commission which aim at ensuring that the financial statements provide a faithful representation of the economic and other phenomena they purport to represent. By analogy, if payment has been made in advance for services or goods that have not yet been received, the expense will be deferred and recognised in the subsequent accounting period.

1.6. STATEMENT OF FINANCIAL PERFORMANCE

1.6.1. *Revenue*

REVENUE FROM NON-EXCHANGE TRANSACTIONS

The vast majority of the EU's revenue relates to non-exchange transactions:

GNI based resources and VAT resources

Revenue is recognised for the period for which the Commission sends out a call for funds to the Member States claiming their contribution. They are measured at their "called amount". As VAT and GNI resources are based on estimates of the data for the budgetary year concerned, they may be revised as changes occur until the final data are issued by the Member States. The effect of a change in estimate is included when determining the net surplus or deficit for the period in which the change occurred.

Traditional own resources

Recoverables from non-exchange transactions and related revenues are recognised when the relevant monthly “A” statements (including duties collected and amounts due that are guaranteed and not contested) are received from the Member States. At the reporting date, revenue collected by the Member States for the period but not yet paid to the Commission is estimated and recognised as accrued revenue. The quarterly “B” statements (including duties neither collected nor guaranteed, as well as guaranteed amounts that have been contested by the debtor) received from the Member States are recognised as revenue less the collection costs to which they are entitled. In addition, a value reduction is recognised for the amount of the estimated recovery gap.

Fines

Revenue from fines is recognised when the EU’s decision imposing a fine has been taken and it is officially notified to the addressee. If there are doubts about the undertaking’s solvency, a value reduction on the entitlement is recognised. After the decision to impose a fine, the debtors have two months from the date of notification:

- a) either to accept the decision, in which case they must pay the fine within the time limit laid down and the amount is definitively collected by the EU;
- b) or not to accept the decision, in which case they lodge an appeal under EU law.

However, even if appealed, the fine must be paid within the time limit of three months laid down as the appeal does not have suspensory effect (Article 278 of the EU Treaty) or, under certain circumstances and subject to the agreement of the Commission’s Accounting Officer, the debtor may present a bank guarantee for the amount instead.

If the undertaking appeals against the decision, and has already provisionally paid the fine, the amount is disclosed as a contingent liability. However, since an appeal against an EU decision by the addressee does not have suspensory effect, the cash received is used to clear the recoverable. If a guarantee is received instead of payment, the fine remains as a recoverable. If it appears probable that the General Court may not rule in favour of the EU, a provision is recognised to cover this risk. If a guarantee had been given instead, then the recoverable outstanding is written-down as required. The accumulated interest received by the Commission on the bank accounts where received payments are deposited is recognised as revenue, and any contingent liability is increased accordingly.

Since 2010, all provisionally cashed fines are managed by the Commission in a specifically created fund (BUFI) and invested in financial instruments.

REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from the sale of goods and services is recognised when the significant risk and rewards of ownership of the goods are transferred to the purchaser. Revenue associated with a transaction involving the provision of services is recognised by reference to the stage of completion of the transaction at the reporting date.

Interest revenue and expense

Interest revenue and expense are recognised in the statement of financial performance using the effective interest method. This is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest revenue or interest expense over the relevant period. When calculating the effective interest rate, the EU estimates cashflows considering all contractual terms of the financial instrument (for example prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest revenue is recognised using the rate of interest to discount the future cashflows for the purpose of measuring the impairment loss.

Revenue from dividends

Revenue from dividends and similar distributions is recognised when the right to receive payment is established.

1.6.2. Expenses

Expenses from non-exchange transactions account for the majority of the EU's expenses. They relate to transfers to beneficiaries and can be of three types: entitlements, transfers under agreement and discretionary grants, contributions and donations.

Transfers are recognised as expenses in the period during which the events giving rise to the transfer occurred, as long as the nature of the transfer is allowed by regulation (Financial Regulation, Staff Regulations, or other regulation) or an agreement has been signed authorising the transfer; any eligibility criteria have been met by the beneficiary; and a reasonable estimate of the amount can be made.

When a request for payment or cost claim is received and meets the recognition criteria, it is recognised as an expense for the eligible amount. At year-end, incurred eligible expenses due to the beneficiaries but not yet reported are estimated and recorded as accrued expenses.

Expenses from exchange transactions arising from the purchase of goods and services are recognised when the supplies are delivered and accepted by the EU. They are valued at original invoice amount. Furthermore, at the balance sheet date expenses related to the service delivered during the period for which an invoice has not yet been received or accepted are estimated and recognised in the statement of financial performance.

1.7. CONTINGENT ASSETS AND LIABILITIES

1.7.1. Contingent assets

A contingent asset is a possible asset that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the EU. A contingent asset is disclosed when an inflow of economic benefits or service potential is probable.

1.7.2. Contingent liabilities

A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the EU; or a present obligation that arises from past events but is not recognised because: it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or in the rare circumstances where the amount of the obligation cannot be measured with sufficient reliability.

1.8. CASHFLOW STATEMENT

Cashflow information is used to provide a basis for assessing the ability of the EU to generate cash and cash equivalents, and its needs to utilise those cashflows.

The cashflow statement is prepared using the indirect method. This means that the economic result for the financial year is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing cashflows.

Cashflows arising from transactions in a foreign currency are recorded in the EU's reporting currency (Euro), by applying to the foreign currency amount the exchange rate between the euro and the foreign currency at the date of the cashflow.

The cashflow statement reports cashflows during the period classified by operating and investing activities (the EU does not have financing activities).

Operating activities are the activities of the EU that are not investing activities. These are the majority of the activities performed. Loans granted to beneficiaries (and the related borrowings, when applicable) are not considered as investing (or financing) activities as they are part of the general objectives and thus daily operations of the EU.

Investing activities are the acquisition and disposal of intangible assets and property, plant and equipment and of other investments which are not included in cash equivalents. Investing activities do not include loans granted to beneficiaries. The objective is to show the real investments made by the EU.

2. NOTES TO THE BALANCE SHEET

ASSETS

2.1. INTANGIBLE ASSETS

	<i>EUR million</i>
<i>Gross carrying amount at 31.12.2017</i>	940
<i>Additions</i>	152
<i>Disposals</i>	(16)
<i>Transfer between asset categories</i>	0
<i>Other changes</i>	(2)
<i>Gross carrying amount at 31.12.2018</i>	1 073
<i>Accumulated amortisation at 31.12.2017</i>	(535)
<i>Amortisation charge for the year</i>	(105)
<i>Amortisation written back</i>	1
<i>Disposals</i>	13
<i>Transfer between asset categories</i>	—
<i>Other changes</i>	(1)
<i>Accumulated amortisation at 31.12.2018</i>	(627)
Net carrying amount at 31.12.2018	446
<i>Net carrying amount at 31.12.2017</i>	405

The above amounts relate primarily to computer software.

2.2. PROPERTY, PLANT AND EQUIPMENT

The Space assets category covers operational fixed assets related to the two EU space programmes: the Global Navigation Satellite Systems (GNSS), i.e. Galileo and EGNOS, and the Copernicus European Earth observation programme, while assets of the space systems which are not yet operational are included under the Assets under construction heading.

For Galileo, four new satellites have been added to the operational constellation in 2018 bringing it up to 22 satellites. The Galileo operational fixed assets, covering both satellites and ground installations, amounted to EUR 2 410 million at 31 December 2018, net of depreciation (2017: EUR 2 276 million). The remaining assets under construction totalling EUR 1 324 million (2017: EUR 1 026 million) include the four satellites launched in July 2018 for which the in-orbit testing had not yet been completed at the balance sheet date. The development of the Galileo system will continue until the system reaches its full operational capacity. When completed, the Galileo constellation will comprise 24 operational satellites and 6 spares.

Regarding Copernicus, two new satellites (Sentinel 5P & 3B) became operational in 2018, in addition to the five other Copernicus operational satellites, increasing the total value of Copernicus operational fixed assets to EUR 1 455 million (2017: EUR 1 140 million), net of accumulated depreciation. Another EUR 1 207 million related to Copernicus satellites is recognised as assets under construction (2017: EUR 1 443 million).

Fixed assets related to the European Geostationary Navigation Overlay System (EGNOS) ground infrastructure of EUR 52 million (2017: EUR 67 million) are also included under the Space assets heading. In addition, EGNOS assets under construction amount to EUR 130 million (2017: EUR 52 million).

The assets related to the EU space programmes are being built with the assistance of the European Space Agency (ESA).

Property, plant and equipment

	Land and Buildings	Space assets	Plant and Equipment	Furniture and Vehicles	Computer Hardware	Other	Finance leases	Assets under construction	Total
Gross carrying amount at 31.12.2017	5 456	4 264	597	266	675	309	2 787	2 920	17 273
Additions	38	14	48	13	55	20	10	1 311	1 509
Disposals	(39)	(0)	(22)	(10)	(103)	(5)	(9)	(8)	(196)
Transfer between asset categories	202	982	0	0	5	3	(170)	(1 023)	0
Other changes	(31)	0	17	0	2	0	1	0	(11)
Gross carrying amount at 31.12.2018	5 626	5 259	641	270	634	327	2 620	3 199	18 575
Accumulated depreciation at 31.12.2017	(3 035)	(780)	(502)	(188)	(553)	(226)	(1 244)		(6 528)
Depreciation charge for the year	(180)	(561)	(47)	(19)	(63)	(34)	(98)		(1 003)
Depreciation written back	—	—	0	0	5	0	—		6
Disposals	10	0	14	9	96	5	7		142
Transfer between asset categories	(74)	—	(0)	(0)	(5)	(0)	79		—
Other changes	0	(0)	(5)	(0)	(1)	(0)	(1)		(7)
Accumulated depreciation at 31.12.2018	(3 279)	(1 342)	(540)	(198)	(521)	(255)	(1 257)		(7 390)
NET CARRYING AMOUNT AT 31.12.2018	2 347	3 917	101	72	113	72	1 363	3 199	11 185
NET CARRYING AMOUNT AT 31.12.2017	2 422	3 484	95	78	122	83	1 543	2 920	10 745

EUR million

2.3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The participation of the EU, represented by the Commission, in the European Investment Fund (EIF) is treated as an associate using the equity method of accounting. The EIF is the EU's financial institution specialising in providing risk capital and guarantees to Small and Medium-sized Entities (SMEs). The EIF is located in Luxembourg and operates as a private-public partnership, whose members are the European Investment Bank (EIB), the EU and a group of financial institutions. At 31 December 2018, the EU held 29,7 % of ownership interests in the EIF (2017: 29,7 %) and 29,7 % of the voting rights (2017: 29,7 %). In accordance with its statutes, the EIF is required to allocate to a statutory reserve at least 20 % of its annual net result until the aggregate reserve amounts to 10 % of subscribed capital. This reserve is not available for distribution.

	<i>EUR million</i>
	European Investment Fund
Participation at 31.12.2017	581
Contributions	—
Dividends received	(3)
Share of net result	37
Share in the net assets	(24)
Participation at 31.12.2018	591

The following carrying amounts are attributable to the EU based on its percentage of participation:

	<i>EUR million</i>	
	31.12.2018	31.12.2017
	Total EIF	Total EIF
Assets	2 662	2 488
Liabilities	(674)	(532)
Revenue	291	263
Expenses	(167)	(153)
Surplus/(deficit)	124	110

Reconciliation of the above summarised financial information to the carrying amount of the interest held in the EIF is as follows:

	<i>EUR million</i>	
	31.12.2018	31.12.2017
Net assets of the associate	1 988	1 956
EC ownership interests in EIF	29.7 %	29.7 %
Carrying amount	591	581

The EU, represented by the Commission, has paid in 20 % of its subscribed shares in the EIF capital at 31 December 2018, the amount uncalled being as follows:

	<i>EUR million</i>	
	Total EIF capital	EU subscription
Total share capital	4 500	1 337
Paid-in	(900)	(267)
Uncalled	3 600	1 070

2.4. FINANCIAL ASSETS

		EUR million	
	Note	31.12.2018	31.12.2017
Non-current financial assets			
Available for sale financial assets	2.4.1	13 657	11 758
Financial assets at fair value through surplus or deficit	2.4.2	14	16
Loans	2.4.3	51 560	48 205
		65 231	59 980
Current financial assets			
Available for sale financial assets	2.4.1	1 786	1 873
Financial assets at fair value through surplus or deficit	2.4.2	2	6
Loans	2.4.3	2 380	6 776
		4 168	8 655
Total		69 398	68 635

2.4.1. Available for sale financial assets

	EUR million	
	31.12.2018	31.12.2017
BUFI investments	1 888	2 158
ECSC in Liquidation	1 506	1 658
European Bank for Reconstruction and Development	188	188
	3 582	4 004
<i>Guarantee Funds for budgetary guarantees:</i>		
EFSD Guarantee Fund	5 000	3 414
Guarantee Fund for external actions	2 465	2 199
EFSD Guarantee Fund	9	—
	7 474	5 613
<i>Financial Instruments financed by the EU budget:</i>		
Horizon 2020	2 031	1 730
Risk Sharing Finance Facility	679	665
Connecting Europe Facility	540	482
EU SME Equity Facilities	464	508
European Fund for South East Europe	113	119
Risk Capital Operations	115	113
Other	444	397
	4 386	4 014
Total	15 443	13 632
Non-current	13 657	11 758
Current	1 786	1 873

Out of the total of EUR 15 443 million, the EU holds available for sale financial assets in the form of debt securities (e.g. bonds) of EUR 13 993 million (2017: EUR 12 048 million), equity instruments of EUR 1 365 million (2017: EUR 1 333 million) and investments in the EIB Unitary Fund (money market fund) of EUR 85 million (2017: EUR 251 million). The debt securities and units in the EIB Unitary Fund are mainly used to temporarily invest the amounts allocated to the EU guarantee and risk-sharing instruments until they are used to satisfy the guarantee calls.

BUFI investments

Provisionally cashed fines related to competition cases are allocated to a dedicated fund (BUFI Fund - 'Budget Fines' Fund) and invested by the Commission in debt instruments categorised as available for sale financial assets.

ECSC in Liquidation

Regarding the European Coal and Steel Community (ECSC) in liquidation, all available for sale financial assets are debt securities denominated in EUR and quoted in an active market.

European Bank for Reconstruction and Development

The EU holds a financial investment in the capital of the European Bank for Reconstruction and Development (EBRD), in which at 31 December 2018 the number of shares held were 90 044 (2017: 90 044 shares), representing 3 % of the total subscribed share capital. The EU subscribed for a total amount of EUR 900 million of share capital, out of which EUR 713 million is currently uncalled. According to the Agreement establishing EBRD, the shareholders have some contractual restrictions such as the fact that the shares are not transferable and their redemption is capped at the maximum of the original purchase cost.

The EU measures the investment in EBRD at fair value. The original purchase cost is considered to be the best estimate of the fair value, in particular due to contractual restrictions referred to above. Although EBRD's shares are not quoted on any stock exchange market, there are recent transactions in the investee's equity (issuance of capital at par value), indicating that the cost is the best estimate of the fair value in this situation.

GUARANTEE FUNDS FOR BUDGETARY GUARANTEES

EFSI Guarantee Fund

Pursuant to the EFSI Regulation (Regulation (EU) 2015/2017), the EFSI Guarantee Fund has been established to provide a liquidity cushion against potential losses incurred by the EIB in relation to its financing and investment operations eligible for the EFSI EU guarantee under the EFSI Agreement - see note 4.1.1. The EFSI Guarantee Fund is financed by contributions from the EU budget. It is also endowed by returns on guarantee fund resources invested, revenues received by the EU as remuneration for the guarantee under the EFSI Agreement, and amounts recovered by the EIB from defaulting debtors in respect of previous guarantee calls. The fund is managed by the Commission, which is authorised to invest the assets of the EFSI Guarantee Fund on the financial markets in accordance with the principle of sound financial management following appropriate prudential rules. The EFSI Guarantee Fund started its operations in April 2016. In accordance with the EFSI Regulation, as amended in 2017 (Regulation (EU) 2017/2396)⁽¹⁷⁾, it will be progressively provisioned and shall gradually reach EUR 9,1 billion, i.e. 35 % of the total EU EFSI guarantee obligations.

Guarantee Fund for external actions

The Guarantee Fund for external actions covers loans guaranteed by the EU budget, in particular EIB lending operations outside the EU financed from the EIB's own resources and loans under macro-financial assistance (MFA) and Euratom loans outside the EU - see note 4.1.1. It is a long-term instrument (non-current part: EUR 2 275 million) managed by the EIB and intended to cover any defaulting loans guaranteed by the EU. The Fund is endowed by payments from the EU budget, the proceeds from interest on investments made from the Fund's assets, and sums recovered from defaulting debtors for whom the Fund has had to activate its guarantee. The Fund should be maintained at a target amount corresponding to 9 % of the guaranteed loans outstanding at year-end. The difference between the target amount and the value of the Fund's assets at year-end shall be covered from the EU budget in year N+2, while any surplus is paid back to the EU budget.

⁽¹⁷⁾ OJ L 345, 27.12.2017, p. 34.

EFSD Guarantee Fund

Pursuant to the EFSD Regulation (Regulation (EU) 2017/1601)⁽¹⁸⁾, the EFSD Guarantee Fund has been established to provide a liquidity cushion to be used in the event of a call on the Union guarantee given pursuant to the relevant EFSD guarantee agreements. The EFSD Guarantee Fund is financed by contributions from the EU budget and from contributions from the 11th EDF to the EU budget and voluntary contributions from Member States and other contributors. The fund is also endowed by returns on invested resources, amounts recovered from defaulting debtors, revenues and any other payments received by the EU in accordance with the EFSD guarantee agreements. The fund is managed directly by the Commission, which is authorised to invest the fund's assets in accordance with the principle of sound financial management following appropriate prudential rules. The first EU budget contributions to the EFSD Guarantee Fund were received in August 2018. Total payments received in 2018 amount to EUR 275,1 million, of which EUR 9 million is invested in available for sale financial assets as at 31 December 2018, while another EUR 325 million (2017: EUR 275 million) have been committed but not yet paid and is included in the amount disclosed as RAL in note 5.1. The EFSD Guarantee Fund will be progressively provisioned and gradually reach EUR 750 million, i.e. 50 % of total future EFSD guarantee obligations covered by the EU budget, and may be further increased by other contributions.

FINANCIAL INSTRUMENTS FINANCED BY THE EU BUDGET

Horizon 2020

Under the EU Regulation establishing Horizon 2020 – the Framework Programme for Research and Innovation (2014-2020), new financial instruments have been established in order to enhance access to finance to entities engaged in research and innovation (R&I). These instruments are: *the InnovFin Loan and Guarantee Service for R&I* under which the Commission shares the financial risk related to a portfolio of new financing operations entered into by the EIB; *the InnovFin SME Guarantee including the SME Initiative Uncapped Guarantee Instrument (SIUGI)* – guarantee facilities managed by the EIF providing guarantees and counter-guarantees to the financial intermediaries for the new portfolios of loans (under SIUGI the Commission shares the financial risk related to the guarantee given with Member States, EIF and EIB); and *the InnovFin Equity Facility for R&I* providing for investments in venture capital funds and managed by the EIF.

Risk-Sharing Finance Facility

The Risk-Sharing Finance Facility (RSFF) is managed by the EIB and the Commission's investment portfolio is used to provision financial risk for loans and guarantees given by the EIB to eligible research projects. In total, an EU budget of up to EUR 1 billion was allocated to the RSFF under the 2007-2013 MFF. Under the 2014-2020 MFF, there are no new budget contributions foreseen for the RSFF. The EU overall risk is limited to the amount it contributes to the Facility.

Connecting Europe Facility

Pursuant to Regulation (EU) No 1316/2013⁽¹⁹⁾, the Connecting Europe Facility (CEF) debt instrument has been established with the objective to facilitate infrastructure projects' access to financing in the sectors of transport, telecommunications and energy. It is managed by the EIB under an agreement with the EU. The CEF debt financial instrument is the continuity of the Loan Guarantee Instrument for TEN-T projects (LGTT) and of the pilot phase of the Project Bond Initiative (PBI). The LGTT and the PBI Portfolio were merged into the CEF financial instrument with effect from 1 January 2016. It offers risk-sharing for debt financing in the form of senior and subordinated debt or guarantee as well as support for project bonds.

EU SME Equity Facilities

These are equity instruments financed by the COSME, the CIP and MAP programmes and the Technology Transfer Pilot Project, under the trusteeship of the EIF, supporting the creation and financing of EU SMEs in their early (start-up) and growth stages by investing in suitable specialised venture capital funds.

⁽¹⁸⁾ OJ L 249, 27.9.2017, p. 1.

⁽¹⁹⁾ Regulation (EU) No 1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Connecting Europe Facility, amending Regulation (EU) No 913/2010 and repealing Regulations (EC) No 680/2007 and (EC) No 67/2010 (OJ L 348, 20.12.2013, p. 129).

2.4.2. Financial assets at fair value through surplus or deficit

EUR million

Type of derivative	31.12.2018		31.12.2017	
	Notional amount	Fair value	Notional amount	Fair value
Foreign currency forward contract	476	2	634	6
Guarantee on equity portfolio	674	14	258	16
Total	1 150	16	892	23
Non-current	674	14	258	16
Current	476	2	634	6

The EU enters into foreign currency forward contracts in order to hedge the foreign currency risk related to USD denominated debt securities held in the EFSI Guarantee Fund. Under the foreign currency forward contracts, the EU shall deliver the contractually agreed notional amount in foreign currency ('pay leg'), as presented in the table above, and will receive the notional amount in EUR ('receive leg') at the maturity date. Such derivative contracts are measured at fair value at the balance sheet date and classified as either financial assets or financial liabilities at fair value through surplus or deficit depending on whether their fair value is positive or negative.

The EFSI guarantee given by the EU to the EIB Group in relation to the portfolios of equity investments is classified as a derivative financial instrument and accounted for as a financial asset or financial liability at fair value through surplus or deficit, see note 4.1.1. At 31 December 2018, the amount of the underlying equity investments disbursed by the EIB and EIF amounted to EUR 674 million and the fair value of the EU guarantee on the EFSI equity portfolios totalled EUR 14 million.

Fair value hierarchy of financial assets measured at fair value

EUR million

	31.12.2018	31.12.2017
Level 1: Quoted prices in active markets	13 993	11 983
Level 2: Observable inputs other than quoted prices	275	510
Level 3: Valuation techniques with inputs not based on observable market data	1 191	1 161
Total	15 459	13 654

During the period there were no transfers between level 1 and level 2.

Reconciliation of financial assets measured using valuation techniques with inputs not based on observable market data (level 3)

EUR million

Opening balance at 1.1.2018	1 161
Purchases, sales, issues and settlements	104
Gains or losses for the period in financial income or finance costs	(36)
Gains or losses in net assets	(37)
Transfers into level 3	—
Transfers out of level 3	—
Other	—
Closing balance at 31.12.2018	1 191

2.4.3. Loans

<i>EUR million</i>			
	Note	31.12.2018	31.12.2017
<i>Loans for financial assistance</i>	2.4.3.1	53 873	54 844
<i>Other loans</i>	2.4.3.2	67	137
Total		53 939	54 981
<i>Non-current</i>		51 560	48 205
<i>Current</i>		2 380	6 776

2.4.3.1. Loans for financial assistance

<i>EUR million</i>						
	EFSM	BOP	MFA	Euratom	ECSC in Liquidation	Total
<i>Total at 31.12.2017</i>	47 456	3 114	3 924	250	100	54 844
<i>New loans</i>	4 500	—	515	50	—	5 065
<i>Repayments</i>	(4 500)	(1 350)	(56)	(46)	—	(5 952)
<i>Exchange differences</i>	—	—	—	(0)	(1)	(1)
<i>Changes in carrying amount</i>	(56)	(30)	5	0	(2)	(84)
<i>Impairment</i>	—	—	—	—	—	—
Total at 31.12.2018	47 400	1 734	4 388	254	98	53 873
<i>Non-current</i>	46 800	200	4 309	213	—	51 521
<i>Current</i>	600	1 534	79	41	98	2 351

The nominal value of loans for financial assistance at 31 December 2018, including ECSC in Liquidation loans, total EUR 53 206 million (2017: EUR 54 093 million). The change in carrying amount corresponds to the change in accrued interests.

EFSM enables the granting of financial assistance to a Member State in difficulties or seriously threatened by severe difficulties caused by exceptional circumstances beyond its control. The assistance may take the form of a loan or credit line. The ECOFIN Council conclusions of 9 May 2010 restrict the facility to EUR 60 billion but the legal limit restricts the outstanding amount of loans or credit lines to the margin available under the own resources ceiling. Borrowings related to loans disbursed under the EFSM are guaranteed by the EU budget. It is not foreseen that the EFSM will engage in new financing programmes or enter into new loan facility agreements. During the year ended 31 December 2018, both beneficiary countries – Ireland and Portugal – have requested a maturity extension in respect to their loans falling due in 2018 for the amount of EUR 3,9 billion and EUR 0,6 billion, respectively.

The BOP facility, a policy-based financial instrument, provides medium-term financial assistance to Member States of the EU that have not adopted the Euro. It enables the granting of loans to Member States who are experiencing, or are seriously threatened by, difficulties in their balance of payments or capital movements. The maximum outstanding amount of loans granted under the instrument is limited to EUR 50 billion. Borrowings related to these BOP loans are guaranteed by the EU budget.

MFA is a form of financial aid extended by the EU to partner countries experiencing a balance of payment crisis. It takes the form of medium/long term loans or grants or an appropriate combination of both and generally complements financing provided in the context of an IMF-supported adjustment and reform program. These loans are guaranteed by the Guarantee Fund for external actions. During the year ended 31 December 2018, further disbursements of loans under MFA for a total amount of EUR 515 million were provided, being EUR 500 million to Ukraine and EUR 15 million to Georgia – see also note 4.1.2.

The European Atomic Energy Community (Euratom, represented by the Commission) lends money to both Member States and non-Member States, and to entities of both, to finance projects relating to energy installations. Guarantees from third-parties of EUR 254 million (2017: EUR 250 million) have been received to cover Euratom loans - see note 4.1.2.

ECSC in Liquidation loans are not loans for financial assistance but promissory notes in order to keep the cash flows in parallel with the borrowings. However, similar to the loans for financial assistance, they were granted on borrowed funds in accordance with articles 54 and 56 of the ECSC Treaty for project financing.

Loans effective interest rates (expressed as a range of interest rates)

	31.12.2018	31.12.2017
<i>Macro Financial Assistance (MFA)</i>	0 % - 3,82 %	0 % - 4,54 %
<i>Euratom</i>	0,08 % - 5,76 %	0,08 % - 5,76 %
<i>Balance of Payment (BOP)</i>	2,88 % - 3,38 %	2,88 % - 3,38 %
<i>European Financial Stability Mechanism (EFSM)</i>	0,50 % - 3,75 %	0,62 % - 3,75 %
<i>ECSC in Liquidation</i>	5,23 % - 5,81 %	5,23 % - 5,81 %

2.4.3.2. Other loans

	<i>EUR million</i>	
	31.12.2018	31.12.2017
<i>Loans with special conditions</i>	64	78
<i>ECSC in liquidation housing loans</i>	2	4
<i>Term deposits</i>	0	55
Total	67	137
<i>Non-current</i>	38	61
<i>Current</i>	28	76

Nominal value of other loans at 31 December 2018 total EUR 617 million (2017: EUR 561 million).

Loans with special conditions are granted at preferential rates as part of co-operation with non-Member States.

Term deposits include mainly amounts with maturity between 3 and 12 months that do not meet the definition of cash equivalents.

Impairment on other loans

<i>EUR million</i>						
	31.12.2017	Additions	Reversals	Write-off	Other	31.12.2018
<i>Loans with special conditions</i>	8	1	—	(0)	—	8
<i>Subrogated loans</i>	432	147	—	—	—	579
Total	440	148	—	(0)	—	587

Subrogated loans are defaulted loans which were granted by the EIB and guaranteed by the EU budget, for which all rights have been subrogated to the EU following the payment from the Guarantee Fund for external actions or the EFSI Guarantee Fund. These loans are fully impaired for an amount of EUR 579 million (2017: EUR 432 million). Guarantee calls, which occurred in 2018, were partially covered by financial provisions made in previous years. Under the relevant agreements between the EU and the EIB, recovery proceedings are undertaken by the EIB on behalf of the EU with an aim to recover any sums due.

2.5. PRE-FINANCING

<i>EUR million</i>			
	Note	31.12.2018	31.12.2017
Non-current pre-financing			
<i>Pre-financing</i>	2.5.1	21 814	21 939
<i>Other advances to Member States</i>	2.5.2	4 122	3 018
<i>Contribution to Trust Funds</i>		71	64
		26 006	25 022
Current pre-financing			
<i>Pre-financing</i>	2.5.1	21 572	22 361
<i>Other advances to Member States</i>	2.5.2	2 396	1 645
		23 968	24 005
Total		49 974	49 027

The level of pre-financing amounts in the various programmes must be sufficient to ensure the necessary funding for the beneficiary to start the project, while also safeguarding the financial interests of the EU and taking into consideration legal, operational and cost-effectiveness constraints. The increase in the total amount of pre-financing mainly relates to the increase in "other advances to Member States" (see note 2.5.2).

2.5.1. Pre-financing

<i>EUR million</i>						
	Gross amount	Cleared via accruals	Net amount at 31.12.2018	Gross amount	Cleared via accruals	Net amount at 31.12.2017
Shared management						
<i>EAFRD & other rural development instruments</i>	3 743		3 743	3 735	—	3 735
<i>ERDF & CF</i>	18 088	(3 461)	14 627	20 561	(5 678)	14 883

	<i>EUR million</i>					
	Gross amount	Cleared via accruals	Net amount at 31.12.2018	Gross amount	Cleared via accruals	Net amount at 31.12.2017
ESF	6 548	(1 147)	5 401	6 792	(1 182)	5 610
Other	4 684	(2 498)	2 186	5 037	(2 267)	2 770
	33 063	(7 105)	25 958	36 125	(9 127)	26 998
Direct Management						
<i>Implemented by:</i>						
Commission	12 531	(8 262)	4 269	12 165	(8 331)	3 834
EU executive agencies	15 012	(9 540)	5 472	13 843	(8 749)	5 094
Trust funds	585	(433)	152	440	(212)	228
	28 127	(18 234)	9 893	26 447	(17 292)	9 155
Indirect Management						
<i>Implemented by:</i>						
Other EU agencies & bodies	762	(207)	555	723	(148)	575
Third countries	1 546	(879)	667	1 586	(956)	630
International organisations	7 684	(5 053)	2 631	9 000	(5 879)	3 121
Other entities	9 107	(5 426)	3 681	7 753	(3 933)	3 820
	19 099	(11 565)	7 534	19 062	(10 916)	8 146
Total	80 289	(36 904)	43 386	81 635	(37 335)	44 300
Non-current	21 814	—	21 814	21 939	—	21 939
Current	58 476	(36 904)	21 572	59 696	(37 335)	22 361

Pre-financing represents money paid out, and thus implementation of payment appropriations. As explained in note 1.5.7, these are advances and so not yet expensed. Thus while pre-financing reduces outstanding RAL (see note 5.1) it represents expenses still to be recognised in the statement of financial performance.

For shared management, almost all pre-financing amounts relate to the current programming period. There is an initial pre-financing which will not be cleared before the end of the period and is accounted for as non-current. There is also an annual pre-financing which is cleared on an annual basis and is accounted for as current. EUR 10 billion of new pre-financing has been paid in 2018. The pre-financing amounts related to shared management are stable compared to 2017 except for a decrease in the amounts under "other" shared management. This relates to the European Union Solidarity Fund (amounts for support to reconstruction in Italy following the 2016/2017 earthquakes there). These amounts were paid as pre-financing in 2017 and expensed in 2018.

For direct management, the pre-financing amounts relate mainly to Horizon 2020 and the Connecting Europe Facility.

For indirect management, the pre-financing covers mainly internal policies programmes like Erasmus, Galileo and EGNOS, but also instruments related to external relations like ENI (European Neighbourhood Instrument), DCI (Development Cooperation Instrument) and Humanitarian Aid.

Guarantees received in respect of pre-financing

These are guarantees that the Commission requests from beneficiaries that are not Member States in certain cases when paying out advance payments (pre-financing). There are two values to disclose for this type of guarantee, the “nominal” and the “on-going” values. For the nominal value, the generating event is linked to the existence of the guarantee. For the on-going value, the guarantee’s generating event is the pre-financing payment and/or subsequent clearings. At 31 December 2018 the nominal value of guarantees received in respect of pre-financing amounted to EUR 516 million while the on-going value of those guarantees was EUR 420 million (2017: EUR 620 million and EUR 462 million respectively).

Certain pre-financing amounts paid out under the 7th Research Framework Programme for research and technological development (FP7) and under Horizon 2020 are effectively covered by a Participants Guarantee Fund (PGF). The PGF is a mutual benefit instrument set up to cover the risks relating to non-payment of amounts by the beneficiaries during the implementation of the indirect actions of FP7 and Horizon 2020. All participants of indirect actions receiving a grant from the EU contribute 5 % of the total amount received to the PGF’s capital.

At 31 December 2018, pre-financing amounts covered by the PGF totalled EUR 2 billion (2017: EUR 1,9 billion). The EU (represented by the Commission) acts as an executive agent of the participants of the PGF, but the fund is owned by the participants.

At year-end, the PGF had total assets of EUR 2,1 billion (2017: EUR 2,0 billion). The assets of the PGF also include financial assets that are managed by the Directorate-General for Economic and Financial Affairs of the Commission. As the PGF is a separate entity the assets of the fund are not consolidated in these EU annual accounts.

2.5.2. Other advances to Member States

EUR million

	31.12.2018	31.12.2017
<i>Advances to Member States for financial instruments under shared management</i>	3 675	2 768
<i>Aid Schemes</i>	2 843	1 895
Total	6 518	4 663
<i>Non-current</i>	4 122	3 018
<i>Current</i>	2 396	1 645

Advances to Member States for financial instruments under shared management

Under the framework of the European Structural and Investment Funds (ESIF) programmes, it is possible to make advance payments from the EU budget to Member States so as to allow them to contribute to financial instruments (i.e. loans, equity investments or guarantees). These financial instruments are set up and managed under the responsibility of the Member States, not the Commission. Nevertheless, monies that are unused by these instruments at year-end are the property of the EU (as with all pre-financing) and are thus treated as an asset on the EU’s balance sheet.

2014-2020 Period:

Under cohesion policy out of EUR 5 790 million paid, it is estimated that EUR 3 590 million was unused at 31 December 2018. This includes the contribution of the Member States to the SME Initiative, an instrument aimed at stimulating additional lending by the banking sector to SMEs (EUR 1 213 million paid, out of which EUR 391 million is estimated as unused).

For rural development, EUR 83 million remained unused at year-end.

2007-2013 Period:

All amounts related to the cohesion policy are considered to have been either implemented or re-allocated to other measures, therefore no assets remain on the balance sheet at 31 December 2018. It should be noted that the actual implementation by the various instruments will be reviewed as part of the closure process of the programmes.

Aid Schemes

Similar to the above, advances paid by the Member States for various aid schemes (state aid, market measures of EAGF or investment measures of EAFRD) that were not used at year-end are recorded as assets (advances) on the EU's balance sheet. The Commission has estimated the value of these advances based on information provided by the Member States; the resulting amounts are included under the Aid Schemes sub-heading above.

2014-2020 Period:

The unused amounts at year-end were estimated at EUR 1 477 million for cohesion policy and EUR 1 171 million for agriculture and rural development.

2007-2013 Period:

It is estimated that EUR 195 million paid in the context of rural development remains unused at the end of 2018.

2.6. EXCHANGE RECEIVABLES AND NON-EXCHANGE RECOVERABLES

		<i>EUR million</i>	
	Note	31.12.2018	31.12.2017
Non-current			
Recoverables from non-exchange transactions	2.6.1	397	594
Recoverables from exchange transactions	2.6.2	19	17
		416	611
Current			
Recoverables from non-exchange transactions	2.6.1	22 212	11 065
Recoverables from exchange transactions	2.6.2	2 036	689
		24 248	11 755
Total		24 664	12 366

2.6.1. Recoverables from non-exchange transactions

		<i>EUR million</i>	
	Note	31.12.2018	31.12.2017
Non-current			
Member States	2.6.1.1	397	594
		397	594
Current			
Member States	2.6.1.1	10 900	6 190
Competition fines	2.6.1.2	9 727	4 225
Accrued income and deferred charges	2.6.1.3	1 511	570
Other recoverables		74	81
		22 212	11 065
Total		22 609	11 659

2.6.1.1. Recoverables from Member States

		<i>EUR million</i>	
		31.12.2018	31.12.2017
TOR A accounts		5 609	3 113
TOR separate accounts		1 612	1 617
Own resources to be received		2 758	46

	EUR million	
	31.12.2018	31.12.2017
<i>Impairment</i>	(991)	(997)
<i>Other</i>	86	56
Own resources recoverables	9 075	3 836
<i>European Agricultural Guarantee Fund (EAGF)</i>	1 708	2 280
<i>European Agricultural Fund for Rural Development (EAFRD)</i>	859	955
<i>Temporary Rural Development Instrument (TRDI)</i>	13	16
<i>Special Accession Programme for Agriculture and Rural Development (SAPARD)</i>	82	136
<i>Impairment</i>	(788)	(804)
EAGF and rural development recoverables	1 875	2 583
Pre-financing recovery expected	145	182
VAT paid and recoverable	45	64
Other recoverables from Member States	158	120
Total	11 297	6 784
<i>Non-current</i>	397	594
<i>Current</i>	10 900	6 190

The non-current amounts due from Member States relate mainly to non-executed conformity clearance decisions for the European Agricultural Guarantee Fund (EAGF) as well as for the European Agricultural Fund for Rural Development (EAFRD). The amounts related to these decisions are being recovered in annual instalments.

Own resources recoverables

'A accounts' refers to the monthly statements where the Member States communicate the established Traditional Own Resources (TOR) entitlements to the Commission but not yet recovered. TOR are composed of customs duties and sugar levies, collected by Member States on behalf of the Commission.

For 2018, the 'A accounts' figure contains TOR from the infringement case explained below as well as from inspection reports. The increase in the heading 'A accounts' is driven by these cases. As late payment interest of EUR 1,3 billion is applicable, those amounts are therefore also reported in these annual accounts (see notes 2.6.2 and 3.7).

Concerning the infringement case, on 8 March 2018, the European Commission sent a letter of formal notice (Infringement No 2018/2008) to the United Kingdom (UK) because it refused to make customs duties available to the EU budget, as required by EU law. In view of a lack of a satisfactory reply from the UK, the Commission sent a Reasoned Opinion on 24 September 2018 and decided on 19 December 2018 to refer the case to the Court of Justice of the EU. The UK replied to the Reasoned Opinion on 11 February 2019. This reply was again considered unsatisfactory and the Commission confirmed on 6 March 2019 its decision to refer the infringement to the Court of Justice of the EU. The application was lodged on 7 March 2019. A 2017 OLAF report had found that importers in the UK evaded a large amount of customs duties by using fictitious and false invoices and incorrect customs value declarations at importation. Based on a methodology developed by OLAF and JRC and on the information available, the Commission estimates that the infringement of EU legislation by the UK resulted, during the period November 2011 to October 2017, in losses to the EU budget amounting to EUR 2,1 billion (net, i.e. after deducting the collection costs to be retained by the UK from the gross amount of EUR 2,7 billion). The UK does not agree on the methodology used by the Commission to estimate the above losses.

In addition, the Commission included in the accounts a management estimate of EUR 0,7 billion (of which the largest part being applicable interest) for established customs duties. The UK does not agree with this amount.

'Separate accounts' refers to established entitlements that have not been included in the 'A accounts', because they have not been recovered by Member States and no security has been provided (or if security has been provided but the amounts are contested). These entitlements are subject to impairment based on information provided every year by the Member States.

'Own resources to be received' refers to recoverables as a result of the amending budget No 6/2018 adopted on 12 December 2018. The amounts were to be entered by Member States on the first working day of January 2019.

EAGF and Rural Development recoverables

This item primarily covers the amounts owed by Member States at 31 December 2018, as declared and certified by the Member States as at 15 October 2018. An estimation is made for the recoverables arising after this declaration and up to 31 December 2018. The Commission also estimates a write-down for the amounts owed by beneficiaries that are unlikely to be recovered. The fact that such an adjustment is made does not mean that the Commission is waiving future recovery of these amounts. A deduction of 20 % is also included in the adjustment and corresponds to what Member States are allowed to retain to cover administrative costs.

2.6.1.2. Recoverables from competition fines

	<i>EUR million</i>	
	31.12.2018	31.12.2017
<i>Recoverable from fines gross amount</i>	13 022	7 679
<i>Provisional payments</i>	(3 131)	(3 282)
<i>Impairment</i>	(164)	(172)
Total	9 727	4 225
<i>Non-current</i>	—	—
<i>Current</i>	9 727	4 225

The provisional payments mainly relate to cash receipts from companies that have nevertheless initiated an appeal or still have the option to appeal against the fine decisions at EU courts. A contingent liability is disclosed for the possibility to pay back these amounts to the companies (see note 4.1.4).

Fined companies who have launched or are planning to launch an appeal have an option to either make provisional payments or to provide bank guarantees to the Commission. For EUR 9 354 million (2017: EUR 4 004 million) of fines not paid at year-end, the Commission has accepted guarantees.

The amounts written down due to impairment reflect the Commission's case-by-case assessment of fines amounts not cashed or not covered with a guarantee, which the Commission expects not to recover.

The increase in the competition fines recoverables is mainly due to two significant fines (totalling EUR 5 339 million) where the companies concerned covered the fine with Commission accepted bank guarantees.

2.6.1.3. Accrued income and deferred charges

	<i>EUR million</i>	
	31.12.2018	31.12.2017
<i>Other accrued income</i>	1 240	328
<i>Deferred charges relating to non-exchange transactions</i>	272	241
Total	1 511	570
<i>Non-current</i>	—	—
<i>Current</i>	1 511	570

Other accrued income includes EUR 1 146 million that the Commission expects to recover from the Member States in the area of cohesion. The recovery will be made as a result of the examination and acceptance of the annual accounts submitted by the Member States on 15 February 2019. This procedure for the acceptance of Member States' annual accounts has been introduced for the first time in the cohesion area for the programming period 2014-2020.

2.6.2. Receivables from exchange transactions

	EUR million	
	31.12.2018	31.12.2017
Non-current		
Other receivables	19	17
	19	17
Current		
Customers	232	241
Impairment on receivables from customers	(143)	(141)
Deferred charges relating to exchange transactions	243	259
Other	1 704	331
	2 036	689
Total	2 055	707

The receivables under the heading other contain EUR 1,4 billion of accrued late payment interest on own resources out of which EUR 1,3 billion relate to the cases already mentioned in note 2.6.1.1.

2.7. INVENTORIES

	EUR million	
	31.12.2018	31.12.2017
Scientific materials	52	45
Other	21	250
Total	73	295

2.8. CASH AND CASH EQUIVALENTS

		EUR million	
	Note	31.12.2018	31.12.2017
Accounts with Treasuries and Central Banks		12 932	20 078
Current accounts		79	152
Imprest accounts		5	5
Transfers (cash in transit)		0	0
Bank accounts for budget implementation	2.8.1	13 017	20 236
Cash belonging to financial instruments	2.8.2	2 377	1 608
Cash relating to fines	2.8.3	1 438	1 234
Cash relating to other institutions, agencies and bodies		1 167	999
Cash relating to trust funds		114	34
Total		18 113	24 111

2.8.1. Bank accounts for budget implementation

This heading covers the funds which the Commission keeps in its bank accounts in each Member State and EFTA country (treasury or central bank), as well as in commercial bank current accounts, imprest accounts and petty cash. The treasury balance at the end of 2018 is due to the following main elements:

- As regards own resources, the end of year treasury balance includes EUR 0,75 billion paid in advance by some of the Member States in relation to amending budget 6 adopted in 2018.
- An amount of EUR 1,4 billion of fines imposed by the Commission for breach of competition rules, definitively cashed in 2018 and not yet included in any amending budget is also part of the year-end treasury balance.
- The treasury balance also includes assigned revenue and other payment appropriations of EUR 7,4 billion.

2.8.2. *Cash belonging to financial instruments*

Amounts shown under this heading primarily concern cash equivalents managed by fiduciaries on behalf of the Commission for the purpose of implementing particular financial instrument programmes funded by the EU budget and cash and cash equivalents held in the guarantee funds relating to budgetary guarantees (see note 2.4.1). The cash belonging to financial instruments and guarantee funds can only be used in the programmes concerned.

2.8.3. *Cash relating to fines*

This is cash received in connection with fines issued by the Commission for which the case is still open. These amounts are kept in specific deposit accounts that are not used for any other activities. Where an appeal has been lodged or when it is unknown if an appeal will be made by the other party, the underlying amount is shown as contingent liability in note 4.1.4.

Since 2010, all new provisionally cashed fines are managed by the Commission in the BUFI fund and invested in financial instruments categorised as available for sale (see note 2.4.1).

LIABILITIES

2.9. PENSION AND OTHER EMPLOYEE BENEFITS

Net employee benefit scheme liability

	<i>EUR million</i>				
	Pension Scheme of European Officials	Other retirement benefit schemes	Joint Sickness Insurance Scheme	31.12.2018 Total	31.12.2017 Total
<i>Defined Benefit Obligation</i>	70 017	1 865	8 990	80 871	73 560
<i>Plan assets</i>	N/A	(119)	(296)	(415)	(438)
Net liability	70 017	1 746	8 694	80 456	73 122

The increase in the total employee benefits liability is primarily due to an increase in the net liability of the Pension Scheme of European Officials. The rights accrued during the year due to service are higher than the benefits paid out during the year. In addition to this, there is an annual interest cost (unwinding of the liability discounting) as well as actuarial losses from experience where a significant amount relates to the improvement mentioned in note 2.9.1.

2.9.1. *Pension Scheme of European Officials*

This defined benefit obligation represents the present value of expected future payments that the EU is required to make so as to settle the pension obligations resulting from employee service in the current and prior periods. The scheme is ongoing, and as such, all payments required to be made from the scheme on an annual basis are included in the EU budget each year.

In accordance with Article 83 of the Staff Regulations, the payment of the benefits provided for in the staff pension scheme constitutes a charge to the EU's budget. The scheme is notionally funded, and the Member States guarantee the payment of these benefits collectively. A compulsory pension contribution is deducted from the basic salaries of active members, currently 10,0 %. These contributions are treated as budget revenue of the year and contribute to the funding of EU expenditure in general, see also note 3.6.

The liabilities of the pension scheme were assessed on the basis of the number of staff and retired staff at 31 December 2018 and on the rules of the Staff Regulations applicable at this date. This valuation was carried out in accordance with the methodology of IPSAS 39 (and therefore also EU accounting rule 12). As was already noted in the 2017 annual accounts, the relevant Commission services have been working to strengthen data collection methods, as well as improving assumptions and calculation methods. One result of this work has been a more precise valuation of the liability in relation to the pensions of surviving persons (i.e. where the member is deceased) using the most up to date actuarial practice. The impact of this improved method on the 2018 liability is a EUR 2,1 billion increase. Had this method been used in 2017, that liability would have been EUR 2,3 billion higher compared to the previous method used.

2.9.2. Other retirement benefit schemes

This refers to the liability relating to the pension obligations towards Members and former Members of the Commission, the Court of Justice (and General Court) and the Court of Auditors, the Council, the Ombudsman, the European Data Protection Supervisor, and the European Union Civil Service Tribunal. Also included under this heading is a liability relating to the pensions of Members of the European Parliament.

2.9.3. Joint Sickness Insurance Scheme

In addition to the above retirement benefit schemes, a valuation is made for the estimated liability that the EU has regarding the Joint Sickness Insurance Scheme (JSIS) in relation to healthcare costs which must be paid during post-activity periods (net of their contributions). As stated in note 1.5.10, the calculation of this liability takes account of the full active service period, ensuring that both the pension and the sickness insurance schemes of the staff's post-employment plan are accounted for consistently. Taking into account the obligation to faithfully present the economic substance of the underlying situation as required by both EAR and IPSAS, we have not interpreted IPSAS 39 in a stricter sense when attributing the benefits to the periods of service. If one were to accrue the service cost for the JSIS scheme fully over 10 years for all officials, as opposed to the period of active service of the employee, the impact of such an approach on the defined benefit obligation at year-end would be an increase of EUR 3 billion. However, as already indicated, this stricter approach would not be compatible with the qualitative characteristic of faithful representation, and thus would not be deemed to provide reliable information in accordance with EAR 1 and the IPSAS Conceptual Framework. This estimate is highly sensitive to the evolution of current staff administrative status (in particular the number of fixed-term contract members assumed to become officials in the future).

Movement in present value of employee benefits defined benefit obligation

The present value of the defined benefit obligation is the discounted expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

An analysis of the current year movement in the defined benefit obligation is presented below:

	<i>EUR million</i>			
	Pension Scheme of European Officials	Other retirement benefit schemes	Joint Sickness Insurance Scheme	Total
Present value as at 31.12.2017	63 951	1 854	7 756	73 560
Recognised in statement of financial performance				
<i>Current Service Cost</i>	2 716	87	270	3 074
<i>Interest cost</i>	1 215	32	155	1 402
Recognised in net assets				
<i>Remeasurements in employee benefits liabilities</i>				
<i>Actuarial (gains)/losses from experience</i>	3 380	(15)	4	3 369
<i>Actuarial (gains)/losses from demographic assumptions</i>	—	1	—	1
<i>Actuarial (gains)/losses from financial assumptions</i>	251	(36)	901	1 115
Other				
<i>Benefits paid</i>	(1 496)	(58)	(96)	(1 650)
Present value as at 31.12.2018	70 017	1 865	8 990	80 872

Current service cost is the increase in the present value of the defined benefit obligation arising from current members' service in the current period.

Interest cost refers to the interest cost i.e. the increase during the period in the present value of the defined benefit obligation because the benefits are one period closer to settlement.

Actuarial gains and losses from experience refer to the effects of differences between the previous actuarial assumptions for 2018 and what has actually occurred in 2018. This amount includes the improvement mentioned in note 2.9.1.

Actuarial gains and losses from actuarial assumptions (demographic and financial like discount rates and expected salary increases) arise where these assumptions are updated in order to reflect changes in the underlying conditions.

Benefits (for example, pensions or medical cost reimbursements) are paid during the year according to the rules of the scheme. These benefits paid lead to a decrease in the defined benefit obligation.

Plan assets

			<i>EUR million</i>
	Other retirement benefit schemes	Joint Sickness Insurance Scheme	Total
Present value as at 31.12.2017	137	301	438
<i>Net movement in plan assets</i>	<i>(18)</i>	<i>(5)</i>	<i>(23)</i>
Present value as at 31.12.2018	119	296	415

Actuarial assumptions - employee benefits

The principle actuarial assumptions used in the valuation of the two main employee benefit schemes of the EU are shown below:

	Pension Scheme of European Officials	Joint Sickness Insurance Scheme
2018		
<i>Nominal discount rate</i>	1,9 %	2,0 %
<i>Expected inflation rate</i>	1,4 %	1,5 %
<i>Real discount rate</i>	0,5 %	0,5 %
<i>Expected rate of salary increases</i>	1,9 %	1,8 %
<i>Medical cost trend rates</i>	N/A	3,0 %
<i>Retirement age</i>	63/64/66	63/64/66
2017		
<i>Nominal discount rate</i>	1,9 %	2,0 %
<i>Expected inflation rate</i>	1,5 %	1,6 %
<i>Real discount rate</i>	0,4 %	0,4 %
<i>Expected rate of salary increases</i>	1,8 %	1,7 %
<i>Medical cost trend rates</i>	N/A	3,0 %
<i>Retirement age</i>	63/64/66	63/64/66

Mortality rates for 2017 and 2018 are based on the EU Civil Servants Life Table - EULT 2018.

The nominal discount rate is determined as the value of the Euro zero-coupon yield (with a maturity of 20 years as of December 2018 for the Pension Scheme of European Officials (PSEO), and 25 years for the Joint Sickness Insurance Scheme). The inflation rate used is the expected inflation rate over the equivalent period. It must be determined empirically, based on prospective values as expressed by index-linked bonds on the European financial markets. The real discount rate is calculated from the nominal discount rate and the expected long-term inflation rate.

Sensitivity analyses

The sensitivity analysis is based on simulations which change, ceteris paribus, the value of the concerned assumptions and observing how the model reacts.

Joint Sickness Insurance Scheme sensitivity

A ten basis point change in assumed medical cost trend rates would have the following effects:

	<i>EUR million</i>			
	2018		2017	
	Increase 0,1 %	Decrease 0,1 %	Increase 0,1 %	Decrease 0,1 %
<i>The aggregate of the current service cost and interest cost components of net periodic post-employment medical costs</i>	12	(12)	11	(11)
<i>Defined benefit obligation</i>	253	(246)	220	(213)

A ten basis point (0,1 %) change in the assumed discount rate would have the following effects:

	<i>EUR million</i>			
	2018		2017	
	Increase 0,1 %	Decrease 0,1 %	Increase 0,1 %	Decrease 0,1 %
<i>Defined benefit obligation</i>	(219)	226	(188)	194

A ten basis point (0,1 %) change in expected salary increases would have the following effects:

	<i>EUR million</i>			
	2018		2017	
	Increase 0,1 %	Decrease 0,1 %	Increase 0,1 %	Decrease 0,1 %
<i>Defined benefit obligation</i>	(26)	25	(25)	24

A one-year change in assumed retirement age would have the following effects:

	<i>EUR million</i>			
	2018		2017	
	One year increase	One year decrease	One year increase	One year decrease
<i>Defined benefit obligation</i>	(91)	54	(82)	44

Pension Scheme of European Officials sensitivity

A ten basis point (0,1 %) change in the assumed discount rate would have the following effects:

	<i>EUR million</i>			
	2018		2017	
	Increase 0,1 %	Decrease 0,1 %	Increase 0,1 %	Decrease 0,1 %
<i>Defined benefit obligation</i>	(1 434)	1 478	(1 281)	1 319

A ten basis point (0,1 %) change in expected salary increases would have the following effects:

	<i>EUR million</i>			
	2018		2017	
	Increase 0,1 %	Decrease 0,1 %	Increase 0,1 %	Decrease 0,1 %
<i>Defined benefit obligation</i>	1 427	(1 388)	1 313	(1 192)

A one-year change in assumed retirement age would have the following effects:

<i>EUR million</i>				
	2018		2017	
	One year increase	One year decrease	One year increase	One year decrease
<i>Defined benefit obligation</i>	(573)	645	(496)	639

2.10. PROVISIONS

<i>EUR million</i>							
	Amount at 31.12.2017	Additional provisions	Unused amounts reversed	Amounts used	Transfer between categories	Change in estimation	Amount at 31.12.2018
<i>Legal cases:</i>							
<i>Agriculture</i>	49	270	(2)	(47)	—	—	270
<i>Cohesion</i>	20	—	(20)	—	—	—	(0)
<i>Other</i>	120	3	(19)	(2)	—	(1)	100
<i>Nuclear site dismantlement</i>	1 934	—	—	(34)	—	32	1 933
<i>Financial</i>	1 115	590	(7)	(149)	—	2	1 551
<i>Fines</i>	27	—	(27)	—	—	—	—
<i>Other</i>	272	38	(38)	(18)	—	24	278
Total	3 538	901	(115)	(249)	—	57	4 132
Non-current	2 880	704	(38)	(52)	(272)	59	3 281
Current	659	197	(77)	(197)	272	(2)	852

Provisions are reliably estimated amounts, arising from past events, that will probably have to be paid by the EU budget in the future.

Legal cases

This is the estimate of amounts that will probably have to be paid out after the year-end in relation to a number of on-going legal cases.

Nuclear site dismantlement

As of 2017 the basis for the provision was updated as per the “JRC Decommissioning & Waste Management Programme Strategy (D&WMP) – Updated in 2017”. The review of the strategy, along with budget and staff needs, was conducted together with the independent D&WMP Expert Group. It represents the best available estimate of the budget and staff needed to complete the decommissioning of the JRC sites of Ispra, Geel, Karlsruhe and Petten.

In accordance with the EU accounting rules, this provision is indexed for inflation and then discounted to its net present value (using the Euro swap curve). At 31 December 2018, this resulted in a provision of EUR 1 933 million, split between amounts expected to be used in 2018 (EUR 31 million) and afterwards (EUR 1 902 million).

It must be noted that major uncertainties, inherent to the long term planning of nuclear decommissioning, could affect this estimate, which could significantly increase in the future. The main sources of uncertainty are related to the end state of the decommissioned site, nuclear materials, waste management and disposal aspects, incomplete or lacking definition of national regulatory frames, complicated and time-consuming licensing process and future developments of the decommissioning industrial market.

Financial provisions

These concern mainly provisions, which represent the estimated losses that will be incurred in relation to the guarantees given under different financial instruments, where entrusted entities are empowered to issue guarantees in their own name but on behalf of and at the risk of the EU. The financial risk of the EU linked to the guarantees is capped and financial assets are gradually provisioned to cover for the future guarantee calls. This heading also includes provisions for outstanding loans to Syria issued by the EIB under its external lending mandate and thus guaranteed by the EU via the Guarantee Fund for external actions. Non-current financial provisions are discounted to their net present value.

The increase of the financial provision relates to the increase of the volume of guaranteed operations under H2020 and COSME financial instruments.

2.11. FINANCIAL LIABILITIES

EUR million

	Note	31.12.2018	31.12.2017
Non-current financial liabilities			
Financial liabilities at amortised cost	2.11.1	53 281	50 061
Financial liabilities at fair value through surplus or deficit	2.11.2	7	2
		53 289	50 063
Current financial liabilities			
Financial liabilities at amortised cost	2.11.1	2 602	6 850
Financial liabilities at fair value through surplus or deficit	2.11.2	15	—
		2 617	6 850
Total		55 906	56 913

2.11.1. Financial liabilities at amortised cost

EUR million

	Note	31.12.2018	31.12.2017
Borrowings for financial assistance	2.11.1.1	53 872	54 841
Other financial liabilities	2.11.1.2	2 012	2 070
Total		55 884	56 911
Non-Current		53 281	50 061
Current		2 602	6 850

2.11.1.1. Borrowings for financial assistance

EUR million

	EFSM	BOP	MFA	Euratom	ECSC in Liquid-ation	Total
Total at 31.12.2017	47 456	3 114	3 924	250	97	54 841
New borrowings	4 500	—	515	50	—	5 065

	EUR million					
	EFSM	BOP	MFA	Euratom	ECSC in Liquidation	Total
Repayments	(4 500)	(1 350)	(56)	(46)	—	(5 952)
Exchange differences	—	—	—	(0)	(1)	(1)
Changes in carrying amounts	(56)	(30)	5	0	0	(82)
Total at 31.12.2018	47 400	1 734	4 388	254	97	53 872
Non-current	46 800	200	4 309	213	—	51 521
Current	600	1 534	79	41	97	2 350

Borrowings mainly include debts evidenced by certificates amounting to EUR 53 725 million (2017: EUR 54 674 million). The changes in carrying amount correspond to the change in accrued interests.

Aside from ECSC in liquidation, the repayment of the above borrowings are ultimately guaranteed by the EU budget – see note 4.1.2, and by extension by each Member State.

Borrowings effective interest rates (expressed as a range of interest rates)

	31.12.2018	31.12.2017
Macro Financial Assistance (MFA)	0 % - 3,82 %	0 % - 4,54 %
Euratom	0 % - 5,68 %	0 % - 5,68 %
Balance of Payment (BOP)	2,88 % - 3,38 %	2,88 % - 3,38 %
European Financial Stability Mechanism (EFSM)	0,50 % - 3,75 %	0,62 % - 3,75 %
ECSC in Liquidation	6,91 % - 8,97 %	6,91 % - 8,97 %

2.11.1.2. Other financial liabilities

	EUR million	
	31.12.2018	31.12.2017
Non-current		
Finance lease liabilities	1 331	1 456
Buildings paid for in instalments	314	305
Other	115	159
	1 760	1 920
Current		
Finance lease liabilities	93	89
Buildings paid for in instalments	29	24
Fines to be reimbursed	125	13

<i>EUR million</i>		
	31.12.2018	31.12.2017
Other	5	24
	252	150
Total	2 012	2 070

Finance lease liabilities

<i>EUR million</i>				
Description	Future amounts to be paid			
	< 1 year	1-5 years	> 5 years	Total Liability
Land and buildings	86	428	893	1 407
Other fixed assets	7	10	—	17
Total at 31.12.2018	93	438	893	1 424
Interest element	60	216	196	472
Total future minimum lease payments at 31.12.2018	153	654	1 089	1 896
Total future minimum lease payments at 31.12.2017	158	682	1 271	2 111

The lease and building related amounts above will have to be funded by future budgets.

2.1.1.2. Financial liabilities at fair value through surplus or deficit

<i>EUR million</i>				
Type of derivative	31.12.2018		31.12.2017	
	Notional amount	Fair value	Notional amount	Fair value
Guarantee on equity portfolio	536	20	—	—
FX option (put spread)	11	2	9	2
Total	546	22	9	2
Non-current	82	7	9	2
Current	464	15	—	—

Guarantee on equity portfolio

Guarantees given on equity portfolio are classified as financial liabilities at fair value through surplus or deficit since they do not meet the definition of a financial guarantee liability – see note 1.5.12. As at 31 December 2018 this heading relates to a guarantee provided by the EU under the H2020 financial instruments (see note 2.4.1) to the EIB Group for portfolios of equity operations. The EU financial liability is measured based on the value of the underlying investments.

Foreign exchange option

As at 31 December 2018 the EU holds a derivative financial instrument (Foreign exchange option – put spread type of option) in which it covers the devaluation of the foreign exchange currency (UHA) related to loans given by financial institutions to SMEs in Ukraine so as to enhance the access to financing, as well as the attractiveness of the loan conditions in Ukraine. Under the terms of the contract, the EU provides its partners with an option to call, for each eligible loan, up to a maximum of 30 %, for an EU contribution in the case of devaluation of the ratio UHA/EUR.

Fair value hierarchy of financial liabilities measured at fair value

	EUR million	
	31.12.2018	31.12.2017
Level 1: Quoted prices in active markets	—	—
Level 2: Observable inputs other than quoted prices	2	2
Level 3: Valuation techniques with inputs not based on observable market data	20	—
Total	22	2

2.1.1.3. Financial guarantee liabilities

The EFSI guarantee on the debt portfolio disbursed by the EIB under the EFSI Innovation and Infrastructure window (IIW) is classified as a financial guarantee liability. At 31 December 2018 the EFSI financial guarantee liability totals EUR zero, as the revenues to be received under the guarantee exceed expected losses (see note 4.1.1).

2.12. PAYABLES

	EUR million					
	Gross Amount	Adjustments	Net Amount at 31.12.2018	Gross Amount	Adjustments	Net Amount at 31.12.2017
Cost claims and invoices received from:						
<i>Member States:</i>						
EAFRD & other rural development instruments	247	—	247	481	—	481
ERDF & CF	10 761	(1 724)	9 037	12 602	(883)	11 719
ESF	5 195	(496)	4 699	4 183	(264)	3 919
Other	632	(75)	557	746	(280)	466
Private and public entities	1 461	(179)	1 282	1 563	(144)	1 419
Total cost claims and invoices received	18 296	(2 475)	15 821	19 574	(1 571)	18 004
EAGF	14 772	N/A	14 772	11 534	N/A	11 534
Own resources payables	769	N/A	769	8 836	N/A	8 836
Sundry payables	570	N/A	570	341	N/A	341
Other	294	N/A	294	333	N/A	333
Total	34 701	(2 475)	32 227	40 618	(1 571)	39 048

Payables include invoices and cost claims received but not yet paid at year-end. They are initially recognised at the time of the reception of the invoices / cost claims for the requested amounts. The payables are subsequently adjusted to reflect only the amounts accepted following review of costs, and the amounts estimated to be eligible. The amounts estimated to be non-eligible are included in the column "Adjustments"; the largest amounts concern the structural actions.

In the 2014-2020 programming period, the Common Provisions Regulation (CPR) applicable to the Structural Funds (ERDF and ESF), Cohesion Fund and to the European Maritime and Fisheries Fund (EMFF) foresees that the EU budget is protected by means of a systematic retention of 10 % of the interim payments made. By February following the end of the CPR accounting year (1 July - 30 June), the control cycle is complete both through management verifications by the managing authorities and audits by the audit authorities. The Commission examines the assurance documents and the accounts provided by the relevant authorities in the Member States. The payment / recovery of the final balance is made only after this assessment is finalised and the accounts are accepted. The amount retained according to this provision at end 2018 totalled EUR 5,7 billion. A part of this amount (EUR 0,9 billion) is estimated as being non-eligible on the basis of the information provided by the Member States in their accounts and is also included in the column "Adjustments". The final component of the adjustments to the payables is represented by the amounts corresponding to other advances to Member States (see note 2.5.2) still to pay at year-end (EUR 0,8 billion).

Payables concerning cohesion policy (ERDF, CF, ESF) have decreased which mainly relates to the fact that claims related to the period 2007-2013 have significantly decreased to EUR 3,5 billion (2017: EUR 10 billion), as the Commission is checking the final cost claims submitted by the Member States. At the same time, claims related to period 2014-2020 increased to EUR 10 billion (2017: EUR 5 billion) following further progress in the implementation of the programmes.

The increase in EAGF payables relates to the repartition of the total EAGF liabilities between payables and accrued charges. The total EAGF liabilities remain relatively stable at EUR 44 159 million against EUR 44 837 million last year. However, in 2018 the claimed amounts already covered by a conformity decision (accounted for as payable) are higher than in 2017.

Requests for pre-financing

In addition to the above amounts, at the end of 2018, EUR 0,5 billion of requests for pre-financing have been received and were not yet paid at year-end. According to the EU accounting rules, these amounts are not booked as payables.

Own Resources Payables

Own resources payables refer to Member States EU budget contributions to be reimbursed at year-end following the amending budget No 6/2018 adopted on 12 December 2018. Amending budgets are implemented according to Article 10(3) of Council Regulation (EU, Euratom) No 609/2014 ⁽²⁰⁾. According to this legal provision, the resulting amounts were returned to the Member States on the first working day of January 2019. The significant amount on 31 December 2017 was due to the adoption of amending budget No 6/2017 on 30 November 2017. This year the amending budget mainly gave rise to additional Member States contributions (see note 2.6.1.1).

2.13. ACCRUED CHARGES AND DEFERRED INCOME

	<i>EUR million</i>	
	31.12.2018	31.12.2017
<i>Accrued charges</i>	62 877	63 588
<i>Deferred income</i>	96	111
<i>Other</i>	213	203
Total	63 186	63 902

The split of accrued charges is as follows:

	<i>EUR million</i>	
	31.12.2018	31.12.2017
<i>EAGF</i>	29 387	33 303
<i>EAFRD and other rural development instruments</i>	18 687	17 464
<i>ERDF and CF</i>	5 863	4 249
<i>ESF</i>	2 321	2 870
<i>Other</i>	6 619	5 702
Total	62 877	63 588

The biggest movement concerns agriculture (EAGF), for the explanation see note 2.12. For cohesion policy, the increase for ERDF & CF is due to the increasing accruals for the current programming period 2014-2020 as the programmes further develop.

⁽²⁰⁾ OJ L 168, 7.6.2014, p. 39.

NET ASSETS**2.14. RESERVES**

	Note	31.12.2018	31.12.2017
<i>Fair value reserve</i>	2.14.1	231	278
<i>Guarantee Fund reserve</i>	2.14.2	2 849	2 663
<i>Other reserves</i>	2.14.3	1 881	1 935
Total		4 961	4 876

EUR million

2.14.1. Fair value reserve

In accordance with the EU accounting rules, the adjustment to fair value of available for sale financial assets is accounted for through the fair value reserve.

Movements of the fair value reserve during the period

	2018	2017
<i>Included in fair value reserve</i>	(70)	(8)
<i>Included in the statement of financial performance</i>	23	6
Total	(47)	(2)

EUR million

2.14.2. Guarantee Fund reserve

This reserve reflects the 9 % target amount of the outstanding amounts guaranteed by the EU budget under the EIB external lending mandate, that is required to be kept as assets in the Guarantee Fund for external actions (see note 2.4.1).

2.14.3. Other reserves

The amount relates primarily to the reserves of the ECSC in liquidation (EUR 1 514 million) for the assets of the Research Fund for Coal and Steel, which were created in the context of the winding-up of the ECSC.

2.15. AMOUNTS TO BE CALLED FROM MEMBER STATES

	EUR million
Amounts to be called from Member States at 31.12.2017	75 234
<i>Return of 2017 budget surplus to Member States</i>	556
<i>Movement in Guarantee Fund reserve</i>	186
<i>Remeasurements in employee benefits liabilities</i>	4 396
<i>Other reserve movements</i>	(30)
<i>Economic result of the year</i>	(13 918)
Total amounts to be called from Member States at 31.12.2018	66 424

This amount represents that part of the expenses incurred by the EU up to 31 December that must be funded by future budgets. Many expenses are recognised under accrual accounting rules in the year N although they may be actually paid in year N+1 (or later) and therefore funded using the budget of year N+1 (or later). The inclusion in the accounts of these liabilities coupled with the fact that the corresponding amounts are financed from future budgets, results in liabilities greatly exceeding assets at the year-end. The most significant amounts to be highlighted concern the EAGF activities and employee benefit liabilities.

It should also be noted that the above has no effect on the budget result – budget revenue should always equal or exceed budget expenditure and any excess of revenue is returned to Member States.

The remeasurements in employee benefits liabilities relate to actuarial gains and losses arising from the actuarial valuation of these liabilities. As from 1 January 2018 the amended EU accounting rule 12 (based on IPSAS 39) for employee benefits is applicable. According to this rule actuarial gains and losses are presented as a movement in net assets rather than in the statement of financial performance.

3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

REVENUE

REVENUE FROM NON-EXCHANGE TRANSACTIONS: OWN RESOURCES

3.1. GNI RESOURCES

Own resources revenue is the primary element of the EU's operating revenue. GNI (gross national income) revenue amounts to EUR 105 780 million for 2018 (2017: EUR 78 620 million) and is the most significant of the three categories of own resources. A uniform percentage is levied on the GNI of each Member State. The GNI revenue balances revenue and expenditure i.e. funds the part of the budget that is not covered by other sources of income. The increase of GNI revenue is explained mainly by the rise of payment appropriations in 2018 together with the limited budget surplus from the previous financial year (EUR 556 million; excluding EFTA result). Both elements impacted the requested Member States' GNI contributions in 2018, as this contribution is a balancing figure.

3.2. TRADITIONAL OWN RESOURCES

	<i>EUR million</i>	
	2018	2017
<i>Customs duties</i>	22 763	20 475
<i>Sugar levies</i>	4	45
Total	22 767	20 520

Traditional own resources comprise custom duties and sugar levies. Member States retain, by way of collection costs, 20 % of traditional own resources, and the above amounts are shown net of this deduction. The increase in customs duties largely refers to the infringement case accrued revenue (see note 2.6.1.1).

3.3. VAT RESOURCES

The VAT is defined as the Union's second kind of own resources since this tax type was the first to be largely harmonised at the EU level. The VAT contribution is calculated by applying a uniform call rate of 0,3 % to the national VAT base which cannot exceed 50 % of the gross national income (GNI) of each Member State. For the period 2014–2020, the Council Decision 2014/335/EU, Euratom ⁽²¹⁾, foresees a reduced rate of call of 0,15 % for Germany, the Netherlands and Sweden.

REVENUE FROM NON-EXCHANGE TRANSACTIONS: TRANSFERS

3.4. FINES

These revenues of EUR 6 740 million (2017: EUR 4 664 million) relate to fines the Commission has imposed on companies for breaches of EU competition rules and to fines the Commission has imposed on Member States for infringements of EU law. The Commission recognises revenues from fines when it adopts the decision to impose a fine and it officially notifies the addressee. The amounts are mainly competition fines (EUR 6 534 million). The biggest cases concern breaches of EU antitrust rules i.e. a fine imposed on Google for imposing illegal restrictions on Android device manufacturers and mobile network operators (EUR 4 343 million) and a fine imposed on Qualcomm for abusing its market dominance in chipsets (EUR 997 million).

⁽²¹⁾ OJ L 168, 7.6.2014, p. 105.

3.5. RECOVERY OF EXPENSES

	<i>EUR million</i>	
	2018	2017
<i>Shared management</i>	2 116	1 775
<i>Direct management</i>	65	81
<i>Indirect management</i>	34	23
Total	2 215	1 879

This heading mainly represents the recovery orders issued by the Commission that are cashed or offset against (i.e. deducted from) subsequent payments recorded in the Commission's accounting system, made so as to recover expenditure previously paid out from the EU budget. Recoveries are based on controls, audits or eligibility analysis and therefore, these actions are an important consideration in implementing the EU budget. These operations protect the EU budget from expenditure incurred in breach of law.

Recovery orders issued by Member States to beneficiaries of EAGF expenditure, as well as the variation of accrued income estimations from the previous year-end to the current, are also included.

The amounts included in the above table represent revenue earned through the issuance of recovery orders. For this reason, these figures cannot and do not show the full extent of the measures taken to protect the EU budget, particularly for cohesion policy where specific mechanisms are in place to ensure the correction of ineligible expenditure, most of which do not involve the issuance of a recovery order. Not included are amounts recovered through offsetting with expenses, amounts recovered by way of withdrawals and recoveries of pre-financing amounts.

Shared management recoveries make up the bulk of the total:

Agriculture: EAGF and rural development

In the framework of the EAGF and the EAFRD, amounts accounted for as revenue of the year under this heading are financial corrections of the year and reimbursements declared by Member States and recovered during the year, as well as the net increase in the outstanding amounts declared by Member States to be recovered at year-end concerning fraud and irregularities.

Cohesion policy

The main amounts related to cohesion policy relate to accrued income of EUR 1 146 million that the Commission expects to recover from the Member States. The recovery will be made as a result of the examination and acceptance of the annual accounts submitted by the Member States on 15 February 2019. This procedure for the acceptance of Member States' annual accounts has been introduced for the first time in the cohesion area for the programming period 2014-2020.

3.6. OTHER REVENUE FROM NON-EXCHANGE TRANSACTIONS

	<i>EUR million</i>	
	2018	2017
<i>Staff taxes and contributions</i>	1 268	1 218
<i>Contributions from third countries</i>	1 376	1 269
<i>Contributions from Member States for external aid</i>	594	988
<i>Transfer of assets</i>	85	208
<i>Adjustment of provisions</i>	100	29

	<i>EUR million</i>	
	2018	2017
<i>Agricultural levies</i>	4	4
<i>Budgetary adjustments</i>	(726)	5 806
<i>Other</i>	612	854
Total	3 312	10 376

Staff taxes and contributions revenue relates primarily to the deductions from staff salaries. Retirement contributions and income tax represent the substantial amounts within the category.

Contributions from third countries are contributions from EFTA countries and accession countries.

Contributions from Member States for external aid are mainly the amounts received to set up the Facility for Refugees in Turkey.

Transfer of assets revenue relates mainly to the transfer of satellites under the Copernicus programme from the European Space Agency (ESA) to the Commission (see note 2.2). This transfer is a non-exchange transaction according to the EU accounting rules and will occur in future periods for the remaining Copernicus satellites currently under construction.

The budgetary adjustments resulted in a negative amount as they include a considerably lower budget surplus from previous year (EUR 555 million compared to EUR 6,4 billion in 2017) and high GNI/VAT adjustments of EUR 1 292 million.

The 2018 amount of other revenue from non-exchange transactions includes an amount of EUR 100 million called from the EDF, representing its contribution to the EU budget for the purposes of the EFSI Guarantee Fund established under the Regulation (EU) 2017/1601 in 2018. Other significant amounts relate to ECSC Funding for the Coal and Steel Research (EUR 64 million) and contributions from other entities (EUR 176 million).

REVENUE FROM EXCHANGE TRANSACTIONS

3.7. FINANCIAL REVENUE

	<i>EUR million</i>	
	2018	2017
<i>Interest on:</i>		
<i>Late payments</i>	1 458	217
<i>Loans</i>	1 265	1 379
<i>Other</i>	68	41
<i>Premium on financial guarantee liability (EFSI)</i>	121	61
<i>Dividends</i>	103	23
<i>Financial revenue from financial assets or liabilities at fair value through surplus or deficit</i>	29	57
<i>Realised gains on available for sale financial assets</i>	23	38
<i>Other</i>	48	28
Total	3 115	1 845

Interest revenue on late payments stems mainly from fines and own resources contributions due and not paid on time. An amount of EUR 1,3 billion relates to the own resources cases referred to in note 2.6.1.1.

Interest revenue on loans relate mainly to loans granted for financial assistance (see note 2.4.3).

3.8. OTHER REVENUE FROM EXCHANGE TRANSACTIONS

	<i>EUR million</i>	
	2018	2017
<i>Fee revenue for rendering of services (agencies)</i>	602	557
<i>Foreign exchange gains</i>	329	281
<i>Fee and premium revenue related to financial instruments</i>	54	51
<i>Share of net result of EIF</i>	37	21
<i>Sales of goods</i>	33	42
<i>Fixed assets related revenue</i>	27	43
<i>Other</i>	297	338
Total	1 379	1 332

Fee revenue for rendering of services mainly include marketing authorisation fees charged by the European Medicines Agency and trademark fees collected by the European Union Intellectual Property Office.

EXPENSES

3.9. SHARED MANAGEMENT

	<i>EUR million</i>	
Implemented by Member States	2018	2017
<i>European Agricultural Guarantee Fund</i>	43 527	44 289
<i>European Agricultural Fund for Rural Development and other rural development instruments</i>	13 149	11 359
<i>European Regional Development Fund and Cohesion Fund</i>	30 230	17 650
<i>European Social Fund</i>	11 935	7 353
<i>Other</i>	2 826	1 253
Total	101 666	81 905

The biggest increase concerns cohesion policy (ERDF, CF and ESF) and mainly relates to expenses declared during the year, which were paid or used to clear pre-financing. While there was a reduction of expenses for the period 2007-2013 (closure phase), the implementation for the current programming period 2014-2020 has significantly increased in 2018. The same applies for the EAFRD and other rural development instruments.

Other expenses mainly include: Asylum and Migration (EUR 0,6 billion), Fund for European Aid to the Most Deprived (EUR 0,4 billion), European Union Solidarity Fund (EUR 0,9 billion) and European Maritime and Fisheries Fund (EUR 0,6 billion). The increase compared to last year mainly relates to the European Union Solidarity Fund and the European Maritime and Fisheries Fund.

3.10. DIRECT MANAGEMENT

	<i>EUR million</i>	
	2018	2017
<i>Implemented by the Commission</i>	8 120	8 831
<i>Implemented by EU Executive Agencies</i>	8 964	6 699
<i>Implemented by Trust funds</i>	468	208
Total	17 551	15 738

These amounts mainly concern the implementation of Research Policy (EUR 7,3 billion), Networks Programmes (EUR 2,7 billion), Development Co-operation Instruments (EUR 1,4 billion), European Neighbourhood Policy (EUR 1,1 billion).

The increase in direct management expenses implemented by EU Executive agencies mainly (EUR 1,7 billion) refers to the Innovation and Networks Executive Agency (INEA) in particular the transport part of the Connecting Europe Facility (CEF). The CEF for transport is the funding instrument to implement European transport infrastructure policy and aims in building new or upgrading/rehabilitating transport infrastructure in Europe.

3.11. INDIRECT MANAGEMENT

	<i>EUR million</i>	
	2018	2017
<i>Implemented by other EU agencies & bodies</i>	3 396	2 667
<i>Implemented by third countries</i>	679	1 101
<i>Implemented by international organisations</i>	3 337	3 014
<i>Implemented by other entities</i>	3 569	1 478
Total	10 981	8 260

Of the indirect management expenses, EUR 4,2 billion relates to external actions (mainly the areas of pre-accession, humanitarian aid, international co-operation and neighbourhood). A further EUR 6 billion is related to increasing Europe's competitiveness (in areas such as research, satellite navigation systems and education).

3.12. STAFF AND PENSION COSTS

	<i>EUR million</i>	
	2018	2017
<i>Staff costs</i>	6 454	6 193
<i>Pension costs</i>	4 476	3 808
Total	10 929	10 002

Pension costs represent elements of the movements that have arisen following the actuarial valuation of the employee benefits liabilities other than actuarial assumptions. They do not therefore represent actual pension payments of the year, which are significantly lower.

3.13. CHANGES IN EMPLOYEE BENEFITS ACTUARIAL ASSUMPTIONS

As from 1 January 2018 the amended EU accounting rule 12 (based on IPSAS 39) for employee benefits is applicable. According to this rule actuarial gains and losses ("remeasurements in employee benefits liabilities") are presented as a movement in net assets rather than in the statement of financial performance. The new accounting rule does not impact the estimation of these amounts.

3.14. FINANCE COSTS

	<i>EUR million</i>	
	2018	2017
<i>Interest expenses:</i>		
<i>Borrowings</i>	1 260	1 373
<i>Other</i>	26	22
<i>Impairment losses on loans and receivables</i>	126	324
<i>Loss on financial assets or liabilities at fair value through surplus or deficit</i>	95	12
<i>Finance leases</i>	73	81
<i>Impairment losses on available for sale financial assets</i>	25	39
<i>Realised loss on available for sale financial assets</i>	21	2
<i>Other</i>	50	42
Total	1 677	1 896

The amount of interest expense on borrowings corresponds mainly to interest income on loans for financial assistance (back-to-back transactions).

3.15. OTHER EXPENSES

	<i>EUR million</i>	
	2018	2017
<i>Administrative and IT expenses</i>	2 313	2 521
<i>Fixed assets related expenses</i>	1 608	1 423
<i>Adjustment of provisions</i>	923	1 377
<i>Foreign exchange losses</i>	341	446
<i>Operating lease expenses</i>	424	414
<i>Reduction of fines by the Court of Justice</i>	1	67
<i>Other</i>	598	509
Total	6 208	6 756

Expenses relating to research and development are included in administrative and IT expenses and are as follows:

	<i>EUR million</i>	
	2018	2017
<i>Research costs</i>	385	376
<i>Non-capitalised development costs</i>	106	81
Total	491	456

3.16. SEGMENT REPORTING BY MULTIANNUAL FINANCIAL FRAMEWORK HEADING (MFF)

	EUR million						
	Smart and inclusive growth	Sustainable growth	Security and citizenship	Global Europe	Administration	Not assigned to MFF heading (*)	Total
GNI resources	—	—	—	—	—	105 780	105 780
Traditional own resources	—	—	—	—	—	22 767	22 767
VAT	—	—	—	—	—	17 624	17 624
Fines	—	—	—	—	—	6 740	6 740
Recovery of expenses	1 395	777	6	35	0	2	2 215
Other	1 223	48	109	228	5 077	(3 374)	3 312
Revenue from non-exchange transactions	2 619	825	115	262	5 077	149 540	158 438
Financial revenue	282	0	0	16	0	2816	3 115
Other	170	(14)	(8)	6	337	887	1 379
Revenue from exchange transactions	453	(13)	(8)	23	337	3 703	4 494
Total revenue	3 072	812	107	285	5 414	153 243	162 932
Expenses implemented by Member States:							
EAGF	—	(43 527)	—	—	—	—	(43 527)
EAFRD & other rural development instruments	—	(13 149)	—	—	—	—	(13 149)
ERDF & CF	(30 230)	—	—	—	—	—	(30 230)
ESF	(11 935)	—	—	—	—	—	(11 935)
Other	(437)	(596)	(1 762)	(31)	—	—	(2 826)
Implemented by the EC, executive agencies and trust funds	(11 565)	(571)	(930)	(4 496)	(13)	24	(17 551)
Implemented by other EU agencies and bodies	(2 767)	2	(810)	(48)	—	226	(3 396)
Implemented by third countries and int. org.	(505)	(74)	(202)	(3 236)	(0)	—	(4 016)
Implemented by other entities	(2 696)	(0)	2	(875)	(0)	—	(3 569)
Staff and Pension costs	(1 675)	(369)	(447)	(699)	(6 697)	(1 043)	(10 929)

	EUR million						
	Smart and inclusive growth	Sustainable growth	Security and citizenship	Global Europe	Administration	Not assigned to MFF heading (*)	Total
<i>Changes in employee benefits actuarial assumptions</i>	—	—	—	—	—	—	—
<i>Finance costs</i>	(149)	(22)	(0)	(16)	(93)	(1 397)	(1 677)
<i>Other expenses</i>	(1 945)	(313)	(137)	(109)	(3 231)	(472)	(6 208)
Total expenses	(63 903)	(58 620)	(4 287)	(9 510)	(10 034)	(2 661)	(149 014)
Economic result of the year	(60 831)	(57 808)	(4 180)	(9 225)	(4 620)	150 581	13 918

(*) "Not-assigned to MFF heading" includes consolidated entities' budget execution and consolidation eliminations, off-budget operations and unallocated programmes with individually immaterial amounts.

The display of revenue and expenses by MFF heading is based on estimation as not all commitments are linked to an MFF heading.

4. CONTINGENT LIABILITIES AND ASSETS

4.1. CONTINGENT LIABILITIES

Contingent liabilities are possible future payment obligations for the EU that may arise due to past events or legally binding commitments taken but which will depend on future events not wholly under the control of the EU. They relate mainly to financial guarantees given (on loans and financial assistance programmes) and to legal risks. All contingent liabilities, except those relating to fines and guarantees covered by funds (see note 2.4.1), would be financed, should they fall due, by the EU budget (and thus the EU Member States) in the years to come.

4.1.1. Budgetary guarantees

	<i>EUR million</i>					
	31.12.2018			31.12.2017		
	Ceiling	Signed	Disbursed	Ceiling	Signed	Disbursed
<i>EIB external lending mandate guarantees</i>	40 417	30 889	20 510	37 479	28 950	19 972
<i>EFSI guarantee</i>	25 898	19 842	15 764	16 000	13 473	10 128
Total	66 315	50 731	36 273	53 479	42 423	30 100

The above table shows the extent of the exposure of the EU budget to possible future payments linked to guarantees given to the EIB group. Disbursed amounts represent the amounts already given to final beneficiaries, while signed amounts include these disbursed monies plus agreements already signed with beneficiaries or financial intermediaries but not yet disbursed. The ceiling represents the total guarantee that the EU budget, and thus its Member States, have committed to cover.

EIB external lending mandate guarantees

The EU budget guarantees loans signed and granted by the EIB from the EIB's own resources to third countries. At 31 December 2018 the amount of loans outstanding and covered by the EU guarantee totalled EUR 20 510 million (2017: 19 972 million). The EU budget guarantees:

- EUR 19 360 million (2017: EUR 18 583 million) via the Guarantee Fund for external actions (see note 2.4.1), and
- EUR 1 150 million (2017: EUR 1 389 million) directly for loans granted to Member States before accession.

In addition to the EUR 20 510 million disclosed above as disbursed, the EU guarantees a further EUR 210 million of outstanding loans to Syria for which provisions have been made.

The EU external lending mandate guarantee relating to loans granted by the EIB is limited to 65 % of the outstanding balances for agreements signed after 2007 (mandates 2007-2013 and 2014-2020). For agreements before 2007 the EU guarantee is limited to a percentage of the ceiling of the credit lines authorised, in most cases 65 % but also 70 %, 75 % or 100 %. Where the ceiling is not reached, the EU guarantee covers the full amount.

To disclose the maximum exposure faced by the EU at 31 December 2018, however, one must also include loans authorised to be signed but not yet signed (EUR 9 528 million) and loans signed but not disbursed (EUR 10 379 million).

In March 2018 Decision (EU) 2018/412 ⁽²²⁾ was adopted by the European Parliament and the Council allowing for an increase of the ceiling of the EIB financing operations under the EU guarantee. The guarantee agreement with the EIB has been amended accordingly, which led to an increase of the EU maximum exposure by EUR 3,4 billion in 2018.

⁽²²⁾ Decision (EU) 2018/412 of the European Parliament and of the Council of 14 March 2018 amending Decision No 466/2014/EU granting an EU guarantee to the European Investment Bank against losses under financing operations supporting investment projects outside the Union (OJ L 76, 19.3.2018, p. 30).

European Fund for Strategic Investments (EFSI) guarantee

EFSI is an initiative that aims to increase the risk bearing capacity of the EIB Group by enabling the EIB to extend its investments in the EU. The objective of EFSI is to support additional investments in the EU and access to finance for small companies. EFSI is not a separate legal entity or an investment fund in the strict sense. The EFSI risk reserve offers protection to the EIB against potential losses for underlying operations. It is composed of a gradual allocation of at least EUR 7,5 billion of EIB's own capital and an EU budget guarantee of up to EUR 26 billion ('EFSI EU guarantee'). The EFSI EU guarantee is provided to the EIB under an agreement between the EU and the EIB, hereafter referred to as 'EFSI Agreement'. The EFSI Agreement was amended in 2018, reflecting the increased EFSI EU guarantee ceiling of EUR 26 billion in line with the amended EFSI Regulation (Regulation (EU) 2017/2396).

The EFSI operations are conducted within two windows: the Infrastructure and Innovation Window (IIW) implemented by the EIB (EFSI EU guarantee of EUR 19,5 billion) and the SME Window (SMEW) implemented by the EIF (EFSI EU guarantee of EUR 6,5 billion), both of which have a debt portfolio and an equity portfolio. The EIF acts under an agreement with the EIB on the basis of an EIB guarantee which itself is counter-guaranteed by the EFSI EU Guarantee under the EFSI Agreement.

The EU and the EIB have distinct roles within EFSI. EFSI is established within the EIB who finances the operations (debt and equity investments) and, to do this, borrows the necessary funds on the capital markets. Regarding the IIW, the EIB takes the investment decisions independently and manages the operations in accordance with its rules and procedures. The same applies to the SMEW operations managed by the EIF.

In order to ensure that investments made under EFSI remain focused on the specific objective of addressing the market failures which hinder investment in the EU and that they are eligible for the protection of the EU guarantee, a dedicated governance structure has been put in place. The Investment Committee of independent experts examines each project proposed by the EIB under the IIW regarding its eligibility for the EU guarantee coverage. Once an operation is confirmed to be eligible as EFSI guaranteed operation, the decision to continue with the project and its management is then subject to the normal EIB project cycle and governance process. Regarding SMEW, the role of the Investment Committee is limited to the consultation on the description of the SMEW Products, which are being approved by the EFSI Steering Board and EFSI Managing Director. EFSI is also supervised by a steering board composed of five members, of which three are appointed by the Commission, one by the EIB and one non-voting member by the European Parliament. The decisions shall be taken by consensus, and - if the consensus cannot be achieved - by the unanimous vote among its voting members. The EFSI steering board does not take investment decisions.

The role of the EU relates to the provision of the EU budget guarantee for part of the potential losses that the EIB may suffer from its investments in debt and equity instruments. Consequently, the EU does not intervene in the selection and management of EFSI operations, does not invest money in the EFSI operations and is not a direct contractual party to the underlying instruments. As the control criteria and accounting requirements for consolidation under the EU accounting rules (and IPSAS) are not met, the related guaranteed assets are not accounted for in the consolidated annual accounts of the EU.

The EU guarantee granted to the EIB Group under EFSI is, in accordance with the EU accounting rules, accounted for as a financial guarantee liability in respect of the IIW debt portfolio, as a financial provision for the SMEW debt portfolio and as a derivative (financial asset or liability at fair value through surplus or deficit) for both equity portfolios. In addition, a contingent liability related to the EFSI guarantee given is disclosed in this note.

Under the EFSI IIW debt portfolio, the EU guarantee covers the first loss piece of a portfolio of financing operations entered into by the EIB, which are mainly standard loans and guarantees. The EU guarantee is called when the debtor fails to make a payment when due or in the case of a debt restructuring. The EU guarantee is remunerated in proportion to the risk taken by the EU and this happens in the form of a distribution, between the EIB and the EU, of the risk-related revenues received by EIB from the guaranteed operations. The EU revenues should first cover the losses incurred on the guaranteed operations. The EU guarantee is therefore accounted for as financial guarantee liability and measured, at initial recognition, at fair value, being the net present value of the premiums receivable (the EU revenues). At subsequent balance sheet dates, the financial guarantee liability is measured at the higher of the expected losses and the amount initially recognised less, when appropriate, the accumulated amortisation of the revenue. The financial guarantee liability is presented net of the EU revenues still to be received – zero at 31 December 2018 (2017: nil) – see note **2.11.3**.

Under the EFSI IIW equity portfolio, which consists of direct equity or quasi equity participations or subordinated loans, the EIB invests pari-passu at its own risk and also at the risk of the EU. Consequently, the EU guarantee covers - for the part of the equity investments guaranteed by the EU - the negative value adjustments (unrealised losses) at each balance sheet date, the realised losses at dis-investment and the EIB funding costs. In cases where the value of an investment, which was previously subject to a negative value adjustment, increases at subsequent reporting dates, the amount up to the original cost of the investment is reimbursed by the EIB to the EU. At the time of the dis-investment, the EU is also entitled to gains on the investment exceeding the original cost. The EU guarantee is remunerated by revenues received by the EIB from the guaranteed operations, including interests, dividends and realised gains. The settlement between the EU and the EIB happens annually net of losses and revenues.

Under EFSI SMEW equity portfolio, the EU guarantees equity investments in venture capital and private equity funds, funded by the EIB and originated and managed by the EIF. The EU guarantee is provided on a portfolio basis for two portfolios: sub-window 1 and sub-window 2. The EFSI guarantee is called to cover impairment and realised losses from the guaranteed investments and the EIB funding costs. The EU is entitled to the remuneration for the risk taken in form of dividends and realised gains from the guaranteed equity operations. Under the sub-window 2, the EU Horizon 2020 programme also partially invests in the same equity portfolio (the H2020 investment funded by the EU is accounted for as an available for sale financial asset in the EU accounts) and bears first losses from the investments, while further losses are covered by the EU Guarantee and the EIF.

The EFSI guarantee on the EFSI equity portfolio is classified as a derivative financial instrument and accounted for as a financial asset or financial liability at fair value through surplus or deficit. At 31 December 2018 the fair value of the EFSI EU guarantee on the EFSI equity portfolio amounted to EUR 14 million (2017: EUR 16 million) – see note 2.4.2.

The contingent liability above includes operations of the COSME, H2020, CCS and EaSI programmes for the part covered by the EFSI EU guarantee under SMEW debt portfolio.

EU guarantee payments would be made by the EFSI Guarantee Fund – see note 2.4.1. At the end of 2018 the assets of the guarantee fund totalled EUR 5 452 million (2017: EUR 3 504 million), while another EUR 2 688 million (2017: EUR 2 633 million) have been committed but not yet paid and is included in the amount disclosed as RAL in note 5.1. During 2018 EUR 61 million of guarantee calls have been paid out from the EFSI Guarantee Fund.

4.1.2. Guarantees relating to financial assistance (borrowing and lending activities)

EUR million

	31.12.2018			31.12.2017		
	Drawn	Undrawn	Total	Drawn	Undrawn	Total
EFSM	47 400	—	47 400	47 456	—	47 456
BOP	1 734	—	1 734	3 114	—	3 114
MFA	4 388	980	5 368	3 924	460	4 384
Euratom	254	200	454	250	250	500
Total	53 775	1 180	54 955	54 744	710	55 454

The EU budget guarantees the borrowings of the Commission taken to finance lending to Member and non-Member States in the back-to-back transactions. These borrowings are already recognised as liabilities on the EU balance sheet - see note 2.11.1. However, should there be a default on the back-to-back-loans given out with these borrowings, the EU budget, based on Article 14 of Council Regulation (EU, Euratom) No 609/2014, would have to bear the full cost of the amount defaulted:

- Borrowings related to loans disbursed under the EFSM are guaranteed solely by the EU budget;
- Borrowings related to BOP loans are guaranteed solely by the EU budget;

- MFA loans are firstly guaranteed by the Guarantee Fund for external actions (see note 2.4.1) and then by the EU budget; and
- Guarantees from third parties are the first cover for the entire amounts of the outstanding Euratom loans. The Guarantee Fund would cover the external lending amounts should the third party guarantees not provide for them.

ECSC in Liquidation loans granted on borrowed funds are not covered by an EU budgetary guarantee. Instead, they are covered by financial assets of the ECSC in Liquidation – see note 2.4.1.

4.1.3. *Guarantees given for EU financial instruments*

	<i>EUR million</i>	
	31.12.2018	31.12.2017
<i>Horizon 2020</i>	1 467	1 297
<i>Risk Sharing Finance Facility</i>	642	654
<i>Connecting Europe Facility</i>	579	490
<i>Other</i>	29	32
Total	2 717	2 473

As mentioned in Article 210(1) FR, the budgetary expenditure linked to a financial instrument and the financial liability of the EU shall in no case exceed the amount of the relevant budgetary commitment made for it, thus excluding contingent liabilities for the budget. In practise, it means that these liabilities have a counter-part on the asset side of the balance sheet or are covered by the outstanding budgetary commitments not yet expensed. The contingent liabilities above are shown net of financial provisions made for these instruments – see note 2.10.

4.1.4. *Legal cases*

	<i>EUR million</i>	
	31.12.2018	31.12.2017
<i>Fines</i>	3 187	3 242
<i>Agriculture</i>	653	1 737
<i>Cohesion</i>	26	3
<i>Other</i>	1 867	481
Total	5 732	5 463

Fines

These amounts mainly concern fines imposed by the Commission for infringement of competition rules that have been provisionally paid by fined companies and where either an appeal has been lodged or where it is unknown if an appeal will be made. The contingent liability will be maintained until a decision by the Court of Justice on the case is final or until the expiry of the period for appeal. Interest earned on provisional payments is included in the economic result of the year and also as a contingent liability to reflect the uncertainty of the Commission's title to these amounts.

Should the EU lose any of these cases relating to fines imposed, the amounts that have been provisionally received will be returned to the companies. The amount of fines is only recognised as budgetary revenue when the fines are definitive (Article 107 FR).

Agriculture

These are contingent liabilities towards the Member States connected with EAGF conformity decisions, rural development and pre-accession financial corrections pending judgement of the Court of Justice. The determination of the final amount of the liability and the year in which the effect of successful appeals will be charged to the budget will depend on the length of the procedure before the Court.

Cohesion

These are contingent liabilities towards the Member States in connection with actions under cohesion policy awaiting the oral hearing date or pending judgement of the Court of Justice.

Other legal cases

This heading relates to actions for damages currently being brought against the EU, other legal disputes and the estimated legal costs. It should be noted that in an action for damages under Article 340 TFEU the applicant must demonstrate a sufficiently serious breach by the institution of a rule of law intended to confer rights on individuals, real harm suffered by the applicant, and a direct causal link between the unlawful act and the harm. The amount for 2018 mainly concerns a damages claim against the European Commission for a merger prohibition decision. The legal case is fairly new and at an early stage. As a result, in the absence of a reliable estimate, the amount disclosed relates to the claimed amount.

4.2. CONTINGENT ASSETS

	<i>EUR million</i>	
	31.12.2018	31.12.2017
<i>Guarantees received:</i>		
<i>Performance guarantees</i>	321	352
<i>Other guarantees</i>	19	22
<i>Other contingent assets</i>	25	34
Total	366	409

Performance guarantees are requested to ensure that beneficiaries of EU funding meet the obligations of their contracts with the EU.

5. BUDGETARY AND LEGAL COMMITMENTS

This note provides information on the budgetary process and future funding needs and not on liabilities existing as at 31 December 2018.

The multiannual financial framework (MFF) agreed by the Member States defines the programmes and sets out the heading ceilings for commitment appropriations and the total for payment appropriations within which the EU may enter into budgetary and legal commitments, and ultimately make payments for a period of 7 years – see table 1.1 in the notes to the budgetary implementation reports.

The MFF ceilings were adopted by the Council (Member States), with the consent of the European Parliament, and Article 16 of Regulation (EU) No 1306/2013 on the financing of the CAP makes a direct link between the annual ceiling of EAGF expenditure and the MFF Regulation. The European Parliament and the Council also adopted the respective basic acts for the EAGF expenditure that set out the expenditure per Member State for the entire period 2014-2020.

Legal commitments correspond to programmes, projects, agreements or contracts signed, thus legally binding the EU. A legal commitment is the act whereby the authorising officer enters or establishes an obligation (for the EU) which results in a charge (Article 2(37) FR).

A budgetary commitment is in principle made before the legal commitment, but for some multiannual programmes/projects it is the reverse, the relevant budgetary commitments being made in annual instalments, over several years, when the basic act so provides for. For example, for cohesion, Article 76 of the Common Provisions Regulation (CPR) (Regulation (EU) No 1303/2013⁽²³⁾) provides that the decision of the Commission adopting a programme shall constitute a legal commitment within the meaning of the Financial Regulation but that the budget commitments of the Union in respect of each programme shall be made in annual instalments for each Fund during the period between 1 January 2014 and 31 December 2020. Other legal bases may contain similar provisions. For this reason, there may be amounts that the EU has legally committed to pay, but where the budgetary commitment has not yet been made – see notes 5.2 and 5.3 below.

⁽²³⁾ OJ L 347, 20.12.2013, p. 320.

If the budgetary commitment has been made but the subsequent payments are not yet made, the amount of outstanding commitments is called “Reste à Liquider” (RAL). This can represent programmes or projects, often multiannual, signed and for which payments will only be made in later years. They represent payment obligations for future years. As the financial statements are prepared on an accrual basis, whereas the budgetary implementation reports are prepared on a cash basis, part of the overall amounts unpaid (RAL) has already been expensed and is recognised as a liability on the balance sheet (see notes 2.12 and 2.13). The calculation of these expenses is made based either on cost claims/invoices received or on the estimated implementation of a programme or project where no claims have been notified yet to the EU – see note 5.1 below. Once the payments relating to the RAL are made after 31 December 2018, the liability on the balance sheet is derecognised. The part of the RAL not expensed yet is not included under liabilities but is instead disclosed below.

The disclosures below thus represent amounts at 31 December 2018 that the EU has committed to pay based on the fulfilment of the contractual agreements and which are therefore intended to be funded by future EU budgets.

<i>EUR million</i>			
	Note	31.12.2018	31.12.2017
<i>Outstanding budgetary commitments not yet expensed</i>	5.1	235 836	221 391
<i>Shared management legal commitments under the current MFF pending implementation</i>	5.2	143 883	211 688
<i>Significant legal commitments in other areas</i>	5.3	18 126	20 030
Total		397 845	453 109

5.1. OUTSTANDING BUDGETARY COMMITMENTS NOT YET EXPENSED

<i>EUR million</i>		
	31.12.2018	31.12.2017
<i>Outstanding budgetary commitments not yet expensed</i>	235 836	221 391

The amount disclosed above is the budgetary RAL (“Reste à Liquider”) of EUR 281 175 million (see table 4.4 in the notes to the budgetary implementation reports), less related amounts that have been included as liabilities on the balance sheet and as expenses in the statement of financial performance. The budgetary RAL is an amount representing the open commitments for which payments and/or de-commitments have not yet been made. As explained above, this is the normal consequence of the existence of multiannual programmes.

It should be noted that outstanding pre-financing advances at 31 December 2018 totalled EUR 50 billion (see note 2.5). This represents budgetary commitments that have been paid, decreasing the RAL, but where the amounts paid are still considered as belonging to the EU and not to the beneficiary until the contractual commitments are fulfilled. They are thus like the RAL disclosed above, not yet expensed.

5.2. SHARED MANAGEMENT LEGAL COMMITMENTS UNDER THE CURRENT MFF PENDING IMPLEMENTATION

<i>EUR million</i>				
Funds	Financial framework 2014-2020 (A)	Legal commitments concluded (B)	Budget commitments (C)	Legal commitments less budget commitments (B-C)
<i>European Regional Development Fund and Cohesion Fund</i>	262 408	262 408	179 831	82 578
<i>European Social Fund</i>	92 935	92 819	65 230	27 588
<i>European Neighbourhood Policy Instrument Fund for European Aid to the most Deprived</i>	3 814	3 814	2 670	—
HEADING 1B: COHESION POLICY FUNDS	359 157	359 041	247 731	111 310

Funds	EUR million			
	Financial framework 2014-2020 (A)	Legal commitments concluded (B)	Budget commitments (C)	Legal commitments less budget commitments (B-C)
<i>European Agricultural Fund for Rural Development</i>	100 079	100 079	70 748	29 331
<i>European Maritime and Fisheries Fund</i>	5 749	5 749	4 048	1 702
HEADING 2: NATURAL RESOURCES	105 828	105 828	74 795	31 033
<i>Asylum and Migration Fund</i>	5 028	4 393	3 577	816
<i>Internal Security Fund</i>	3 016	2 883	2 159	724
HEADING 3: SECURITY & CITIZENSHIP	8 044	7 276	5 736	1 540
Total	473 030	472 145	328 262	143 883

These are legal obligations that the EU has committed to paying when adopting the operational programmes related to shared management. The decision of the Commission adopting an operational programme shall constitute a financing decision within the meaning of Article 110 FR and once notified to the Member State concerned, a legal commitment within the meaning of that Regulation.

Article 76 of the CPR for European Structural and Investment Funds (ESIF) states:

“The budget commitments of the Union in respect of each programme shall be made in annual instalments for each Fund during the period between 1 January 2014 and 31 December 2020. The budget commitments relating to the performance reserve in each programme shall be made separately from the remaining allocation to the programme.”

The table above starts with the total MFF (column A) and shows the legal commitments for which budget commitments have not yet been made for the MFF 2014-2020, headings 1B, 2 and 3. These legal commitments thus represent the outstanding amounts that the EU will commit budgetarily and then pay after 31 December 2018. Column B shows the legal commitments concluded by the Commission at year-end and column C shows the budget commitments made relating to these legal commitments at year-end.

5.3. SIGNIFICANT LEGAL COMMITMENTS IN OTHER AREAS

	EUR million	
	31.12.2018	31.12.2017
<i>Connecting Europe Facility</i>	11 554	12 676
<i>ITER</i>	1 489	1 496
<i>Copernicus</i>	1 267	1 841
<i>Galileo</i>	493	253
<i>Fisheries agreements</i>	46	133
<i>Operating lease commitments</i>	2 352	2 577
<i>Other contractual commitments</i>	924	1 054
Total	18 126	20 030

These amounts reflect the long-term legal commitments that were not yet covered by commitment appropriations in the budget at year-end. These binding obligations will be budgeted in annual instalments in future years and paid.

Certain important programmes (see below) may be implemented by annual instalments according to Article 112(2) FR. This allows the EU to make legal commitments (sign grant agreements, delegation agreements and procurement contracts) in excess of the available commitment appropriations of a given year. Therefore a substantial amount of the overall allocation for the current MFF may be already committed. This applies in particular for the programmes described below:

Connecting Europe Facility (CEF)

The CEF provides financial assistance to trans-European networks in order to support projects of common interest in the sectors of transport, telecommunications and energy infrastructures. The legal commitments for the CEF programme cover an implementation period running from 2014 until 2023 for the CEF Transport and up to 31.12.2024 for CEF Energy. The legal basis of these commitments is Regulation (EU) No 1316/2013 which foresees the use of the annual instalment in its Article 19.

Copernicus

Copernicus is the European Earth observation programme – see also note 2.2. These commitments are made for the period until 2020. Based on Regulation (EU) No 377/2014 of the European Parliament and of the Council of 3 April 2014 establishing the Copernicus Programme and repealing Regulation (EU) No 911/2010 ⁽²⁴⁾ the Commission signed delegation agreements with the European Space Agency (ESA), EUMETSAT, Mercator and the European Centre for Medium Range weather forecasts. Article 8 of Regulation (EU) 377/2014 authorises the use of annual instalments.

ITER – International Thermonuclear Experimental Reactor

These commitments are intended to cover future funding needs of the ITER facilities up to 2021. The EU (Euratom) contribution to ITER International is given through the Fusion for Energy Agency, including also the contributions from Member States and from Switzerland. These commitments are made on the basis of Council Decision 2013/791/Euratom of 13 December 2013 amending Decision 2007/198/Euratom establishing the European Joint Undertaking for ITER and the Development of Fusion Energy and conferring advantages upon it ⁽²⁵⁾ which authorises the use of annual instalments. ITER was created to manage and to encourage the exploitation of the ITER facilities, to promote public understanding and acceptance of fusion energy, and to undertake any other activities that are necessary to achieve its purpose. ITER involves the EU, China, India, Russia, South Korea, Japan and the USA.

Galileo

These are amounts committed to the Galileo programme developing a European Global Navigation Satellite System – see also note 2.2. These commitments are made for the period until 2020. Based on Regulation (EU) No 1285/2013 ⁽²⁶⁾ the Commission signed a delegation agreement with ESA. Article 9 of Regulation (EU) No 1285/2013 authorises the use of annual instalments.

Fisheries agreements

These represent commitments entered into with third countries for operations under international fisheries agreements up to 2023. The commitments made are based on Council decisions for each third country (e.g. Council Decision (EU) 2019/385 of 4 March 2019 on the conclusion of the Protocol on the implementation of the Fisheries Partnership Agreement between the European Union and the Republic of Côte d'Ivoire (2018-2024) ⁽²⁷⁾ and are considered specific international treaties with multiannual rights and obligations.

Operating lease commitments

Minimum amounts committed to be paid according to the underlying contracts during the remaining term of these lease contracts are as follows:

	Minimum lease payments			Total
	< 1 year	1-5 years	> 5 years	
<i>Buildings</i>	439	943	940	2 321
<i>IT materials and other equipment</i>	9	21	0	31
Total	448	964	940	2 352

EUR million

⁽²⁴⁾ OJ L 122, 24.4.2014, p. 44.

⁽²⁵⁾ OJ L 349, 21.12.2013, p. 100.

⁽²⁶⁾ OJ L 347, 20.12.2013, p. 1.

⁽²⁷⁾ OJ L 70, 12.3.2019, p. 1.

In the context of the United Kingdom's notification of its intention to withdraw from the European Union, and as a result of Regulation (EU) 2018/1718 of the European Parliament and of the Council of 14 November 2018 amending Regulation (EC) No 726/2004 as regards the location of the seat of the European Medicines Agency⁽²⁸⁾, the seat of the European Medicines Agency ('EMA') was relocated from London to Amsterdam. The current lease contract for the premises in London has a term expiring in 2039 and will thus need to be terminated early or subject to a reassignment or a subletting agreement with a third party.

The amounts disclosed in the table above include EUR 468 million still due under this lease contract, however the future net financial impact in the consolidated financial statements, if any, depends on termination negotiations with the landlord or on the contractual terms of subletting agreement entered into with a third party.

Other contractual commitments

The amounts included under this disclosure correspond to amounts committed to be paid during the term of the contracts. The most significant amount included here relates to building contracts of the European Parliament (EUR 87 million).

6. FINANCIAL RISK MANAGEMENT

The following disclosures with regard to the financial risk management of the EU relate to:

- Borrowing and lending activities for financial assistance carried out by the Commission through: EFSM, BOP, MFA, and Euratom actions and for loans from borrowed funds of the ECSC in Liquidation;
- The treasury operations carried out by the Commission in order to implement the EU budget, including the receipt of fines;
- Assets held in funds for budgetary guarantees: the Guarantee Fund for external actions, the EFSI Guarantee Fund and the EFSF Guarantee Fund; and
- Financial instruments financed by the EU budget.

6.1. TYPES OF RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate, because of variations in market prices. Market risk embodies not only the potential for loss, but also the potential for gain. It comprises *currency risk*, *interest rate risk* and *other price risk* (the EU has no significant other price risk).

- *Currency risk* is the risk that the EU's operations or its investments' value will be affected by changes in exchange rates. This risk arises from the change in price of one currency against another.
- *Interest rate risk* is the possibility of a reduction in the value of a security, especially a bond, resulting from an increase in interest rates. In general, higher interest rates will lead to lower prices of fixed rate bonds, and vice versa.

Credit risk is the risk of loss due to a debtor's / borrower's non-payment of a loan or other line of credit (either the principal or interest or both) or other failure to meet a contractual obligation. The default events include a delay in repayments, restructuring of borrower repayments and bankruptcy.

Liquidity risk is the risk that arises from the difficulty in selling an asset; for example, the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss or meet an obligation.

6.2. RISK MANAGEMENT POLICIES

The implementation of the EU budget relies increasingly on the use of operational programme financial instruments. For more information on the amounts concerned, see note 2.4.1.

Common to most financial instruments is the fact that the implementation is delegated to either the EIB group (including EIF) or to other financial institutions based on an agreement between the Commission and the financial institution. Agreements signed with these financial institutions include strict conditions and obligations on the intermediaries so as to ensure that EU monies are properly managed and reported on. Once a financial contribution to one of the instruments has been committed, the funds are transferred to a specifically created bank account of the financial institution (i.e. a fiduciary account). The financial institution may, depending on the instrument in question, use the funds on this fiduciary account to provide loans, issue debt instruments, invest in equity instruments or cover the guarantee calls. Proceeds from financial instruments have, as a general rule, to be reimbursed to the EU budget.

⁽²⁸⁾ OJ L 291, 16.11.2018, p. 3.

The risk as regards these financial instruments is limited to a ceiling as indicated in the underlying agreements, which is the budgeted amount foreseen for the instrument. As the Commission often bears the “first loss piece” and since instruments are intended to finance riskier beneficiaries (who have difficulties in obtaining funding from commercial lenders), it is therefore likely that some losses to the EU budget will occur.

Measurement of financial instruments

The following classes of financial assets and liabilities are not measured at fair value: cash and cash equivalents, loans, exchange receivables and non-exchange recoverables, borrowings and other financial liabilities measured at amortised cost. The carrying amount of those financial assets and liabilities is considered as a reasonable approximation of their fair value.

Borrowing and lending activities for financial assistance

The borrowing and lending transactions, as well as related treasury management, are carried out by the EU according to the respective Council and EP Regulation, Council Decisions, and, if applicable, internal guidelines. Written procedure manuals covering specific areas such as borrowings, loans and treasury management have been developed and are used by the relevant operational units. Lending operations are financed by “back-to-back” borrowings, which thus do not generate open interest rate or currency positions.

Treasury

The rules and principles for the management of the Commission’s treasury operations are laid down in the Council Regulation (EU, Euratom) No 609/2014 (as amended by Council Regulation (EU, Euratom) 2016/804 ⁽²⁹⁾) and in the Financial Regulation.

As a result of the above regulations, the following main principles apply:

- Own resources are paid by the Member States into accounts opened for this purpose in the name of the Commission with the Treasury or national central bank. The Commission may draw on the above accounts solely to cover its cash requirements.
- Own resources are paid by Member States in their own national currencies, while the Commission’s payments are mostly denominated in EUR.
- Bank accounts opened in the name of the Commission may not be overdrawn. This restriction does not apply to the Commission’s own resource accounts in case of a default on loans contracted or guaranteed pursuant to EU Council regulations and decisions and under certain conditions in case the cash resource requirements are in excess of the assets of the accounts.
- Funds held in bank accounts denominated in currencies other than EUR are either used for payments in the same currencies or periodically converted in EUR.

In addition to the own resources accounts, other bank accounts are opened by the Commission, with central banks and commercial banks, for the purpose of executing payments and receiving receipts other than the Member State contributions to the budget.

Treasury and payment operations are highly automated and rely on modern information systems. Specific procedures are applied to guarantee system security and to ensure segregation of duties in line with the Financial Regulation, the Commission’s internal control standards, and audit principles.

A written set of guidelines and procedures regulates the management of the Commission’s treasury and payment operations with the objective of limiting operational and financial risk and ensuring an adequate level of control. They cover different areas of operation (for example: payment execution and cash management, cashflow forecasting, business continuity, etc.), and compliance with the guidelines and procedures is checked regularly. Additionally, information is exchanged between the Directorate General for the Budget and the Directorate-General for Economic and Financial Affairs on risk management and best practices.

⁽²⁹⁾ OJ L 132, 21.5.2016, p. 85.

Fines

Provisionally cashed fines: deposits

Amounts received before 2010 remain in bank accounts with banks specifically selected for the deposit of provisionally cashed fines. The selection of banks is conducted in compliance with tender procedures defined by the Financial Regulation. Placement of funds with specific banks is determined by the internal risk management policy defining the credit rating requirements and the amount of funds which could be placed in proportion to the counterparty equity. Financial and operational risks are identified and evaluated and compliance with internal policies and procedures is checked regularly.

Provisionally cashed fines: BUFI portfolio

Fines imposed and provisionally cashed from 2010 onwards are invested in a specifically created portfolio, BUFI. The main objectives of the portfolio are the reduction of risks associated with financial markets and the equal treatment of all fined entities by offering a guaranteed return calculated on the same basis. The asset management for provisionally cashed fines is carried out by the Commission in accordance with internal asset management guidelines. Procedural manuals covering specific areas such as treasury management have been developed and are used by the relevant operational units. Financial and operational risks are identified and evaluated and compliance with internal guidelines and procedures is checked regularly.

The objectives of the asset management activities are to invest the fines provisionally paid to the Commission in such a way as to:

- ensure that the funds are easily available when needed, while
- aiming at delivering, under normal circumstances, a return which on average is in line with the return of the BUFI Benchmark minus costs incurred, while preserving the nominal amount for the fines which were paid into the portfolio before the entry into force of the new Financial Regulation in August 2018.

Investments are restricted essentially to the following categories: term deposits with Member States' Central Banks, sovereign debt agencies, fully state-owned or state-guaranteed banks or supranational institutions, and bonds, bills and Certificates of Deposit issued by either sovereign or supranational institutions.

Bank guarantees

Significant amounts of guarantees issued by financial institutions are held by the Commission in relation to the fines it imposes on companies breaching EU competition rules (see note 2.6.1.2). These guarantees are provided by fined companies as an alternative to making provisional payments. The guarantees are managed in compliance with the internal risk management policy. Financial and operational risks are identified and evaluated and compliance with internal policies and procedures is checked regularly.

Guarantee Fund for external actions

The rules and principles for the asset management of the Guarantee Fund are laid out in the Convention between the Commission and the EIB dated 25 November 1994 and the subsequent amendments dated 17/23 September 1996, 8 May 2002, 25 February 2008, 9 November 2010 and 28 October 2018. This Guarantee Fund operates only in euros. It exclusively invests in this currency in order to avoid any foreign currency risk. Management of the assets is based upon the traditional rules of prudence adhered to for financial activities. It is required to pay particular attention to reducing the risks and to ensuring that the managed assets can be sold or transferred without significant delay, taking into account the commitments covered.

EFSI Guarantee Fund

The EFSI Guarantee Fund was established by EFSI Regulation – see note 2.4.1. The rules and principles for the asset management of the Fund are laid out in the Commission Decision C(2016) 165 of 21 January 2016. The managed assets shall provide sufficient liquidity in relation to the potential guarantee calls, while still aiming at optimising the return and risk level that is compatible with maintaining a high degree of security and stability.

EFSD Guarantee Fund

EFSD Guarantee Fund has been established pursuant to the EFSD Regulation – see note 2.4.1. The management of the EFSD Guarantee Fund assets is carried out by the Commission in accordance with internal guidelines and asset management guidelines which are included as Annex 1 to Commission Decision C(2017) 7693 of 22 November 2017. The assets are managed in such a way so as to provide sufficient liquidity in relation to the potential guarantee calls, while still aiming at optimising the return and risk level that is compatible with maintaining a high degree of security and stability.

6.3. CURRENCY RISK**Financial instruments exposure of the EU to currency risk at year-end – net position**

EUR million

	31.12.2018						
	USD	GBP	DKK	SEK	EUR	Other	Total
Financial assets							
<i>Available for sale financial assets</i>	619	57	18	7	14 725	17	15 443
<i>Financial assets at fair value through surplus or deficit</i>	(475)	—	—	—	491	—	16
<i>Loans (*)</i>	6	0	—	—	56	5	67
<i>Receivables and recoverables</i>	19	4 109	99	109	20 026	303	24 664
<i>Cash and cash equivalents</i>	49	1 524	290	406	14 338	1 505	18 113
	218	5 690	407	523	49 635	1 830	58 303
Financial liabilities							
<i>Financial liabilities at fair value through surplus or deficit</i>	—	—	—	—	(20)	(2)	(22)
<i>Payables</i>	(2)	(1)	(0)	(0)	(32 218)	(5)	(32 227)
	(2)	(1)	(0)	(0)	(32 238)	(7)	(32 249)
Total	216	5 689	407	523	17 397	1 824	26 055

EUR million

	31.12.2017						
	USD	GBP	DKK	SEK	EUR	Other	Total
Financial assets							
<i>Available for sale financial assets</i>	680	57	17	56	12 806	16	13 632
<i>Financial assets at fair value through surplus or deficit</i>	(632)	—	—	—	655	—	23
<i>Loans (*)</i>	6	0	—	—	123	7	137
<i>Receivables and recoverables</i>	15	549	63	86	11 591	62	12 366
<i>Cash and cash equivalents</i>	49	3 180	27	693	18 468	1 694	24 111
	118	3 787	107	835	43 642	1 779	50 268
Financial liabilities							
<i>Financial liabilities at fair value through surplus or deficit</i>	—	—	—	—	—	(2)	(2)
<i>Payables</i>	(4)	(2)	(0)	(1)	(39 029)	(12)	(39 048)
	(4)	(2)	(0)	(1)	(39 029)	(14)	(39 050)
Total	114	3 785	107	834	4 613	1 765	11 218

(*) Excluding back-to-back loans for financial assistance.

If the EUR had strengthened against other currencies by 10 %, then it would have had the following impact:

<i>EUR million</i>				
	Economic result			
	USD	GBP	DKK	SEK
2018	(7)	(512)	(35)	(47)
2017	(5)	(339)	(8)	(71)

<i>EUR million</i>				
	Net assets			
	USD	GBP	DKK	SEK
31.12.2018	(13)	(5)	(2)	(1)
31.12.2017	(5)	(5)	(2)	(5)

If the EUR had weakened against these currencies by 10 %, then it would have had the following impact:

<i>EUR million</i>				
	Economic result			
	USD	GBP	DKK	SEK
2018	9	625	43	57
2017	6	414	10	87

<i>EUR million</i>				
	Net assets			
	USD	GBP	DKK	SEK
31.12.2018	16	6	2	1
31.12.2017	7	6	2	6

Borrowing and lending activities for financial assistance

Financial assets and liabilities are mostly in EUR, so the EU has no foreign currency risk.

Treasury

Own resources paid by Member States in currencies other than EUR are kept on the own resources accounts, in accordance with Council Regulation (EU, Euratom) No 609/2014 (as amended by Council Regulation (EU, Euratom) 2016/804). They are converted into EUR when they are needed to cover for the execution of payments. The procedures applied for the management of these funds are laid down by the above referred regulation. In a limited number of cases, these funds are directly used for payments to be executed in the same currencies.

A number of accounts in EU currencies other than EUR, and in USD and CHF, are held by the Commission with commercial banks, for the purpose of executing payments denominated in these same currencies. These accounts are replenished depending on the amount of payments to be executed, as a consequence their balances do not represent exposure to currency risk.

When miscellaneous receipts (receipts other than own resources) are received in currencies other than EUR, they are either transferred to Commission's accounts held in the same currencies, if they are needed to cover the execution of payments, or converted into EUR and transferred to accounts held in EUR. Imprest accounts held in currencies other than EUR are replenished depending on the estimated short-term local payments needs in the same currencies. Balances on these accounts are kept within their respective ceilings.

Fines

Provisionally cashed fines (deposits and BUFI portfolio) and bank guarantees

Since all fines are imposed and paid in EUR, there is no foreign currency risk.

Guarantee Fund for external actions

The financial assets of this fund are in EUR so there is no currency risk. The loans subrogated to the EU as result of calls on the Fund following payment defaults by a loan beneficiary are carried out in their original currency and therefore expose the EU to currency risk. There are no activities to compensate foreign currency variations ("hedging" activities) due to uncertainty relating to the loans repayment timing.

EFSI Guarantee Fund

The EFSI Guarantee Fund currently operates in both EUR and USD. Currency risk is managed through entering into derivative contracts (foreign exchange forward contracts) hedging the market value of the USD investments portfolio. The limit for maximum unhedged foreign exchange exposure is set at 1 % of the total portfolio value within the benchmark and annual strategy allocations. Thus, upward or downward movements in the USD investments' market value above or below the 1 % limit would trigger a rebalancing trade (a new forward contract with the same or opposite direction), adjusting or reversing the hedged position accordingly. Readjustment of the hedge may also be prompted by movements of the EUR/USD exchange rate.

The loans subrogated to the EU as result of calls on the Fund following payment defaults by a loan beneficiary are carried out in their original currency and therefore expose the EU to currency risk. For the subrogated loans, there are no activities to compensate foreign currency variations ("hedging" activities) due to uncertainty relating to the loans repayment timing.

EFSD Guarantee Fund

The EFSD Guarantee Fund currently operates in EUR only, but the asset management guidelines for the EFSD Guarantee Fund provide for the possibility to invest in certain non-EUR denominated assets.

6.4. INTEREST RATE RISK

The following table illustrates the interest rate sensitivity of available for sale financial assets assuming a possible change in interest rates of +/- 100 basis points (1 %).

	<i>EUR million</i>	
	Increase (+) / decrease (-) in basis points	Effect on net assets
<i>2018: Available for sale financial assets</i>	+100	(348)
	-100	374
<i>2017: Available for sale financial assets</i>	+100	(359)
	-100	382

Borrowing and lending activities for financial assistance

Due to the nature of its borrowing and lending activities, the EU has significant interest-bearing assets and liabilities. However, there is no interest rate risk since the borrowings are offset by equivalent loans at the same terms and conditions (back-to-back).

Treasury

The Commission's treasury does not borrow money; so as a consequence, it is not exposed to interest rate risk. Interest is however calculated on balances held on the different bank accounts. The Commission has therefore put in place measures to ensure that interest earned on its bank accounts regularly reflects market interest rates, as well as their possible fluctuation.

Accounts opened with Member States Treasuries for own resources receipts are non-interest bearing and free of charges. Accounts held with national central banks may be remunerated at the official rates applied by each institution. As some of the remunerations applied to these accounts may currently be negative, cash management procedures are in place to minimise balances kept on these accounts.

In addition, own resources accounts are protected from any impact of negative interest in accordance with Council Regulation (EU, Euratom) No 609/2014 and as amended by Council Regulation (EU, Euratom) 2016/804).

Overnight balances held on commercial bank accounts earn interest on a daily basis. This is based on variable market rates to which a contractual margin (positive or negative) is applied. The rates applied by commercial banks are in general contractually floored at zero. As a result no risk exists that the Commission earns interest at rates lower than market rates.

Fines

Provisionally cashed fines (deposits, BUFI portfolio) and bank guarantees

The provisionally cashed fines are invested in a portfolio of money market instruments and long-term bonds with an average duration of 2.58 years.

Guarantee Fund for external actions

The budget provisioned in the Guarantee Fund is invested in a portfolio of money market instruments and long-term bonds with a total average portfolio duration of 2.58 years.

EFSI Guarantee Fund

The budget provisioned in the EFSI Guarantee Fund is invested in a portfolio of money market instruments and long-term bonds with a total average portfolio duration of 2.4 years.

EFSD Guarantee Fund

As the first budget provisioning just started at the end of 2018, the EFSD Guarantee Fund mainly consists of cash held in central banks. The average portfolio duration amounts to 0.03 years.

6.5. CREDIT RISK

The amounts that represent the EU's exposure to credit risk at the end of the reporting period are the carrying amounts of the financial instruments as disclosed in note 2.

Analysis of the age of financial assets that are not impaired

	Total	Neither past due nor impaired	Past due but not impaired		
			EUR million		
			< 1 year	1-5 years	> 5 years
<i>Loans</i>	53 939	53 939	0	—	—
<i>Receivables and recoverables</i>	24 664	14 737	6 585	3 209	134
<i>Financial assets at fair value through surplus or deficit</i>	16	16	—	—	—
Total at 31.12.2018	78 620	68 692	6 585	3 209	134
<i>Loans</i>	54 981	54 980	0	—	—
<i>Receivables and recoverables</i>	12 366	8 905	2 894	359	208
<i>Financial assets at fair value through surplus or deficit</i>	23	23	—	—	—
Total at 31.12.2017	67 369	63 908	2 894	359	208

Receivables and recoverables less than 1 year include recoverables related to competition fines amounting to EUR 6 366 million, while receivables and recoverables between 1 and 5 years contain recoverables concerning competition fines of EUR 3 136 million. The previously mentioned amounts are largely covered by bank guarantees, thus making the Commission's exposure to the credit risk low. Fined companies provide these guarantees as an alternative to making provisional payments.

Credit quality of financial assets that are neither past due nor impaired

EUR million

	31.12.2018					
	AFS (*)	Financial assets at FVSD (**)	Loans	Receivables and recoverables	Cash	Total
Counterparties with external credit rating						
<i>Prime and high grade</i>	9 019	16	98	9 064	14 950	33 146
<i>Upper medium grade</i>	3 209	—	23 513	755	2 740	30 217
<i>Lower medium grade</i>	1 765	—	25 775	1 456	181	29 177
<i>Non-investment grade</i>	—	—	4 488	200	221	4 909
	13 993	16	53 874	11 475	18 092	97 449
Counterparties without external credit rating						
<i>Group 1</i>	—	—	64	3 262	21	3 347
<i>Group 2</i>	—	—	2	0	—	2
	—	—	66	3 262	21	3 349
Total	13 993	16	53 939	14 737	18 113	100 797

EUR million

	31.12.2017					
	AFS (*)	Financial assets at FVSD (**)	Loans	Receivables and recoverables	Cash	Total
Counterparties with external credit rating						
<i>Prime and high grade</i>	8 068	16	143	2 989	19 261	30 477
<i>Upper medium grade</i>	1 794	—	23 585	293	3 977	29 650
<i>Lower medium grade</i>	2 186	—	27 195	846	463	30 691
<i>Non-investment grade</i>	—	—	3 977	110	389	4 476
	12 048	16	54 901	4 239	24 090	95 293
Counterparties without external credit rating						
<i>Group 1</i>	—	6	80	4 665	21	4 772
<i>Group 2</i>	—	—	—	1	—	1
	—	6	80	4 666	21	4 773
Total	12 048	23	54 980	8 904	24 111	100 067

(*) Available for sale financial assets (excluding equity instruments and Unitary Fund).

(**) Financial assets at fair value through surplus or deficit.

Not included in the above table are available for sale financial assets in the form of equity instruments without external credit rating. The four risk categories mentioned above are in principle based on the rating categories of external rating agencies and correspond to:

- Prime and high grade: Moody P-1, Aaa – Aa3; S&P A-1+, A-1, AAA – AA -; Fitch F1+, F1, AAA – AA- and equivalent
- Upper medium grade: Moody P-2, A1 – A3; S&P A-2, A+ - A-; Fitch F2, A+ - A- and equivalent
- Lower medium grade: Moody P-3, Baa1 – Baa3, S&P A-3, BBB+ - BBB-; Fitch F-3, BBBB+ - BBB- and equivalent
- Non-investment grade: Moody not prime, Ba1 – C; S&P B, C, BB+ - D; Fitch B, C, BB+ - D and equivalent

The EU uses these external agencies rating categories as a reference point notably for financial instruments and commercial banks, but may, after making its own analysis of individual cases, keep amounts in one of the above risk categories even though one or more of the abovementioned rating agencies may have downgraded the corresponding counterparty. As regards non-rated counterparties, group 1 relates to debtors without defaults in the past and group 2 relates to debtors with defaults in the past.

The amounts displayed above under loans and receivables categorised in non-investment grade relate primarily to financial support loans disbursed by the Commission to Member States in financial difficulties and recoverables against certain Members States based on own resources regulations or other legal basis. The amount under cash relates to own resources bank accounts opened in the Treasury or in the central banks of Member States to hold the own resources contributions as foreseen in the above referred regulation. The Commission may draw on these accounts solely to cover cash requirements arising from execution of the budget.

Borrowing and lending activities for financial assistance

Exposure to credit risk is managed firstly by obtaining State guarantees in the case of Euratom, then through the Guarantee Fund for external actions (MFA & Euratom), then by the possibility of drawing the necessary funds from the Commission's own resources accounts with the Member States and ultimately through the Budget of the EU.

The Own Resources legislation fixes the ceiling for own resources payments at 1,20 % of Member States' GNI and during 2018 0,90 % was actually used to cover payment appropriations. This means that at 31 December 2018 there existed an available margin of 0,30 % to cover these guarantees. To this end, the EU is entitled to call upon all the Member States to ensure compliance with the EU's legal obligation towards its lenders.

Treasury

Most of the Commission's treasury resources are kept, in accordance with Council Regulation (EU, Euratom) No 609/2014 (as amended by Council Regulation (EU, Euratom) 2016/804) on own resources, in the accounts opened by Member States for the payment of their contributions (own resources). All such accounts are held with Member States' treasuries or national central banks. These institutions carry the lowest credit (or counterparty) risk for the Commission as the exposure is with its Member States. For the part of the Commission's treasury resources kept with commercial banks, in order to cover the execution of payments, replenishment of these accounts is made on a just-in-time basis and is automatically managed by the treasury cash management system. Minimum cash levels, which take into account the average amount of daily payments executed from it, are kept on each account. As a consequence the total amount kept overnight on these accounts remains constantly at low levels (overall less than EUR 80 million on average, spread over around 20 accounts) and so it is ensured that the Commission's risk exposure is limited. These amounts should be viewed with regard to the daily overall treasury balances which fluctuated in 2018 between EUR 6 billion and EUR 37 billion, and with an overall amount of payments made from Commission accounts in 2018 that exceeded EUR 155 billion.

In addition, specific guidelines are applied for the selection of commercial banks in order to further minimise counterparty risk to which the Commission is exposed:

- All commercial banks are selected by call for tenders. The minimum short-term credit rating required for admission to the tendering procedures is Moody's P-1 or equivalent. A lower level may be accepted in specific and duly justified circumstances.

- The credit ratings of the commercial banks where the Commission has accounts are monitored on a daily basis.
- In delegations outside the EU, imprest accounts are held with local banks selected by a simplified tendering procedure. Rating requirements depend on the local situation and may significantly differ from one country to another. In order to limit risk exposure, balances on these accounts are kept at the lowest possible levels (taking into account operational needs), they are regularly replenished, and the applied ceilings are reviewed on a yearly basis.

Fines

Provisionally cashed fines: deposits

Banks holding deposits for the fines provisionally cashed before 2010 are selected by tender procedure in compliance with the risk management policy which defines the credit rating requirements and the amount of funds which could be placed in proportion to the counterparty equity.

For commercial banks that have been specifically selected for the deposit of provisionally cashed fines, a minimum long-term rating A- (S&P or equivalent) with two rating agencies is required as a general rule. Specific measures are applied in case banks in this group are subject to downgrade. In addition, the amount deposited with each bank is limited to a certain percentage of its own funds, which varies depending on the rating level of each institution. The calculation of such limits also takes into account the amount of outstanding guarantees issued to the Commission by the same institution. The compliance of outstanding deposits with the applicable policy requirements is reviewed regularly.

Provisionally cashed fines: BUFI portfolio

For sovereign debt investments from provisionally cashed fines imposed as from 2010, the Commission takes on the exposure to credit risk. The highest concentration of exposure is towards Spain, which represents 16 % of the portfolio. The five countries with the highest exposure (Spain, France, Luxembourg, Germany and Italy) represent altogether 67 % of the investment portfolio. The weighted average credit rating of the portfolio is A- (S&P or equivalent).

Bank guarantees

The risk management policy applied for the acceptance of such guarantees ensures a high credit quality for the Commission. The compliance of the outstanding guarantees with the applicable policy requirements is reviewed regularly.

Guarantee Fund for external actions

The treasury portfolio's agreed asset management guidelines and/or investment strategy define certain limits and restrictions in order to limit the exposure to credit risk of the portfolio. Such limits and restrictions include eligibility criteria, absolute credit limits in nominal terms depending on issuer category, relative concentration limits depending on issuer category and concentration limits per issue. All investments are rated at least as investment grade.

EFSI Guarantee Fund

The asset management guidelines, risk and investment strategies define certain limits and restrictions in order to limit the exposure to credit risk of the portfolio which is generally limited to investment grade. The weighted average credit rating of the portfolio is A- (S&P or equivalent).

As the sole counterparty for all outstanding currency forwards as of 31 December 2018 is the Banque de France, no credit enhancements, such as collateral, netting agreements, or guarantees are put in place as of this date. The maximum exposure to credit risk for foreign exchange derivatives having a positive fair value at the end of the reporting period is equal to the carrying amount on the balance sheet.

EFSI Guarantee Fund

The asset management guidelines, risk and investment strategies define certain limits and restrictions in order to limit the exposure to credit risk of the portfolio, which is generally limited to investment grade. The weighted average credit rating of the portfolio is AAA (S&P or equivalent) by application of the sovereign rating for the cash held at central bank.

6.6. LIQUIDITY RISK

Maturity analysis of financial liabilities by remaining contractual maturity

EUR million

	< 1 year	1-5 years	> 5 years	Total
Borrowings	(2 350)	(17 363)	(34 158)	(53 872)
Payables	(32 227)	—	—	(32 227)
Other	(252)	(648)	(1 112)	(2 012)
Total at 31.12.2018	(34 829)	(18 011)	(35 270)	(88 110)
Borrowings	(6 700)	(14 862)	(33 279)	(54 841)
Payables	(39 048)	—	—	(39 048)
Other	(150)	(665)	(1 255)	(2 070)
Total at 31.12.2017	(45 898)	(15 527)	(34 534)	(95 959)

Financial instruments at fair value through surplus or deficit

EUR million

	< 1 year	1-5 years	> 5 years	Total
Derivative pay leg	(490)	(2)	(6)	(498)
Derivative receive leg	477	—	—	477
Net cash flows at 31.12.2018	(14)	(2)	(6)	(21)
Derivative pay leg	(634)	(2)	—	(635)
Derivative receive leg	638	—	—	638
Net cash flows at 31.12.2017	5	(2)	—	3

Borrowing and lending activities for financial assistance

The liquidity risk that arises from borrowings is generally offset by equivalent loans in terms and conditions (back-to-back operations). For MFA and Euratom, the Guarantee Fund for external actions serves as a liquidity reserve (or safety net) in case of payment default and payment delays of borrowers. For BOP, the Council Regulation (EU) No 431/2009 ⁽³⁰⁾ provides for a procedure allowing sufficient time to mobilise funds through the Commission's own resources accounts with the Member States. For EFSM, the Council Regulation (EU) No 407/2010 ⁽³¹⁾ provides for a similar procedure.

Treasury

EU budget principles ensure that overall cash resources for a given year are always sufficient for the execution of all payments. In fact, the total Member States contributions together with the miscellaneous receipts equal the amount of payment appropriations for the budgetary year. Member States' contributions, however, are received in twelve monthly instalments throughout the year, while payments are subject to certain seasonality. Moreover, in accordance with the Council Regulation (EU, Euratom) No 609/2014 (on the methods and procedure for making available own resources, amended by Council Regulation (EU, Euratom) 2016/804), Member States contributions relating to amending budgets approved in a given month (N) only become available either on the first working day of the month N+1 (if approved before the 16th of the given month) or on the first working day of month N+2 (if approved on the 16th or later of that given month), while the related payment appropriations are immediately available.

⁽³⁰⁾ Council Regulation (EC) No 431/2009 of 18 May 2009 amending Regulation (EC) No 332/2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments (OJ L 128, 27.5.2009, p. 1).

⁽³¹⁾ Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism (OJ L 118, 12.5.2010, p. 1).

In order to ensure that available treasury resources are always sufficient to cover the payments to be executed in any given month, procedures regarding regular cash forecasting are in place, and own resources or additional funding can be called up in advance from Member States if needed, up to certain limits and under certain conditions. Seasonality of expenditure and overall budgetary restrictions in recent years have resulted in the need for increased monitoring of the rhythm of payments over the year. In addition to the above, in the context of the Commission's daily treasury operations, automated cash management tools ensure that sufficient liquidity is available on each of the Commission's bank accounts, on a daily basis.

Fines

Provisionally cashed fines: BUFI portfolio

The fund is managed according to the principle that the assets shall have a sufficient degree of liquidity and mobilisation in relation to the relevant commitments. The portfolio is composed of mostly highly liquid securities that can be sold to meet unexpected cash outflows. In addition, the share of cash, cash equivalents and securities maturing within 1 year is 23 %.

Guarantee Fund for external actions

The Fund is managed according to the principle that the assets shall have a sufficient degree of liquidity and mobilisation in relation to the relevant commitments. The fund therefore maintains a sufficient amount of monetary assets to cover short-term outflows. The share of cash, cash equivalents and securities maturing within 1 year is 9,2 %.

EFSI Guarantee Fund

The EFSI Guarantee Fund is managed according to the principle that the assets shall have a sufficient degree of liquidity and mobilisation in relation to the relevant commitments. The portfolio is composed of liquid assets that can be sold to meet unexpected cash outflows. In addition the share of cash, cash equivalents and securities maturing within 1 year is 22 %.

The settlement of derivative contracts is gross and is based on their contractual maturity. Obligations are honoured via sales of USD-denominated assets and/or a swap transaction, whereby it is possible that a cash outflow arises due to foreign exchange differences.

No liquidity management is necessary with regard to collateral / margin requirements as the current hedging counterparty accepts to operate with the Commission without any requirements for collateral / margin calls.

EFSD Guarantee Fund

The EFSD Guarantee Fund is managed according to the principle that the assets shall have a sufficient degree of liquidity and mobilisation in relation to the relevant commitments.

The portfolio is composed of 97 % cash held in current accounts.

Other financial instruments – derivative financial liabilities

In 2017 the EU entered into a derivative contract (foreign exchange option) covering the devaluation of foreign exchange currency related to loans given by financial institutions (see note 2.11.2). Moreover, the EU guarantee on equity portfolios held by the EIB Group lead to a financial obligation to cover changes in the value or impairments of underlying investments. As for the other financial instruments financed by the EU Budget, the amount for which the EU is liable under these instruments cannot exceed the amount committed, being the liquidity risk mitigated by that fact.

7. RELATED PARTY DISCLOSURES

7.1. RELATED PARTIES

The related parties of the EU are the EU consolidated entities, associates and the key management personnel of these entities. Transactions between these entities take place as part of the normal operations of the EU and as this is the case, no specific disclosure requirements are necessary for these transactions in accordance with the EU accounting rules.

7.2. KEY MANAGEMENT ENTITLEMENTS

For the purposes of presenting information on related party transactions concerning the key management of the EU, such persons are shown here under five categories:

Category 1: the Presidents of the European Council, the Commission and the Court of Justice of the European Union

Category 2: the Vice-president of the Commission and High Representative of the EU for Foreign Affairs and Security Policy and the other Vice-presidents of the Commission

Category 3: the Secretary-General of the Council, the Members of the Commission, the Judges and Advocates General of the Court of Justice of the European Union, the President and Members of the General Court, the President and Members of the European Civil Service Tribunal, the Ombudsman and the European Data Protection Supervisor

Category 4: the President and Members of the European Court of Auditors

Category 5: the highest-ranking civil servants of the Institutions and Agencies

A summary of their entitlements is given below – further information can be found in the Staff Regulations published on the Europa website which is the official document describing the rights and obligations of all officials of the EU. Key management personnel have not received any preferential loans from the EU.

KEY MANAGEMENT FINANCIAL ENTITLEMENTS

Entitlement (per employee)	EUR				
	Category 1	Category 2	Category 3	Category 4	Category 5
Basic salary (per month)	27 903,32	25 274,75 - 26 285,75	20 219,80 - 22 747,28	21 837,39 - 23 252,78	12 856,84 - 20 219,80
Residential/Expatriation allowance	15 %	15 %	15 %	15 %	0-4%-16 %
Family allowances:					
Household (% salary)	2 % + 187,69	2 % + 187,69	2 % + 187,69	2 % + 187,69	2 % + 187,69
Dependent child	410,11	410,11	410,11	410,11	410,11
Pre-school	100,18	100,18	100,18	100,18	100,18
Education, or	278,25	278,25	278,25	278,25	278,25
Education outside place of work	556,5	556,5	556,5	556,5	556,5
Presiding judges allowance	N/A	N/A	638,43	N/A	N/A
Representation allowance	1 512,12	971,82	638,43	N/A	N/A
Annual travel costs	N/A	N/A	N/A	N/A	N/A
Transfers to Member State:					
Education allowance (*)	Yes	Yes	Yes	Yes	Yes
% of salary (*)	5 %	5 %	5 %	5 %	5 %
% of salary with no cc	max 25 %	max 25 %	max 25 %	max 25 %	max 25 %
Representation expenses	Reimbursed	Reimbursed	Reimbursed	N/A	N/A
Taking up duty:					
Installation expenses	55 806,65	50 549,49 - 52 571,49	40 439,60 - 45 494,55	43 674,78 - 46 505,55	Reimbursed
Family travel expenses	Reimbursed	Reimbursed	Reimbursed	Reimbursed	Reimbursed
Moving expenses	Reimbursed	Reimbursed	Reimbursed	Reimbursed	Reimbursed

Entitlement (per employee)	EUR				
	Category 1	Category 2	Category 3	Category 4	Category 5
Leaving office:					
Resettlement expenses	27 903,32	25 274,75 - 26 285,75	20 219,80 - 22 747,28	21 837,39 - 23 252,78	Reimbursed
Family travel expenses	Reimbursed	Reimbursed	Reimbursed	Reimbursed	Reimbursed
Moving expenses	Reimbursed	Reimbursed	Reimbursed	Reimbursed	Reimbursed
Transition (% salary)(**)	40 % - 65 %	40 % - 65 %	40 % - 65 %	40 % - 65 %	N/A
Sickness insurance	Covered	Covered	Covered	Covered	Covered
Pension (% salary, before tax)	Max 70 %	Max 70 %	Max 70 %	Max 70 %	Max 70%
Deductions:					
Tax on salary	8 % - 45 %	8 % - 45 %	8 % - 45 %	8 % - 45 %	8% - 45%
Sickness insurance (% salary)	1,7 %	1,7 %	1,7 %	1,7 %	1,7%
Special levy on salary	7 %	7 %	7 %	7 %	6-7%
Pension deduction	N/A	N/A	N/A	N/A	10,0%
Number of persons at year-end	3	6	93	28	112

(*) With correction coefficient ("CC") applied.

(**) Paid for the first 3 years following departure.

8. EVENTS AFTER THE BALANCE SHEET DATE

At the date of signature of these accounts no material issues had come to the attention of, or were reported to, the Accounting Officer of the Commission that would require separate disclosure under this section. The accounts and related notes were prepared using the most recently available information and this is reflected in the information presented.

9. SCOPE OF CONSOLIDATION

A. CONTROLLED ENTITIES (52)

1. Institutions and consultative bodies (11)

European Parliament

European Council

European Commission

European Court of Auditors

Court of Justice of the European Union

European External Action Service

European Data Protection Supervisor

European Economic and Social Committee

European Ombudsman

Committee of the Regions

Council of the European Union

2. EU Agencies (39)

2.1. Executive Agencies (6)

Education, Audiovisual & Culture Executive Agency

Consumers, Health, Agriculture and Food Executive Agency

Research Executive Agency

Executive Agency for Small and Medium-sized Enterprises

Innovation & Networks Executive Agency

European Research Council Executive Agency

2.2. Decentralised Agencies (33)

European Maritime Safety Agency

European Medicines Agency

European GNSS Supervisory Authority

European Chemicals Agency

Fusion for Energy (European Joint Undertaking for ITER and the Development of Fusion Energy)

Eurojust

European Institute for Gender Equality

European Agency for Safety and Health at Work

European Centre for Disease Prevention and Control

European Environment Agency

European Centre for the Development of Vocational Training

European Agency for Cooperation of Energy Regulators

European Banking Authority

European Asylum Support Office

Office for the Body of European Regulators for Electronic Communication

European Agency Border and Coast Guard Agency (Frontex)

eu-LISA (European Agency for the operational management of large-scale IT systems in the area of freedom, security and justice)

European Food Safety Authority

European Railway Agency

Community Plant Variety Office

European Fisheries Control Agency

European Monitoring Centre for Drugs and Drug Addiction

European Union Intellectual Property Office

European Police Office (Europol)

European Aviation Safety Agency

European Network and Information Security Agency

European Union Agency for Fundamental Rights

European Insurance and Occupational Pensions Authority

Translation Centre for the Bodies of the European Union

European Securities and Markets Authority

European Training Foundation

European Foundation for the Improvement of Living and Working Conditions

European Union Agency for Law Enforcement Training (CEPOL)

3. Other controlled entities (2)

European Coal and Steel Community (in liquidation)

European Institute of Innovation and Technology

B. ASSOCIATES (1)

European Investment Fund

MINOR ENTITIES

The entities listed below have not been consolidated using the equity method into the 2018 EU consolidated financial statements on the basis of immateriality:

BIO BASED INDUSTRIES JOINT UNDERTAKING

Bio Based Industries is a Public-Private Partnership (PPP) between the EU and the Bio-based Industries Consortium (BIC). The BBI is dedicated to realising the European bioeconomy potential, turning biological residues and wastes into greener everyday products through innovative technologies and biorefineries, which are at the heart of the bioeconomy.

CLEAN SKY JOINT UNDERTAKING

Clean Sky is the largest European research programme developing innovative, cutting-edge technology aimed at reducing CO₂, gas emissions and noise levels produced by aircraft. Funded by the EU's Horizon 2020 programme, Clean Sky contributes to strengthening European aero-industry collaboration, global leadership and competitiveness.

INNOVATIVE MEDICINES INITIATIVE JOINT UNDERTAKING (IMI)

IMI is Europe's largest public-private initiative aiming to speed up the development of better and safer medicines for patients. IMI is a joint undertaking between the European Union and a pharmaceutical industry association.

**ELECTRONIC COMPONENTS AND SYSTEMS FOR EUROPEAN LEADERSHIP (ECSEL) JOINT UNDERTAKING
(AMALGAMATION OF THE FORMER ARTEMIS & ENIAC JUS)**

ECSEL is a PPP in electronic components and systems, bridging the gap between research and exploitation, aligning strategies to increase European and national investments, and building an advanced ecosystem.

FUEL CELLS AND HYDROGEN JOINT UNDERTAKING (FCH)

FCH is a PPP supporting research, technological development and demonstration (RTD) activities in fuel cell and hydrogen energy technologies in Europe. Its aim is to accelerate the market introduction of these technologies, realising their potential as an instrument in achieving a carbon-lean energy system.

SINGLE EUROPEAN SKY ATM RESEARCH JOINT UNDERTAKING (SESAR)

SESAR is a PPP responsible for the modernisation of the European air traffic management (ATM) system by coordinating and concentrating all ATM relevant research and innovation efforts in the EU.

SHIFT2RAIL JOINT UNDERTAKING

Shift2Rail is the first European rail joint technology initiative to seek focused research and innovation (R&I) and market-driven solutions by accelerating the integration of new and advanced technologies into innovative rail product solutions.

The annual accounts of the above entities are publicly available on their respective websites.

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS ⁽³²⁾

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⁽³²⁾ It should be noted that due to the rounding of figures into millions of euros, some financial data in the tables below may appear not to add up.

The objective of this Financial Statement Discussion and Analysis (FSDA) is to assist readers to understand the financial position, financial performance and cash flows presented in the consolidated financial statements of the EU. The information presented in this FSDA has not been audited.

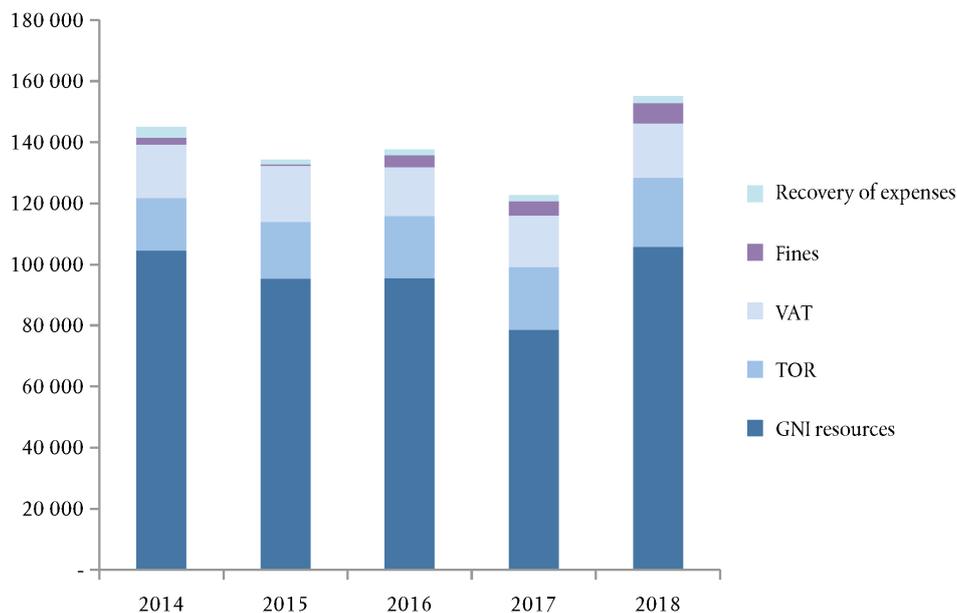
1. CONSOLIDATED FINANCIAL STATEMENTS OF THE EU: FINANCIAL SITUATION 2018

1.1. REVENUE

The consolidated revenue of the EU incorporates amounts related to exchange transactions and non-exchange transactions, the latter being the most significant.

The table below provides an overview of the main categories of non-exchange transactions.

Five-year trend of revenue from main non-exchange transactions (in EUR million)



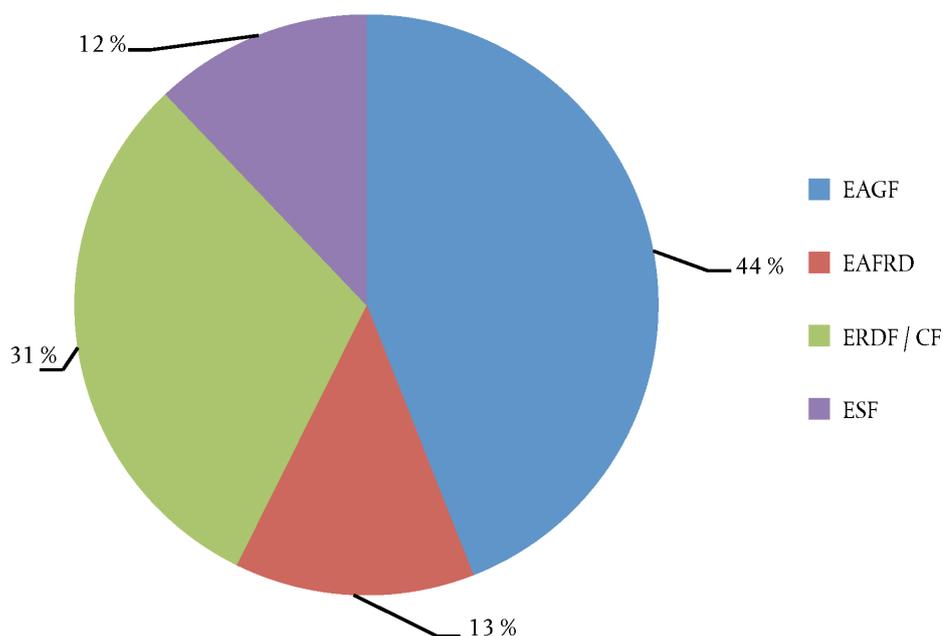
As budget revenue should equal (or exceed) budget expenditure, the main driver in the revenue trend shown above is the payments made each year. In 2018 the consolidated revenue increase of 20 %, to EUR 163 billion, when compared to the previous year, was mainly due to the following:

- an increase of EUR 27 billion in the GNI resources, or 35 % compared to the previous year. This effect primarily reflects the impact of the growth of payment appropriations in the 2018 budget. The sharp increase primarily relates to the low GNI resources of 2017 and the effect of the budget surplus from 2016, EUR 6,4 billion, recognised in ‘other revenue from non-exchange transactions’. In 2018, the budget surplus from 2017, recognised in the statement of financial performance at 31 December 2018, was much lower, EUR 0,6 billion, which explains, on the one hand the increase need for GNI resources since GNI resource is used to finance the part of the budget not covered by any other source of revenue and, on the other hand the decrease in ‘other revenue’;
- an increase in the Traditional Own Resources of EUR 2,2 billion related to an infringement of EU legislation by the United Kingdom during the period November 2011 to October 2017. As a consequence of this infringement, late payment interest of EUR 1,3 billion was also charged, explaining the increase of the financial revenue; and
- an increase compared to 2017 of EUR 2 billion in competition fines issued by the EU, as a result of law infringements by private entities.

1.2. EXPENSES

The main component of expenses recognised in the consolidated financial statements is transfer payments under the shared management mode, which includes the following funds: (i) European Agricultural Guarantee Fund (EAGF); (ii) European Agricultural Fund for Rural Development (EAFRD) and other rural development instruments; (iii) European Regional Development Fund (ERDF) & Cohesion Fund (CF); and (iv) European Social Fund (ESF). These funds made up almost 66 % of total expenses in 2018 - the split can be found in the chart below.

Relative weight of the main expenses implemented by the Member States (shared management) for the financial year of 2018



Expenses incurred under direct management represent the budget implementation by the Commission, executive agencies and by trust funds. Under indirect management the budget is implemented by EU agencies, EU bodies, third countries, international organisations and other entities.

Expenses incurred under direct and indirect management made up approx. 19 % of total expenses (EUR 28,5 billion) and remained stable compared to the previous financial year.

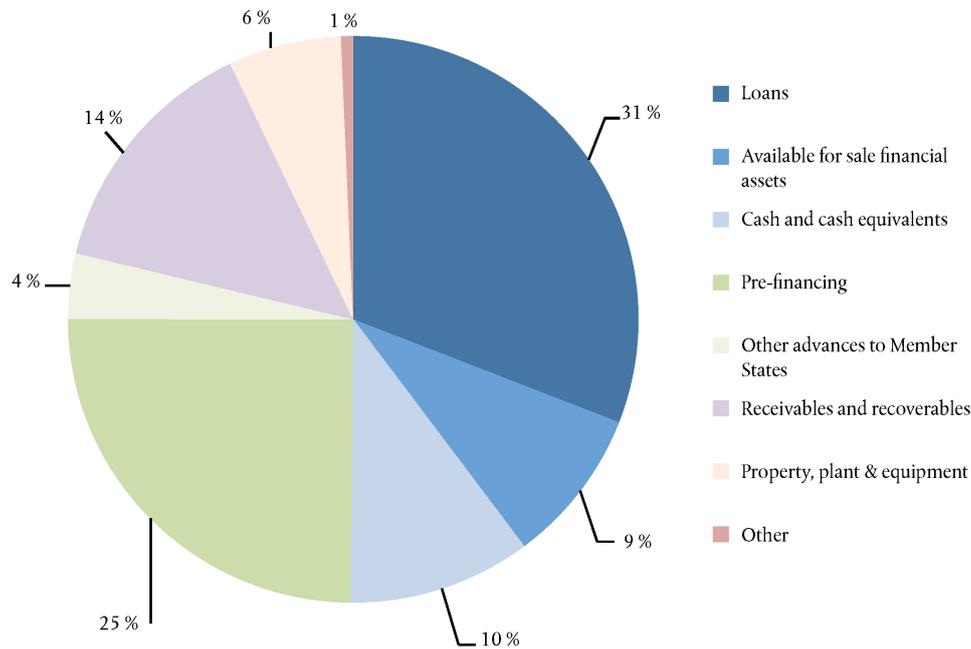
The EU recognises certain future payment obligations as expenses even if they are not yet shown in the cash-based budgetary accounts. Significant amounts are shown under payables and accrued charges concerning agriculture and rural development and also under pension and employee benefits liabilities relating to pension and other post-employment rights acquired by Commissioners, MEPs and staff.

Overall, expenses increased by 16 %, to EUR 149 billion, when compared with 2017, mainly resulting from expenses from programmes implemented by Member States which rose by approx. 24 %, or EUR 19,8 billion, due to a higher level of expenses incurred in relation to the current phase of the programmes where the implementation has increased. The main programmes contributing to this increase were the ERDF & CF and ESF, which together represent an increase of EUR 17,2 billion.

1.3. ASSETS

The most significant items on the asset side of the balance sheet relate to financial assets (loans given, available for sale financial assets, cash) and pre-financing amounts, which make up approx. 79 % of the assets of the EU.

Composition of the consolidated assets of the EU



As at 31 December 2018 the total assets were EUR 174,4 billion, reflecting an increase of approximately 5 %. The key changes were:

- an increase of EUR 12,5 billion in the short-term receivables and recoverable amounts, directly related to the increase in 2018 revenue not cashed at the reporting date;
- the above effect was partially compensated by a decrease in the cash and cash equivalents of EUR 6 billion (see below);
- an increase of EUR 1 billion in financial assets mainly related to the provisioning of the Guarantee Fund for EFSI operations; and
- an increase of EUR 0,4 billion in property, plant and equipment (PPE) arising from further developments in the space assets (Galileo and Copernicus).

In general, the EU institutions and bodies strive to keep the amounts held as cash and cash equivalents at a low level. The cash balance of EUR 18,1 billion at year-end is lower than in 2017 and is made up of the following main elements:

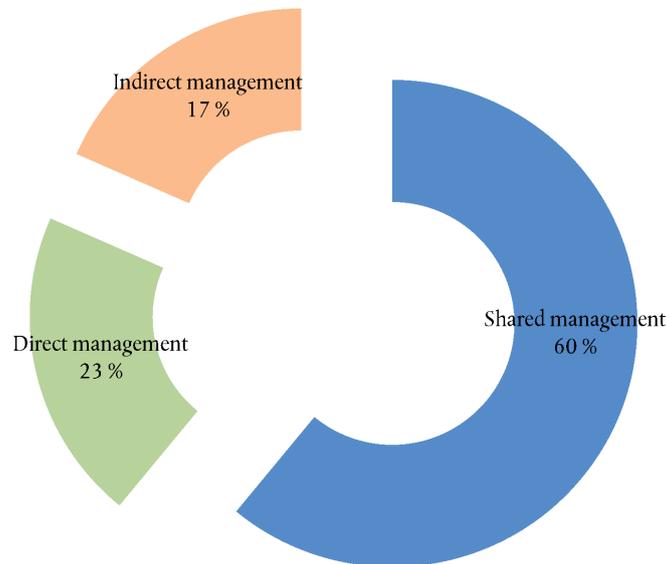
- As regards own resources, the end of year treasury balance includes EUR 0,75 billion paid in advance by some of the Member States in relation to amending budget 6 adopted in 2018.
- An amount of EUR 1,4 billion of fines imposed by the Commission for breach of competition rules, definitively cashed in 2018 and not yet included in any amending budget is also part of the year-end treasury balance.
- The treasury balance also includes assigned revenue and other payment appropriations of EUR 7,4 billion.

Pre-financing

It should be noted that the level of pre-financing is significantly influenced by the MFF cycle – for example at the beginning of an MFF period one can expect large advances to be paid to Member States under cohesion policy. The Commission makes every effort to ensure that the levels of pre-financing are maintained at an appropriate level. A balance has to be struck between ensuring sufficient funding for the projects and the timely recognition of expenditure.

The total pre-financing (excluding other advances to Member States and contributions to the trust funds Bèkou and Africa) on the EU balance sheet amounts to EUR 43,4 billion (2017: EUR 44,3 billion), almost all of which relates to Commission activities. Some 60 % of the Commission's pre-financing concerns shared management, which means that the implementation of the budget is delegated to Member States (the Commission retains a supervisory role).

Commission pre-financing by management mode



The most significant pre-financing amount under shared management mode relates to ERDF & Cohesion Fund (EUR 14,6 billion), which is at a similar level to 2017.

FINANCIAL INSTRUMENTS

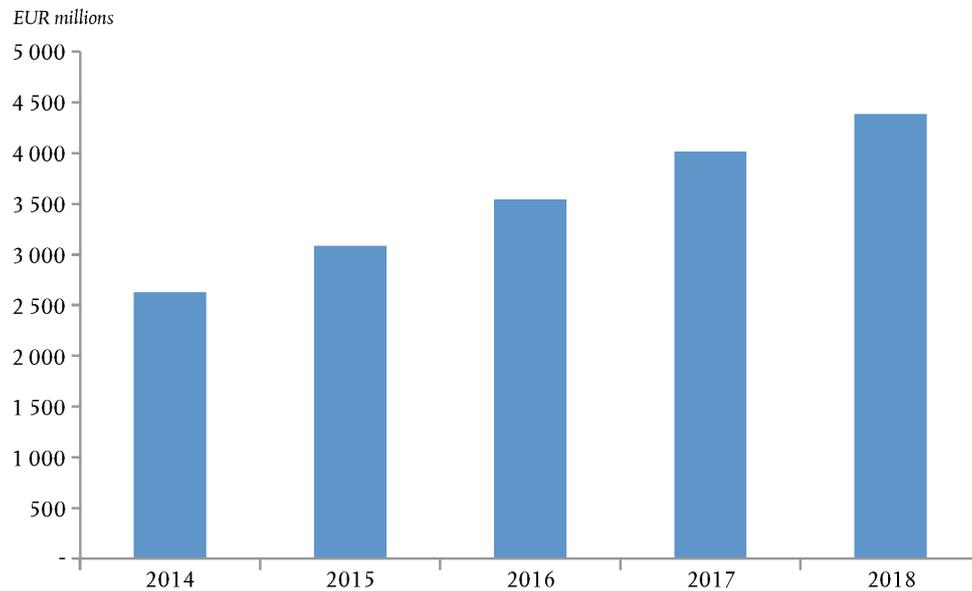
The following items are shown in accounting terms as financial instruments in the consolidated financial statements of the EU:

- Financial Instruments financed by the EU budget: under this type of budget implementation funds are either already disbursed to the fiduciary accounts managed by the entrusted entities and stay available (as cash and cash equivalents and debt securities) to cover future guarantee calls or have been invested in equity;
- Financial assets held in guarantee funds for budgetary guarantees: under this type of budget implementation the EU provides guarantees to counterparts for which the funding is only partially provisioned via guarantee funds set-up by the Commission and thus creating contingent liabilities for the EU budget – see note 4.1; and
- Loans and related borrowings for financial assistance programmes.

Financial instruments financed by the EU budget

The significance and volume of financial instruments financed by the EU budget under direct and indirect management increases from year to year. The basic concept behind this approach, in contrast to the traditional method of budget implementation by giving grants and subsidies, is that for each euro spent from the budget via financial instruments, the final beneficiary receives more than EUR 1 as financial support due to the leverage effect. This use of the EU budget aims at maximising the impact of the funds available. Financial instruments financed by the EU budget exist in the form of guarantee instruments, equity instruments and loan instruments - see the overview by MFF in the below table. Assets held in these instruments are either kept in cash and cash equivalents or invested in equity instruments and debt securities categorised as available for sale financial assets in the consolidated financial statements of the EU.

Available for sale financial assets relating to financial instruments financed by the EU budget (year-end value):



The following tables provide an overview of financial instruments financed by the EU budget per MFF and their values at 31 December 2018:

Related to more than one MFF	EUR million		
	Assets (*)	Liabilities (**)	Guarantees (***)
Guarantee and risk-sharing instruments:			
Guarantee Facility under the Western Balkan (EDIF)	37	(34)	—
	37	(34)	—
Equity instruments:			
European Fund for Southeast Europe (EFSE)	165	—	—
Green for Growth Fund to the Eastern Neighbourhood Region	63	(0)	—
MENA Fund for Micro-, Small and Medium Enterprises (SANAD)	25	—	—
Enterprise Innovation Fund (ENIF)	18	—	—
Enterprise Expansion Fund (ENEF)	10	—	—
Microfinance Initiative for Asia Debt Fund (MIFA)	9	—	—
	290	(0)	—
Total	327	(34)	—

	<i>EUR million</i>		
Related to more than one MFF	Assets (*)	Liabilities (**)	Guarantees (***)
MFF 2014-2020	Assets	Liabilities	Guarantees
Guarantee and risk-sharing instruments:			
Horizon 2020 — InnovFin Loan & Guarantee Service for R&I	1 107	(43)	(934)
Horizon 2020 — InnovFin SME Guarantee	902	(381)	(533)
Connecting Europe Facility Debt Instrument (CEF DI)	598	(2)	(579)
COSME Loan Guarantee Facility	310	(613)	(2)
Private Finance for Energy Efficiency Instrument (PF4EE)	34	(0)	(5)
Cultural and Creative Sector Guarantee Facility	30	(12)	—
SEMED MSME Financial Inclusion Programme	25	—	(11)
Student Loan Guarantee Facility	14	(1)	—
Eastern Partnership SME Finance Facility	13	(4)	(1)
Natural Capital Financing Facility	12	(0)	(6)
Women in Business Programme in Eastern Partnership	4	—	(4)
Support for Mongolian Economic Diversification	2	—	—
Transferability & Convertibility (T&C) Facility	1	(1)	—
	3 052	(1 057)	(2 075)
Equity instruments:			
Horizon 2020 InnovFin Equity Facility for R&I	368	(10)	—
COSME — Equity Facility for Growth	67	(2)	—
Risk Capital Facility for the Southern Neighbourhood countries	24	—	—
Climate Investor One	22	—	—
Latin American Investment Facility	12	—	—
Africa Agriculture Trade and Investment Fund	11	—	—
	504	(12)	—
Mixed instruments:			
Employment and Social Innovation (EaSI) Guarantee Facility and Capacity Building	73	(39)	—
EU Deep and Comprehensive Free Trade Area Facility	68	(6)	—
ElectriFI	31	—	—
Agriculture Financing Initiative	10	—	—
	182	(44)	—
Total	3 738	(1 113)	(2 075)

	<i>EUR million</i>		
Related to more than one MFF	Assets (*)	Liabilities (**)	Guarantees (***)
MFF Prior to 2014	Assets	Liabilities	Guarantees
Guarantee and risk-sharing instruments:			
Risk Sharing Finance Facility (RSFF)	731	(65)	(642)
SME Guarantee Facility under CIP	83	(151)	—
Multi Annual Programme (MAP) for Enterprises	32	(31)	—
SME Guarantee Facility	7	—	—
European Progress Microfinance Guarantee Facility	4	(4)	—
	857	(251)	(642)
Equity instruments:			
High Growth and Innovative SME Facility under CIP	410	(6)	—
Multi Annual Framework Programme Equity Facility	208	—	—
European Energy Efficiency Fund	104	—	—
Global Energy Efficiency and Renewable Energy Fund	90	(20)	—
European Progress Microfinance Fund	68	—	—
Marguerite Fund	43	—	—
European Technology Start up Facility 1998 (ETF)	9	(0)	—
Technology Transfer Pilot projects	0	—	—
	932	(26)	—
Mixed instruments:			
Instrument of economic and financial cooperation MEDA	140	(2)	—
European Neighbourhood and Partnership Instrument (ENPI)	120	(2)	—
	260	(4)	—
Total	2 049	(281)	(642)
Overall Total	6 115	(1 428)	(2 717)

(*) The assets presented in this table include several items of the financial statements (Available-for-sale of EUR 4 387 million (of which EUR 1 294 million are equity instruments); Cash and cash equivalents of EUR 1 615 million; Loans of EUR 64 million and other items in the amount of EUR 49 million).

(**) The liabilities presented in this table include several items of the financial statements (Provisions of EUR 1 337 million; Payables of EUR 69 million and other items in the amount of EUR 22 million).

(***) For certain guarantees the risk taken by the EU is fully covered by the provisions made.

Financial assets held in guarantee funds for budgetary guarantees

The Commission has set-up guarantee funds to cover budgetary guarantees (see note 4.1.1 of the consolidated financial statements) given to the EIB group. These guarantee funds are provisioned by payments from the EU budget so as to provide a liquidity cushion against potential losses from guaranteed operations. Payments to the guarantee funds are invested in financial instruments including debt securities, cash and term deposits. At 31 December 2018, the Commission holds financial assets in the:

- Guarantee Fund for external actions of EUR 2,5 billion;
- EFSI Guarantee Fund of EUR 5,5 billion; and
- EFSM Guarantee Fund of EUR 0,3 billion.

Loans and related borrowings for financial assistance programmes

Financial support for Member States and third countries in the form of bilateral loans financed from the capital markets with the guarantee of the EU budget is provided by the Commission under decisions of the European Parliament and of the Council.

The Commission, acting on behalf of the EU, currently operates three main programmes:

- European Financial Stabilisation Mechanism (EFSM);
- Balance of Payments (BOP) assistance; and
- Macro-financial assistance (MFA), under which it may grant loans.

The capital required to fund the EU lending is raised on the capital markets or with financial institutions.

At 31 December 2018, the nominal amount of the loans granted for financial assistance under the EFSM and BOP were:

	BOP			EFSM (*)			TOTAL
	Latvia	Romania	Total	Ireland	Portugal	Total	
Total granted	3,1	5,0 (**)	8,1	22,5	26,0	48,5	56,6
Total disbursed at 31.12.2018	2,9	5,0	7,9	22,5	24,3	46,8	54,7
Total repaid at 31.12.2018	(2,2)	(4)	(6,2)	—	—	—	(6,2)
Outstanding amount at 31.12.2018	0,7	1	1,7	22,5	24,3	46,8	48,5

(*) Without re-financing transactions.

(**) Excluding precautionary assistance.

EFSM

EFSM was created to provide financial assistance to all Member States experiencing or seriously threatened by a severe economic financial disturbance caused by exceptional occurrences beyond their control. The EFSM was used to provide financial assistance, conditional on the implementation of reforms, to Ireland and Portugal between 2011 and 2014.

This programme expired and no additional loans can be drawn, though it remains in place for specific tasks such as the lengthening of maturities for loans to Ireland and Portugal and providing bridging loans.

The main points of the EFSM programme are as follows:

Ireland

- Ireland requested the full total of EUR 22,5 billion granted by the EFSM in December 2010. This amount was disbursed in eight instalments between January 2011 and March 2014;
- Ireland has the option to lengthen the maturity of the EFSM loans based on the extension of the maximum weighted average maturity to 19,5 years granted by the Council in 2013;
- Repayments of EUR 3,4 billion and EUR 0,5 billion were scheduled for April and October 2018, respectively. Ireland requested a maturity extension and the amounts were approved and successfully borrowed in the markets in 2018. They have been rescheduled for repayment in two instalments of EUR 2,4 billion and EUR 1,5 billion in 2025 and 2033 respectively.

Portugal

- Portugal has requested EUR 24,3 billion from a total of EUR 26 billion granted by the EFSM in May 2011. This amount was disbursed in seven instalments between May 2011 and November 2014. A repayment of EUR 0,6 billion was scheduled for October 2018 but, as in the case of Ireland, Portugal requested the extension of the maturity and the loan was refinanced in the markets with a new maturity date in 2033.

BOP

The BOP is an assistance programme designed for countries outside the euro area that are experiencing or are threatened by difficulties regarding their balance of payments. BOP assistance takes the form of medium-term loans that are conditional on the implementation of policies designed to address underlying economic problems. Typically, balance of payments assistance from the EU is offered in cooperation with the International Monetary Fund (IMF) and other international institutions or countries.

The EU medium-term financial assistance under the BOP facility was activated in November 2008 to help Hungary and subsequently Latvia and Romania, in January and May 2009 respectively, to restore market confidence for a total commitment of EUR 14,6 billion. The BOP assistance programme for Hungary expired in 2010 and has been fully repaid in 2016. Both assistance programmes for Latvia and Romania expired in 2012, hence no additional instalments can be disbursed.

Additionally, the two precautionary assistance programmes for Romania expired in 2013 and 2015 without being drawn down.

The main points are as follows:

- During 2018, the beneficiary Member States of BOP have reimbursed on time and fully a total amount of EUR 1,45 billion out of which EUR 1,35 billion related to a capital reimbursement from Romania, the remaining being related to interest; and
- The outstanding amount at end 2018 is EUR 1,7 billion in total, EUR 0,7 billion for Latvia and EUR 1 billion for Romania.

MFA

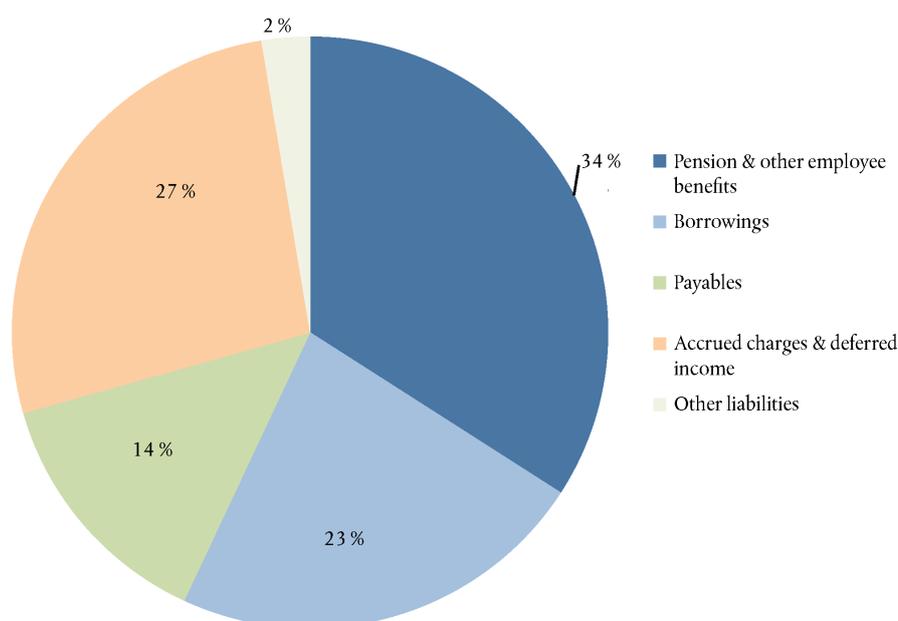
The MFA is a form of financial aid extended by the EU to partner countries outside the EU experiencing a balance of payments crisis. It takes the form of medium/long-term loans or grants, or a combination of these, and is only available to countries benefiting from a disbursing IMF programme.

The outstanding loans at 31 December 2018 under the MFA programme were EUR 4,4 billion at nominal amounts.

1.4. LIABILITIES

The most significant items on the liability side of the balance sheet consist primarily of four items: (i) pension obligation and other employee benefits liabilities; (ii) borrowings; (iii) payables to third parties and (iv) accrued charges.

Composition of the liabilities on the consolidated balance sheet of the EU



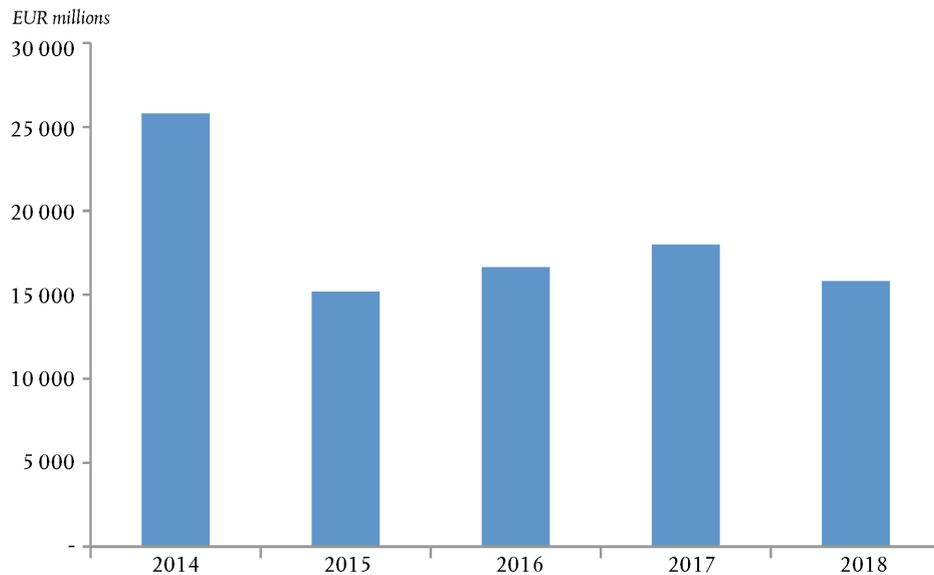
As at 31 December 2018 the total liabilities were EUR 235,9 billion, remaining at the same level as the previous year.

The key changes were related to the following effects:

- Payables fell by EUR 6,8 billion due to a decrease in amounts due to Member States related to own resources (i.e., EU budget contributions to be reimbursed at year-end following amending budget). This year there were additional contributions due from Member States;
- A slight decrease in the financial liabilities of EUR 1 billion resulting primarily from the repayment of borrowings (EUR 1,35 billion), related to the loan provided to Romania, under the BOP programme; and
- The above effects were offset by an increase of EUR 7,3 billion of the employee benefits liability.

Overall, all other items of the liability remained stable. It should be noted that long-term financial liabilities (borrowings) increased, offset by a similar decrease in the short-term element. This relates to an EFSM debt rescheduling for Ireland (EUR 3,9 billion) and Portugal (EUR 0,6 billion).

Total cost claims and invoices received and recognised under the payables heading of the balance sheet



Net assets

The excess of liabilities over assets does not mean that the EU institutions and bodies are in financial difficulties, rather it means that certain liabilities will be funded by future annual budgets. Many expenses are recognised under accrual accounting rules in the current year although they may be actually paid in the following or later years and funded using future budgets; the related revenues will only be accounted for in future periods. The most significant amounts to be highlighted are the EAGF activities (the bulk of which is usually paid in the first quarter of the following year) and the employee benefits liability (to be paid over the next 30 plus years).

2. MANAGEMENT OF RISKS AND UNCERTAINTIES OF EU BUDGET IMPLEMENTATION

2.1. MACRO-ECONOMIC ENVIRONMENT

The macro-economic environment of the EU ⁽³³⁾ has an impact on the ability of EU Member States to meet their funding obligations towards the EU institutions and bodies and thus on the ability of the EU to continue implementing EU policies.

The European economy grew for the sixth year in a row in 2018, but the growth rate was lower than anticipated, especially in the second half of the year, due to a combination of internal and external factors. Domestic factors include the disruption of European manufacturing sector (in particular car production) in the third quarter and social tensions and fiscal policy uncertainty in some Member States. Some of the most important external factors include the increased uncertainty regarding trade policies, notably between US and China and a declining trend in global manufacturing output which resulted into weaker global trade growth, which impacted the Euro area in particular.

Despite these developments, the fundamentals of the European economy remain strong and over the next two years the economy is expected to continue growing but at a more moderate pace.

Euro area and EU GDP is estimated to have grown by 1,9 % in 2018. Euro area GDP is forecasted to grow by 1,3 % in 2019 and 1,6 % in 2020, while EU GDP growth forecast is 1,5 % in 2019 and 1,7 % in 2020.

Overall inflation averaged 1,7 % in 2018, up from 1,5 % in 2017. With oil price assumptions for 2019 and 2020 now lower than in autumn 2018, euro area inflation is forecast to moderate to 1,4 % in 2019 before picking up mildly to 1,5 % in 2020. For the EU as a whole, inflation is forecast to average 1,6 % this year and then pick up to 1,8 % in 2020.

⁽³³⁾ See for more information: European Commission "European Economic Forecast Winter 2019", URL: https://ec.europa.eu/info/publications/european-economic-forecast-winter-2019_en

The euro area labour market improved further in the first three quarters of 2018. The number of employed persons has reached in the third quarter of 2018 the highest level ever recorded in the euro area and in December 2018 the unemployment rate in the euro area stood at 7,9 %, its lowest level since October 2008.

Risks to the economic outlook remain substantial, as trade tensions and their uncertain evolution remain a concern. The US may be impacted by abrupt fiscal policy changes. The Chinese economy may be slowing down more sharply than anticipated. Global financial markets and many emerging markets are vulnerable to sudden changes in risk appetite and growth expectation. For the EU, the domestic factors could be more long lasting than anticipated and “Brexit” remains a source of uncertainty.

On the positive side, still favourable labour market conditions could result in stronger domestic demand while a more extensive use of EU funds in recipient countries could trigger additional investments. The outlook for global GDP remains stable, with it being expected to expand at 3,8 % for the next two years.

2.2. BUDGETARY CONTINGENT LIABILITIES FOR FINANCIAL ASSISTANCE

The EU borrowing and lending activities for financial assistance programmes are non-budget operations. In general, funds raised are on-lent back-to-back to the beneficiary country, i.e. with the same coupon, maturity and amount. Notwithstanding the back-to-back methodology, the debt service of the funding instruments is a legal obligation of the EU, which will ensure that all payments are made fully and in a timely manner. The Commission has put procedures in place to ensure the repayment of borrowings even in case of a loan default.

Borrowings of the EU constitute direct and unconditional obligations of the EU and are guaranteed by the EU Member States (budgetary contingent liabilities). Borrowings undertaken to fund loans to countries outside the EU are covered by the Guarantee Fund for external actions. Should a beneficiary Member State default, the debt service will be drawn from the available treasury balance of the Commission, if possible. If that would not be possible, the Commission would draw the necessary funds from the Member States. EU Member States are legally obliged, according to the EU own resources legislation (Article 14 of Council Regulation (EU, Euratom) No 609/2014), to make available sufficient funds to meet the EU's obligations. Thus investors are only exposed to the credit risk of the EU, not to that of the beneficiary of loans funded. “Back-to-back” lending ensures that the EU budget does not assume any interest rate or foreign exchange risk.

For each country programme, the EP, the Council and the Commission decisions determine the overall granted amount, the number of instalments to be disbursed, and the maximum (average) maturity of the loan package. Subsequently, the Commission and the beneficiary country agree the loan/funding parameters, in particular the maturity of instalments. In addition, except for the first one, all instalments of the loan depend on compliance with policy conditions, in the context of a joint EU/IMF financial assistance, which is another factor influencing the timing of funding operations. This implies that the timing and maturities of issuances are dependent on the related EU lending activity. Funding is exclusively denominated in euro and the maturity spectrum is from 3 to 30 years.

The following table provides an overview of the planned reimbursement schedule in nominal value for outstanding EFSM and BOP loan amounts at 31 December 2018:

	<i>EUR billion</i>						
	BOP			EFSM			TOTAL
	Latvia	Romania	Total	Ireland	Portugal	Total	
2019	0,5	1,0	1,5	—	—	—	1,5
2021	—	—	—	3,0	6,8	9,8	9,8
2022	—	—	—	—	2,7	2,7	2,7
2023	—	—	—	2,0	1,5	3,5	3,5
2024	—	—	—	0,8	1,8	2,6	2,6
2025	0,2	—	0,2	2,4	—	2,4	2,6
2026	—	—	—	2,0	2,0	4,0	4,0
2027	—	—	—	1,0	2,0	3,0	3,0

	<i>EUR billion</i>						TOTAL
	BOP			EFSM			
	Latvia	Romania	Total	Ireland	Portugal	Total	
2028	—	—	—	2,3	—	2,3	2,3
2029	—	—	—	1,0	0,4	1,4	1,4
2031	—	—	—	—	2,2	2,2	2,2
2032	—	—	—	3,0	—	3,0	3,0
2033	—	—	—	1,5	0,6	2,1	2,1
2035	—	—	—	2,0	—	2,0	2,0
2036	—	—	—	—	1,0	1,0	1,0
2038	—	—	—	—	1,8	1,8	1,8
2042	—	—	—	1,5	1,5	3,0	3,0
Total	0,7	1,0	1,7	22,5	24,3	46,8	48,5

The Inter-governmental financial stability mechanisms European Financial Stability Facility (EFSF) and European Stability Mechanism (ESM) are outside the EU Treaty framework and thus not included in the consolidated annual accounts of the EU.

2.3. BUDGETARY GUARANTEES

The EU has given the EIB Group guarantees on loans granted outside of the EU and on debt and equity operations covered by the EFSI guarantee. At 31 December 2018, the EU discloses in the notes to its consolidated financial statements (see note 4.1.1) contingent liabilities for both guarantees, while the amounts constituting present obligations are recognised as provisions in the financial statements (see note 2.10 of the consolidated financial statements). In order to mitigate the risk that guarantee calls by the EIB Group could have on the EU budget, the EU has created dedicated guarantee funds, i.e. the Guarantee Fund for external actions and the EFSI Guarantee Fund.

The Guarantee Fund for external actions is provisioned by the EU budget so as to cover 9 % of the guaranteed loans outstanding at year-end for EIB external lending mandate activities to third countries. At 31 December 2018, the total asset value of EUR 2,5 billion covers an exposure of amounts disbursed of EUR 20,7 billion.

The EFSI Guarantee Fund started its activity in 2016. Pursuant to the amended EFSI Regulation (Regulation (EU) 2017/2396) the EFSI EU guarantee ceiling was increased to EUR 26 billion (from the initial EUR 16 billion) and the boundary for the guarantee fund decreased to 35 % (from the initial 50 %) of the total EU guarantee obligation. Therefore, the EFSI Guarantee Fund is now expected to reach a total amount of EUR 9,1 billion. The EFSI Agreement was amended in 2018, in line with the amended EFSI Regulation. The total assets that make up the EFSI Guarantee Fund at 31 December 2018 is EUR 5,5 billion and that covers an exposure of disbursed amounts of EUR 15,8 billion.

Pursuant to EFSI Regulation (Regulation (EU) 2017/1601), a new guarantee fund has been established: the EFSI Guarantee Fund. The first EU budget contributions into the fund were received in 2018 but no guarantee agreements were effective as at 31 December 2018.

2.4. NEW ENTRANTS' RESERVE (NER) 300

The NER 300 fund originates from the sale of the Emission Trading Scheme allowances and belongs to the Member States who use the money to finance innovative low-carbon energy demonstration projects. The Commission manages the programme on behalf of the Member States, while the EIB is responsible for the asset management of the NER 300 Fund and acts as a technical advisor, under the Cooperation Agreement with the Commission. Since neither the revenues from the allowances nor the expenses for the projects financed are part of the EU budget, these amounts are not accounted for in the EU accounts.

BUDGETARY IMPLEMENTATION REPORTS AND EXPLANATORY
NOTES ⁽³⁴⁾

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⁽³⁴⁾ It should be noted that due to the rounding of figures into millions of euros, some financial data in the tables below may appear not to add up.

EU BUDGET RESULT

		<i>EUR million</i>	
	Note	2018	2017
Revenue for the financial year	1.1	1 59 318	1 39 691
Payments against current year appropriations	1.2	(154 833)	(135 764)
Payment appropriations carried over to year N+1	1.3	(1 675)	(1 796)
Cancellation of unused appropriations carried over from year N-1	1.4	106	40
Evolution of assigned revenue	1.5	(1 114)	(1 450)
Exchange rate differences for the year	1.6	(1)	(166)
Budget result		1 802	555

The budget result of the EU is returned to the Member States in 2019 through deduction of their amounts due. It is calculated in accordance with Article 1(1) of Council Regulation (EU, Euratom) No 608/2014 of 26 May 2014 laying down implementing measures for the system of own resources of the European Union ⁽³⁵⁾. More information can be found under Calculation of the budget result.

- 1.1 Revenue for the financial year: refers to table 3.1 “Summary of the implementation of EU Budget Revenue”, column 8 “Total Revenue”.
- 1.2 Payments against current year appropriations: refer to table 4.3 “MFF – Implementation of Payment appropriations”, column 2 “Payments made from adopted budget” and column 4 “Payments made from assigned revenue”.
- 1.3 Payment appropriations carried over to year N+1: refer to table 4.3 “MFF – Implementation of Payment appropriations”, column 7 automatic carry-overs plus column 8 carry-over by decision.
- 1.4 Cancellation of unused payment appropriations carried over from year N-1: takes into account the amount of payment appropriations (automatic and on decision) at the end of previous year and current year’s “Payments made from carryovers” as in column 3 of table 4.3 “MFF – Implementation of Payment appropriations”.
- 1.5 Evolution of the total assigned revenue appropriations at year-end: calculates the difference of the amount of assigned revenue appropriations at the end of previous year (plus) and the amount of assigned revenue appropriations at the end of the current year (as in column 9 of table 4.3 “MFF – Implementation of Payment appropriations” - minus) to obtain the net variation of assigned revenue in the current year.
- 1.6 Exchange rate differences include realised and non-realised exchange rate differences.

⁽³⁵⁾ OJ L 168, 7.6.2014, p. 29.

STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL
AMOUNTS**Budget revenue**

				<i>EUR million</i>
	Initial budget adopted	Final adopted budget	Entitlements established	Revenue
1 Own resources	142 832	142 364	142 373	142 330
11 - Sugar levies	—	(93)	(85)	(85)
12 - Customs duties	22 844	20 165	20 360	20 317
13 - VAT	17 250	17 149	17 133	17 133
14 - GNI	102 739	105 143	104 979	104 979
15 - Correction of budgetary imbalances	—	—	(19)	(19)
16 - Reduction of GNI-based contribution of the Netherlands and Sweden	—	—	6	6
3 Surpluses, balances and adjustments	—	556	581	581
4 Revenue accruing from persons working with the institutions and other union bodies	1 547	1 547	1 552	1 542
5 Revenue accruing from the administrative operation of the institutions	45	45	583	563
6 Contributions and refunds in connection with Union agreements and programmes	110	110	13 346	12 777
7 Interests on late payments and fines	115	115	14 592	1 473
8 Borrowing and lending operations	6	6	39	39
9 Miscellaneous revenue	25	25	24	13
Total	144 681	144 768	173 090	159 318

**Budget expenditure: commitments by multiannual financial
framework (MFF) heading**

EUR million

MFF Heading	Initial adopted budget	Final adopted budget	Total appropriations available	Commitments made
1 Smart and inclusive growth	77 534	77 532	89 649	87 357
<i>1a: Competitiveness for growth and jobs</i>	22 001	22 000	25 864	23 773
<i>1b: Economic, social and territorial cohesion</i>	55 532	55 532	63 785	63 585
2 Sustainable growth: natural resources	59 285	59 239	62 419	60 560
<i>of which: Market related expenditure and direct payments</i>	43 235	43 233	45 284	44 364
3 Security and citizenship	3 493	3 492	4 015	3 855
4 Global Europe	9 569	10 379	11 448	11 062
5 Administration	9 666	9 666	10 508	10 124
<i>of which: Administrative expenditure of the institutions</i>	4 015	4 015	4 465	4 280
6 Compensations	—	—	—	—
8 Negative reserve and deficit carried over from the previous financial year	—	—	—	—
9 Special Instruments	567	388	429	180
Total	160 114	160 696	178 468	173 139

Budget expenditure: payments by multiannual financial framework (MFF) heading

MFF Heading	EUR million			
	Initial adopted budget	Final adopted budget	Total appropriations available	Payments made
1 Smart and inclusive growth	66 624	66 733	80 917	75 876
<i>1a: Competitiveness for growth and jobs</i>	20 097	20 155	25 073	21 408
<i>1b: Economic, social and territorial cohesion</i>	46 527	46 578	55 844	54 468
2 Sustainable growth: natural resources	56 084	56 241	59 648	58 046
<i>of which: Market related expenditure and direct payments</i>	43 189	43 180	45 436	44 310
3 Security and citizenship	2 981	3 013	3 305	3 108
4 Global Europe	8 906	8 813	10 788	9 519
5 Administration	9 666	9 667	11 355	9 944
<i>of which: Administrative expenditure of the institutions</i>	4 015	4 015	4 963	4 140
6 Compensations	—	—	—	—
8 Negative reserve and deficit carried over from the previous financial year	—	—	—	—
9 Special Instruments	420	302	340	180
Total	144 681	144 768	166 353	156 673

NOTES TO THE BUDGETARY IMPLEMENTATION REPORTS

1. THE EU BUDGET FRAMEWORK

The budgetary accounts are kept in accordance with the Financial Regulation (FR) and its rules of application. The general budget is the instrument which provides for and authorises the Union's revenue and expenditure every year, within the ceilings and other provisions laid down in the Multiannual Financial Framework in line with the legislative acts concerning multiannual programmes adopted under that framework.

1.1. MULTIANNUAL FINANCIAL FRAMEWORK 2014-2020

	EUR million							
	2014	2015	2016	2017	2018	2019	2020	Total
1. Smart and inclusive growth	52 756	77 986	69 304	73 512	76 420	79 924	83 661	513 563
1.a Competitiveness for growth and jobs	16 560	17 666	18 467	19 925	21 239	23 082	25 191	142 130
1.b Economic, social and territorial cohesion	36 196	60 320	50 837	53 587	55 181	56 842	58 470	371 433
2. Sustainable growth: natural resources	49 857	64 692	64 262	60 191	60 267	60 344	60 421	420 034
of which: market related expenditure and direct payments	43 779	44 190	43 951	44 146	44 163	44 241	44 264	308 734
3. Security and citizenship	1 737	2 456	2 546	2 578	2 656	2 801	2 951	17 725
4. Global Europe	8 335	8 749	9 143	9 432	9 825	10 268	10 510	66 262
5. Administration	8 721	9 076	9 483	9 918	10 346	10 786	11 254	69 584
of which: Administrative expenditure of the institutions	7 056	7 351	7 679	8 007	8 360	8 700	9 071	56 224
6. Compensations	29	—	—	—	—	—	—	29
8. Negative reserve	—	—	—	—	—	—	—	—
9. Special Instruments	—	—	—	—	—	—	—	—
Commitment appropriations	121 435	162 959	154 738	155 631	159 514	164 123	168 797	1 087 197
Total payment appropriations	135 762	140 719	130 694	142 906	154 565	159 235	162 406	1 026 287

The above table shows the Multiannual Financial Framework (MFF) ceilings at current prices. 2018 was the fifth financial year covered by the MFF 2014-2020. The overall ceiling for commitment appropriations for 2018 was EUR 159 514 million, equivalent to 1,02 % of the EU GNI, whilst the corresponding ceiling for payment appropriations was EUR 154 565 million, or 0,98 % of the EU GNI valid throughout the budgetary year 2018.

New flexibility provisions have been agreed for the 2014-2020 MFF. One of the new provisions is a possibility to transfer unspent margins under the payment ceilings to the following years – via the Global Margin for Payments in the framework of the technical adjustment of the MFF for the following year. Therefore, the unspent amount from 2016 (EUR 13 991 million in current prices) and 2017 (EUR 16 414 million in current prices) was transferred to the years 2018-2020 and the ceilings of 2016-2020 were adjusted accordingly – see the abovementioned technical adjustment of the MFF for 2018 and the technical adjustment for 2019 (COM(2018) 282 of 23 May 2018).

On 23 May 2018 the Commission adopted a Communication on technical adjustment of the financial framework for 2019 in line with movements in GNI (ESA 2010) (COM(2018) 282 of 23 May 2018).

An explanation of the various headings of the MFF is given below:

Heading 1 – Smart and inclusive growth

This heading is divided into two separate, but interlinked components:

- 1a Competitiveness for growth and jobs, encompassing expenditure on research and innovation, education and training, Connecting Europe Facility, social policy, the internal market and accompanying policies.
- 1b Economic, social and territorial cohesion, designed to enhance convergence of the least developed Member States and regions, to complement the EU strategy for sustainable development outside the less prosperous regions and to support inter regional cooperation.

Heading 2 – Sustainable growth: natural resources

Heading 2 includes the common agricultural and fisheries policies, and the environmental measures, in particular the Life + program.

Heading 3 – Security and citizenship

Heading 3 (Security and citizenship) reflects the growing importance attached to certain fields where the EU has been assigned particular tasks – justice and home affairs, border protection, immigration and asylum policy, public health and consumer protection, culture, youth, information and dialogue with citizens.

Heading 4 – Global Europe

Heading 4 covers all external action, including development cooperation, humanitarian aid, pre-accession and neighbourhood instruments. The EDF remains outside of the EU budget and is not part of the MFF.

Heading 5 - Administration

This heading covers administrative expenditure for all institutions, pensions and the European Schools. Administrative costs make up the total of the expenditure of institutions other than the Commission.

Heading 6 - Compensations

In accordance with the political agreement that new Member States should not become net-contributors to the budget at the very beginning of their membership, compensation was foreseen under this heading. This amount was available as transfers to them to balance their budgetary receipts and contributions.

Heading 9 – Special instruments

Flexibility mechanisms enable the EU to mobilise the necessary funds to react to unforeseen events such as crisis and emergency situations. Their scope, financial allocation and operating modalities are provided for in the MFF regulation and the Interinstitutional Agreement. In the current context of reduced expenditure, they also ensure that budgetary resources can respond to evolving priorities, so that every euro is used where it is most needed. Most of the flexibility mechanisms are therefore kept outside the MFF and the funding can be mobilised above the expenditure ceilings.

1.2. MFF DETAILED HEADINGS (PROGRAMMES)

The headings of the MFF are further broken down into detailed headings, corresponding to the main spending programmes (e.g. Horizon 2020, Erasmus+ etc.). Underlying legal bases for budget implementation are adopted at this programme level. Programmes are the commonly used structure for reporting on implementation and results. Tables by programme are available in the budgetary implementation reports (see tables **4.6 - 4.10** below).

1.3. ANNUAL BUDGET

Every year, the Commission estimates all the Institutions' revenue and expenditure for the year and draws up a draft budget which it sends to the budgetary authority. On the basis of this draft budget, the Council sets out its position, which is then the subject of negotiations between the two arms of the budgetary authority. The President of the EP declares that the joint draft has been finally adopted, thus making the budget enforceable. During the year in question, amending budgets are adopted. The task of executing the budget is mainly the responsibility of the Commission.

The budget structure for the Commission consists of administrative and operational appropriations. The other Institutions have only administrative appropriations. Furthermore, the budget distinguishes between two types of appropriations: non-differentiated and differentiated. Non-differentiated appropriations are used to finance operations of an annual nature (which comply with the principle of annuality). Differentiated appropriations are used in order to reconcile the principle of annuality with the need to manage multiannual operations. Differentiated appropriations are split into commitment and payment appropriations:

- commitment appropriations: cover the total cost of the legal obligations entered into for the current financial year for operations extending over a number of years. However, budgetary commitments for actions extending over more than one financial year may be broken down over several years into annual instalments where the basic act so provides.
- payment appropriations: cover expenditure arising from commitments entered into in the current financial year and/or earlier financial years.

In the accounts, the types of funding are grouped into two main items:

- Final adopted budget appropriations; and
- Additional appropriations containing:
 - Carryovers from previous year (the financial regulation allows for a limited number of cases to carry unspent amounts from the previous year into the current year); and
 - Assigned revenue arising from reimbursements, contributions from third parties/countries to EU programmes and work performed for third parties are assigned directly to the corresponding expenditure budget lines and constitute the third pillar of funding.

All funding types together form the available appropriations.

1.4. REVENUE

1.4.1. *Own resources revenue*

The vast majority of revenue comes from own resources, which consist of the following categories:

- (1) Traditional own resources (TOR): usually account for +/- 14 % of own resource revenue.
- (2) Value added tax (VAT) based resource: usually accounts for around 12 % of own resource revenue.
- (3) Gross national income (GNI) based resource: usually accounts for +/- 74 % of own resource revenue.

The allocation of own resources is made in accordance with the rules laid down in the Council Decision 2014/335/EU, Euratom of 26 May 2014 on the system of own resources of the European Union (ORD 2014). This decision has entered into force on 1 October 2016 and applied retroactively from 1 January 2014.

The total amount of own resources allocated to the Union to cover annual appropriations for payments shall not exceed 1,20 % of the sum of all the Member States' GNIs.

1.4.2. *Traditional own resources (TOR)*

Traditional own resources (TOR) consist of customs duties (levied on imports from third countries) and sugar levies (paid by sugar producers to finance expenditure on the sugar common organisation of the market) levied on economic operators and collected by Member States on behalf of the EU. However, Member States keep 20 % as a compensation for their collection costs. All established traditional own resource amounts must be entered in one or other of the accounts kept by the competent authorities:

- In the ordinary accounts provided for in Article 6(3) of Council Regulation (EU) No 609/2014: all amounts recovered or guaranteed.
- In the separate accounts provided for also in the above Article: all amounts not yet recovered and/or not guaranteed; amounts guaranteed but challenged may also be entered in this account.

Traditional own resources must be entered in the Commission's account with the treasury or national central bank by the Member State at the latest on the first working day following the 19th day of the second month following the month during which the entitlement was established (or recovered in the case of the separate account).

1.4.3. **Value added tax (VAT)**

Value added tax (VAT) is levied on Member States' VAT bases, which are harmonised for this purpose in accordance with EU rules. However, the VAT base is capped at 50 % of each Member State's GNI. The uniform VAT rate applied is fixed at 0,30 % except for the period 2014-2020 in which the rate of call for Germany, the Netherlands and Sweden was fixed at 0,15 %.

1.4.4. **Gross national income (GNI)**

The resource based on gross national income (GNI) is used to finance the part of the budget not covered by any other sources of revenue. The same percentage rate is levied on each Member States' GNI, which is established in accordance with EU rules.

VAT and GNI-based resources are determined on the basis of forecasts of relevant bases made when the draft budget is being prepared. These forecasts are subsequently revised and updated during the budget year in question by means of an amending budget. Differences between the amounts due by the Member States by reference to the actual bases and the sums actually paid on the basis of the (revised) forecasts, either positive or negative, are called by the Commission from the Member States for the first working day of June of the second year following the budget year in question. Corrections may still be made to the actual VAT and GNI bases during the subsequent four years, unless a reservation is issued. These reservations have to be seen as potential claims on the Member States for uncertain amounts as their financial impact cannot be estimated with accuracy. When the exact amount can be determined, the corresponding VAT and GNI-based resources are called either in connection with the VAT and GNI balances exercise or by individual calls for funds.

1.4.5. **UK correction**

A budgetary imbalance correction mechanism in favour of the United Kingdom (reducing their own resource payments while increasing the payments of other Member States) was instituted by the European Council in Fontainebleau (June 1984). Germany, Austria, Sweden and Netherlands benefit from a reduced financing of the UK correction (restricted to one fourth of their normal share).

1.4.6. **Gross reduction**

The European Council of 7-8 February 2013 concluded that Denmark, the Netherlands and Sweden should benefit from gross reductions in their annual contributions based on GNI for the period 2014-2020 while Austria only benefited from gross reductions for the period 2014-2016. The annual reductions are as follows: Denmark EUR 130 million, the Netherlands EUR 695 million and Sweden EUR 185 million.

1.5. **CALCULATION OF THE BUDGET RESULT**

The budget result of the EU is returned to the Member States during the following year through deduction of their amounts due for that year.

The amounts of own resources entered in the accounts are those credited during the course of the year to the accounts opened in the Commission's name by the governments of the Member States. Revenue comprises also, in the case of a surplus, the budget result for the previous financial year. The other revenue entered in the accounts is the amount actually received during the course of the year.

For the purposes of calculating the budget result for the year, expenditure comprises payments made against the year's appropriations plus any of the appropriations for that year that are carried over to the following year. Payments made against the year's appropriations means payments that are made by the Accounting Officer by 31 December of the financial year. For the EAGF, payments are those effected by the Member States between 16 October N-1 and 15 October N, provided that the Accounting Officer was notified of the commitment and authorisation by 31 January N+1. EAGF expenditure may be subject to a conformity decision following controls in the Member States.

The budget result comprises two elements: the result of the EU and the result of the participation of the EFTA countries belonging to the European Economic Area (EEA). In accordance with Article 1(1) of Council Regulation (EU, Euratom) o 608/2014 laying down implementing measures for the system of own resources, this result represents the difference between:

- total revenue received for the financial year; and
- total payments made against current year's appropriations plus the total amount of that year's appropriations carried over to the following year.

The following are added to or deducted from the resulting figure:

- the net balance of cancellations of payment appropriations carried over from previous years and any payments which, because of fluctuations in the euro rate, exceed non-differentiated appropriations carried over from the previous year;
- the evolution of assigned revenue; and
- the net exchange-rate gains or losses recorded during the year.

Appropriations carried over from the previous financial year in respect of contributions by and work for third parties, which by definition never lapse, are included as additional appropriations for the financial year. This explains the difference between carryovers from the previous year in the year N budget implementation reports and those carried over to the following year in the year N-1 budget implementation reports. Appropriations made available again following the repayment of payments on account are disregarded when calculating the budget result.

Payment appropriations carried over include: automatic carryovers and carryovers by decision. The cancellation of unused payment appropriations carried over from the previous year shows the cancellations of appropriations carried over automatically and by decision.

1.6. RECONCILIATION OF ECONOMIC RESULT WITH BUDGET RESULT

	<i>EUR million</i>	
	2018	2017
ECONOMIC RESULT OF THE YEAR	13 918	8 082
Revenue		
<i>Entitlements established in current year but not yet collected</i>	(6 220)	(4 408)
<i>Entitlements established in previous years and collected in current year</i>	9 331	10 739
<i>Accrued revenue (net)</i>	(4 015)	(257)
Expenses		
<i>Accrued expenses (net)</i>	4 511	3 725
<i>Expenses prior year paid in current year</i>	(6 086)	(3 574)
<i>Net-effect pre-financing</i>	(8 634)	(12 059)
<i>Payment appropriations carried over to next year</i>	(2 941)	(3 373)
<i>Payments made from carry-overs & cancellation of unused payment appropriations</i>	2 098	1 784
<i>Movement in provisions</i>	3 567	6 752
<i>Other</i>	(4 175)	(6 676)
Economic result Agencies and ECSC	448	(179)
BUDGET RESULT OF THE YEAR	1 802	555

In accordance with the Financial Regulation, the economic result of the year is calculated on the basis of accrual accounting principles, while the budget result is based on modified cash accounting rules. As the economic result and the budget result both cover the same underlying transactions, it is a useful control to ensure that they are reconcilable.

Reconciling items - Revenue

The actual budgetary revenue for a financial year corresponds to the revenue collected from entitlements established in the course of the year and amounts collected from entitlements established in previous years. Therefore the entitlements established in the current year but not yet collected are to be deducted from the economic result for reconciliation purposes as they do not form part of budgetary revenue. On the contrary the entitlements established in previous years and collected in current year must be added to the economic result for reconciliation purposes.

The accrued revenue mainly consists of accrued revenue for agriculture, own resources, interests and dividends. Only the net-effect, i.e. accrued revenue for current year minus reversal accrued revenue from previous year, is taken into consideration.

Reconciling items - Expenditure

The accrued expenses mainly consists of accruals made for year-end cut-off purposes, i.e. eligible expenses incurred by beneficiaries of EU funds but not yet reported to the Commission. Only the net-effect, i.e. accrued expenses for current year minus reversal accrued expenses from previous year, is taken into consideration. Payments made in the current year relating to invoices registered in prior years are part of current year's budgetary expenditure and therefore must be added to the economic result for reconciliation purposes.

The net effect of pre-financing is the combination of (1) the new pre-financing amounts paid in the current year and recognised as budgetary expenditure of the year and (2) the clearing of the pre-financing through eligible costs accepted during the current year. The latter represent an expense in accrual terms but not in the budgetary accounts since the payment of the initial pre-financing had already been considered as a budgetary expenditure at the time of its payment.

As well as the payments made against the year's appropriations, the appropriations for that year that are carried forward to the next year also need to be taken into account in calculating the budget result for the year (in accordance with Article 1(1) of Council Regulation (EU, Euratom) No 608/2014). The same applies for the budgetary payments made in the current year from carry-overs from previous years, and the cancellation of unused payment appropriations.

The movement in provisions relates to year-end estimates made in the financial statements (employee benefits mainly) that do not impact the budgetary accounts. Other reconciling amounts comprise different elements such as asset amortisation/depreciation, asset acquisitions, capital lease payments and financial participations for which the budgetary and accrual accounting treatments differ.

2. IMPLEMENTATION OF THE 2018 EU BUDGET – COMMENTARY

2.1. REVENUE

In the initial adopted EU budget, signed by the President of the European Parliament on 30 November 2017, the amount of payment appropriations was EUR 144 681 million and the amount to be financed by own resources totalled EUR 142 832 million. The revenue and expenditure estimates in the initial budget are typically adjusted during the budgetary year, such modifications being presented in amending budgets. Adjustments in the GNI-based own resources ensure that budgeted revenue matches exactly budgeted expenditure. In accordance with the principle of equilibrium, budget revenue and expenditure (payment appropriations) must be in balance.

During 2018, six amending budgets were adopted. Taking them into account, the final adopted revenue for 2018 amounted to EUR 144 767,9 million and the total financed by own resources was (EUR 142 363,7 million). The main factor for the reduction of Member States' contributions in 2018 was the surplus from the previous financial year (EUR 555,5 million) slightly counterbalanced by a net increase of payment appropriations (EUR 86,9 million).

As far as the own resources result is concerned, the collection of traditional own resources was very close to the forecasted amounts. This is primarily because the budget estimates were modified at the time the amending budget 6/2018 was established (based mainly on the forecasts of spring 2018).

The final Member States' VAT and GNI payments also correspond closely to the final budgetary estimate. The differences between the forecasted amounts and the amounts actually paid are due to the differences between the euro rates used for budgetary purposes and the rates in force at the time when the Member States outside the EMU actually made their payments.

As far as the VAT and GNI balances are concerned the rules are set out in Article 10 b of the Making Available Regulation (Council Regulation (EU, Euratom) No 608/2014). The procedure does not entail a budgetary amendment and therefore the Commission directly requests the Member States to pay the net amounts. The impact for the EU budget was close to zero due to this netting system.

The heading "Contributions and refunds in connection with EU agreements and programmes" concerns mainly revenue from financial corrections (ESIF, EAGF and EAFRD), the participation of third countries in research programmes, the clearance of accounts in agricultural funds and other contributions and refunds to EU programmes/activities. A substantial part of this total is made up of earmarked revenue, which typically gives rise to the entering of additional appropriations on the expenditure side. In 2018, these contributions totalled (EUR 12,8 billion).

The revenue from fines relates mainly to fines in the field of competition.

2.2. EXPENDITURE

The 2018 budget aimed to achieve the right balance between the implementation of ongoing programmes and addressing newer challenges. It therefore built on commitments made in previous years, and made use of the existing room for flexibility to respond to challenges in line with the 2014-2020 Multiannual Financial Framework (MFF). The mid-term revision of the 2014-2020 MFF increased the capacity of the EU budget to address challenges and meet future needs.

In line with the annual evolution foreseen in the MFF, appropriations proposed in the draft budget were set at EUR 160,7 billion (1,4 % higher when compared to the 2017 budget) in commitments, and EUR 144,7 billion (8 %) in payments, corresponding to 1,02 % and 0,92 % of EU GNI, respectively. Concerning payments, the abnormal payment backlog observed at the beginning of the MFF was resolved in 2016, and it was expected that many programmes will reach cruising speed, notably in 'Economic, social and territorial cohesion' (heading 1b of the budget).

In 2018, the Commission did not present any significant adjustments via amending budgets. The only adjustments were proposed in Amending Budget No 6 where the level of payment and commitment appropriations was adjusted in order to align it more closely to the estimates of needs in conjunction with the Global Transfer.

2018 Implementation of available appropriations

The 2018 implementation for all types of appropriations (budget, carry-overs from 2017 and assigned revenue) was 97 % for commitments and 94 % for payments. Appropriations from the budget were fully implemented in 2018 (99,9 % in commitments and 98,5 % in payments). The implementation rate rises to 99,8 % of commitment appropriations and 99,7 % of payment appropriations when assuming full consumption of the amounts carried over to 2019.

All headings reached high levels of implementation. As regards the special instruments, full implementation is not an objective as they are only mobilised in crises or unforeseen circumstances.

Outstanding Commitments

Outstanding commitments (RAL, committed amounts not yet paid for) stood at EUR 281,2 billion at the end of 2018. The increase of RAL was lower than foreseen reaching EUR 13,5 billion, as a result of the combined effect of the additional commitment appropriations from Amending Budget No 3 (linked to the extension of the Facility for Refugees in Turkey) and a better implementation than expected of commitment and payment appropriations originating from all types of sources, i.e. voted, carried-over from 2017 and assigned revenue.

A more detailed analysis of budgetary adjustments, their relevant context, justification and impact is presented in the Commission's Report on Budgetary and Financial Management 2018, Part A "Overview at budget level" and Part B dealing with each heading of the Multiannual Financial Framework.

Budget result

Compared to the budget result of 2017, which was a historical low of EUR 0,56 billion, the budget result of 2018 is higher and amounts to EUR 1,8 billion; it arises primarily from the revenue side, where revenues from contributions and refunds in connection with Union agreements and programmes were material in 2018 (EUR 12,8 billion). Payment appropriations reached nearly full implementation (94 %), unspent amounts (5 %) were allowed for carry-over to 2019 and the amount not used is not significant.

3. IMPLEMENTATION OF EU BUDGET REVENUE

3.1. SUMMARY OF THE IMPLEMENTATION OF EU BUDGET REVENUE

Title	Income appropriations		Entitlements established			Revenue			Receipts as % of budget	Out-standing
	1	2	3	4	5=3+4	6	7	8=6+7		
1 Own resources	1 42 832	1 42 364	1 42 334	39	1 42 373	1 42 329	0	1 42 330	100 %	44
3 Surpluses, balances and adjustments	—	556	581	—	581	581	—	581	105 %	—
4 Revenue accruing from persons working with the institutions and other union bodies	1 547	1 547	1 541	11	1 552	1 531	11	1 542	100 %	10
5 Revenue accruing from the administrative operation of the institutions	45	45	559	24	583	545	18	563	1 250 %	20
6 Contributions and refunds in connection with Union agreements and programmes	110	110	13 021	324	13 346	12 619	157	12 777	11 615 %	569
7 Interests on late payments and fines	115	115	6 778	7 814	14 592	897	576	1 473	1 281 %	13 119
8 Borrowing and lending operations	6	6	24	15	39	24	15	39	631 %	—
9 Miscellaneous revenue	25	25	17	6	24	12	1	13	53 %	10
Total	1 44 681	1 44 768	1 64 856	8 234	1 73 090	1 58 539	779	1 59 318	110 %	13 771

EUR million

MFF Heading	EUR million											
	Commitment appropriations					Payment appropriations						
	Budget appropriations			Additional appropriations		Total approp. available	Budget appropriations			Additional appropriations		
	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carry-overs	Assigned revenue		Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carry-overs	Assigned revenue	
1	2	—	3=1+2	4	5	6=3+4+5	7	8	9=7+8	10	11	12=9+10+11
8 Negative reserve and deficit carried over from the previous financial year	—	—	—	—	—	—	—	—	—	—	—	—
9 Special Instruments	567	(179)	388	—	41	429	420	(118)	302	0	38	340
Total	160 114	583	160 696	895	16 876	178 468	144 681	87	144 768	1 970	19 616	166 353

4.2. MFF: IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

MFF Heading	EUR million													
	Total approp. available	Commitments made					Appropriat. carried over to 2019					Appropriations lapsing		
		from final adopted budget	from carry-overs	from assigned revenue	Total	%	assigned revenue	carry-overs by decision	Total	from final adopted budget	from carry-overs	from assigned revenue	Total	
		1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12	13=10+11+12
1 Smart and inclusive growth	89 649	77 514	114	9 729	87 357	97%	2 265	0	2 265	18	9	0	27	
1a: Competitiveness for growth and jobs	25 864	21 988	4	1 780	23 773	92%	2 080	0	2 081	11	0	0	11	
1b: Economic, social and territorial cohesion	63 785	55 525	110	7 949	63 585	100%	184	—	184	7	9	—	16	

MFF Heading	Total appropri. available	Commitments made					Appropriat. carried over to 2019			Appropriations lapsing			Total 13=10+ 11+12					
		from final adopted budget	from carry-overs	from assigned revenue	Total	%	assigned revenue	carry-overs by decision	Total	from final adopted budget	from carry-overs	from assigned revenue						
		2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12						
1																		
2 Sustainable growth: natural resources	62 419	58 774	442	1 344	60 560	97%	1 385	460	1 845	6	9	—	15					
<i>of which: Market related expenditure and direct payments</i>	45 284	42 771	442	1 152	44 364	98%	449	460	908	3	9	—	11					
3 Security and citizenship	4 015	3 491	247	118	3 855	96%	158	—	158	2	—	0	2					
4 Global Europe	11 448	10 377	64	621	11 062	97%	383	—	383	2	—	0	2					
5 Administration	10 508	9 545	7	572	10 124	96%	259	1	260	119	5	0	124					
<i>of which: Administrative expenditure of the institutions</i>	4 465	3 939	7	334	4 280	96%	105	0	105	76	5	0	81					
6 Compensations	—	—	—	—	—	—	—	—	—	—	—	—	—					
8 Negative reserve and deficit carried over from the previous financial year	—	—	—	—	—	—	—	—	—	—	—	—	—					
9 Special Instruments	429	180	—	—	180	42%	41	64	104	144	—	—	144					
Total	178 468	159 881	873	12 385	173 139	97%	4 491	525	5 015	291	23	0	314					

4.3. MFF: IMPLEMENTATION OF PAYMENT APPROPRIATIONS

MFF Heading	Total approp. available	Payments made				Appropriations carried over to 2019				Appropriations lapsing				Total	
		from final adopted budget	from carry-overs	from assigned revenue	Total	%	automat. carry-overs	carry-overs by decis.	assigned revenue	Total	from final adopted budget	from carry-overs	from assigned revenue		Total
		2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8+9	11	12	13		14=11+12+13
1 Smart and inclusive growth	80 917	66 540	107	9 230	75 876	94 %	130	3	4 833	4 966	59	14	1	74	
1a: Competitiveness for growth and jobs	25 073	19 993	97	1 318	21 408	85 %	117	3	3 492	3 612	41	11	1	53	
1b: Economic, social and territorial cohesion	55 844	46 547	10	7 912	54 468	98 %	13	—	1 341	1 354	18	3	—	21	
2 Sustainable growth: natural resources	59 648	55 576	643	1 827	58 046	97 %	193	460	918	1 570	13	20	—	33	
of which: Market related expenditure and direct payments	45 436	42 533	636	1 142	44 310	98 %	186	460	459	1 104	2	20	—	22	
3 Security and citizenship	3 305	2 980	11	117	3 108	94 %	9	—	159	167	25	5	0	29	
4 Global Europe	10 788	8 711	310	498	9 519	88 %	65	—	1 161	1 226	37	5	0	42	
5 Administration	11 355	8 731	768	445	9 944	88 %	818	2	389	1 209	120	82	1	203	
of which: Administrative expenditure of the institutions	4 963	3 435	446	259	4 140	83 %	508	0	182	690	76	58	—	133	
6 Compensations	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
8 Negative reserve and deficit carried over from the previous financial year	—	—	—	—	—	—	0	—	—	—	—	—	—	—	
9 Special Instruments	340	157	0	22	180	53 %	0	—	16	16	144	0	—	144	
Total	166 353	142 695	1 840	12 138	156 673	94 %	1 214	465	7 475	9 154	398	126	2	526	

EUR million

4.4. MFF: MOVEMENTS IN COMMITMENTS OUTSTANDING (RAL)

MFF Heading	EUR million										
	Commitments outstanding at the end of previous year					Commitments of the current year					Total commitm. outstanding at the end of the year
	1	2	3	4=1+2+3	5	6	7	8=5+6+7	9=4+8		
Commitm. carried forward from previous year	Decommitm./ Revaluations/ Cancellations	Payments	Commitm. outstanding at year-end	Commitm. made during the year	Payments	Cancellation of commitm. which cannot be carried over	Commitm. outstanding at year-end	Total commitm. outstanding at the end of the year			
1 Smart and inclusive growth	196 837	(1 323)	(67 640)	127 874	87 357	(8 237)	(4)	79 117	206 991		
1a: Competitiveness for growth and jobs	35 576	(932)	(13 691)	20 953	23 773	(7 717)	(4)	16 052	37 006		
1b: Economic, social and territorial cohesion	161 260	(392)	(53 948)	106 920	63 585	(520)	(0)	63 064	169 985		
2 Sustainable growth: natural resources	37 883	(360)	(13 466)	24 058	60 560	(44 580)	(0)	15 980	40 037		
of which: Market related expenditure and direct payments	309	(14)	(228)	67	44 364	(44 082)	—	282	349		
3 Security and citizenship	5 194	(107)	(1 781)	3 306	3 855	(1 327)	—	2 528	5 834		
4 Global Europe	26 478	(667)	(6 746)	19 064	11 062	(2 773)	(1)	8 288	27 352		
5 Administration	867	(87)	(775)	6	10 124	(9 169)	(0)	955	961		
of which: Administrative expenditure of the institutions	507	(61)	(444)	2	4 280	(3 695)	0	584	587		
6 Compensations	—	—	—	—	—	—	—	—	—		
8 Negative reserve and deficit carried over from the previous financial year	—	—	—	—	—	—	—	—	—		
9 Special Instruments	0	(0)	(0)	—	180	(180)	—	0	0		
Total	267 258	(2 544)	(90 407)	174 307	173 139	(66 265)	(5)	106 868	281 175		

4.5. MFF: COMMITMENTS OUTSTANDING BY YEAR OF ORIGIN

		EUR million									
MFF Heading		< 2012	2012	2013	2014	2015	2016	2017	2018	Total	
1	Smart and inclusive growth	1 355	744	5 867	3 807	13 803	37 234	65 049	79 131	206 991	
	1a: Competitiveness for growth and jobs	554	289	1 645	2 067	2 880	4 994	8 521	16 055	37 006	
	1b: Economic, social and territorial cohesion	801	455	4 222	1 739	10 923	32 240	56 528	63 076	169 985	
2	Sustainable growth: natural resources	186	56	461	311	2 138	8 301	12 411	16 173	40 037	
	of which: Market related expenditure and direct payments	—	—	—	0	3	9	55	282	349	
3	Security and citizenship	50	67	56	45	118	901	2 069	2 528	5 834	
4	Global Europe	1 065	671	1 526	1 753	2 920	4 697	6 385	8 335	27 352	
5	Administration	—	—	0	0	—	0	3	957	961	
	of which: Administrative expenditure of the institutions	0	0	0	0	0	0	0	587	587	
9	Special Instruments	—	—	—	—	—	—	(0)	0	0	
Total		2 656	1 538	7 910	5 916	18 979	51 133	85 917	107 126	281 175	

4.6. DETAILED MFF BREAKDOWN & CHANGES IN COMMITMENT & PAYMENT APPROPRIATIONS

Programme	Commitment appropriations										Payment appropriations					Total approp. available
	Budget appropriations				Additional appropriations		Total approp. available	Budget appropriations			Additional appropriations					
	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carry-overs	Assigned revenue	Initial adopted budget		Amending budgets & transfers	Final adopted budget	Carry-overs	Assigned revenue					
	1	2	3=1+2	4	5	6=3+4+5	7	8	9=7+8	10	11	12=9+10+11				
1 European Fund for Strategic Investments (EFSI)	2 038	—	2 038	—	89	2 127	1 828	151	1 979	—	89	2 068				
European satellite navigation (EGNOS/Galileo)	808	—	808	—	169	977	718	192	910	2	259	1 171				
International Thermonuclear Reactor (ITER)	376	—	376	—	50	426	501	148	649	1	50	699				
European Earth Observation Programme (Copernicus)	630	—	630	—	15	645	608	(47)	561	2	15	577				
European Solidarity Corps (ESC)	43	—	43	—	—	43	33	—	33	—	—	33				
Nuclear Safety and Decommissioning	141	—	141	—	—	141	152	44	196	—	—	196				
Horizon 2020	11 212	5	11 217	—	2 190	13 407	10 901	(332)	10 570	67	3 116	13 753				
Euratom Research and Training Programme	356	(3)	353	—	123	475	315	(24)	291	20	151	462				
Competitiveness enterprises and SMEs (COSME)	354	0	354	—	49	403	253	2	255	2	97	355				
Education, Training and Sport (Erasmus+)	2 315	—	2 315	—	427	2 741	2 146	103	2 249	7	441	2 697				
Employment and Social Innovation (EaSI)	132	—	132	—	11	143	118	(1)	117	2	10	129				
Customs, Fiscalis and Anti-Fraud	135	4	139	—	7	146	125	(1)	124	0	7	132				

EUR million

Programme	EUR million											
	Commitment appropriations					Payment appropriations					Total approp. available	
	Budget appropriations			Additional appropriations		Total approp. available 6=3+4+5	Budget appropriations			Additional appropriations		
	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carry-overs	Assigned revenue		Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carry-overs		Assigned revenue
1												
CEF - Energy	680	—	680	—	6	686	43	261	1	6	267	
CEF - Transport	1 898	0	1 898	—	165	2 063	(103)	1 060	2	90	1 151	
CEF - Information & Communications Technology (ICT)	170	(1)	170	4	5	178	(53)	89	0	4	94	
Energy projects for economic recovery (EERP)	—	—	—	—	53	53	(52)	158	—	48	205	
Decentralised agencies	316	(5)	311	—	25	336	(11)	307	—	25	332	
Other actions and programmes	176	(2)	174	—	473	647	19	172	1	400	573	
Pilot projects and preparatory actions	92	(0)	91	—	1	93	(25)	52	—	1	53	
Specific competences of the Commission	129	(0)	129	—	4	133	5	122	—	4	125	
Regional convergence (Less developed regions)	27 012	(53)	26 960	96	4 223	31 279	749	24 137	—	4 722	28 858	
Transition regions	5 739	(10)	5 729	—	850	6 579	(605)	3 435	—	939	4 374	
Competitiveness (More developed regions)	8 427	41	8 468	—	1 370	9 837	(21)	7 373	—	1 907	9 280	
Outermost and sparsely populated regions	226	—	226	—	32	258	88	257	—	32	289	
Cohesion fund	9 394	—	9 394	—	1 325	10 719	(272)	8 184	—	1 264	9 448	
European territorial cooperation	1 934	—	1 934	23	248	2 205	(160)	1 074	—	148	1 222	
Technical assistance	230	22	252	—	2	253	2	202	12	2	215	

Programme	EUR million											
	Commitment appropriations					Payment appropriations						
	Budget appropriations			Additional appropriations		Total approp. available	Budget appropriations			Additional appropriations		Total approp. available
	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carry-overs	Assigned revenue		Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carry-overs	Assigned revenue	
	1	2	3=1+2	4	5	6=3+4+5	7	8	9=7+8	10	11	12=9+10+11
European Aid to the Most Deprived (FEAD)	557	—	557	—	0	557	401	(40)	361	0	6	368
Youth Employment initiative	350	—	350	—	84	434	600	220	820	—	206	1 026
Connecting Europe Facility (CEF)	1 655	—	1 655	—	—	1 655	626	100	725	—	28	754
Pilot projects and preparatory actions	8	—	8	—	0	8	18	(10)	9	—	0	9
Total MFF Heading 1	77 534	(2)	77 532	123	11 994	89 649	66 624	108	66 733	120	14 064	80 917
2 European Agricultural Guarantee Fund (EAGF)	43 235	(1)	43 233	451	1 601	45 284	43 189	(9)	43 180	656	1 601	45 436
Agricultural Fund for Rural Development (EAFRD)	14 381	(1)	14 380	—	972	15 352	11 852	213	12 066	2	862	12 929
European Maritime and Fisheries Fund (EMFF)	933	—	933	—	140	1 073	515	(7)	507	1	268	776
Fisheries Partnership Agreements (SFPAs) and Fisheries Management Organisations (RFMOs)	141	(47)	95	—	—	95	132	(34)	97	—	—	97
Environment and climate action (LIFE)	523	—	523	—	9	532	316	1	317	4	6	327
Decentralised agencies	57	3	60	—	8	68	57	3	60	—	8	68
Other actions and measures	—	—	—	—	—	—	6	—	6	—	—	6
Pilot projects and preparatory actions	16	—	16	—	0	16	18	(9)	8	—	0	8
Specific Actions	—	—	—	—	—	—	—	—	—	—	—	—
Total MFF Heading 2	59 285	(46)	59 239	451	2 729	62 419	56 084	157	56 241	663	2 744	59 648

Programme	EUR million											
	Commitment appropriations					Payment appropriations						
	Budget appropriations			Additional appropriations		Total approp. available	Budget appropriations			Additional appropriations		
	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carry-overs	Assigned revenue		Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carry-overs	Assigned revenue	
	1	2	3=1+2	4	5	6=3+4+5	7	8	9=7+8	10	11	12=9+10+11
3 Asylum, Migration and Integration Fund (AMIF)	719	29	748	207	38	993	594	112	706	2	38	746
Consumer	28	—	28	—	1	29	23	6	29	1	1	31
Creative Europe	230	—	230	—	13	244	181	16	197	2	16	214
Emergency Support within the Union (IES)	200	(1)	199	—	0	199	221	12	233	0	0	233
Internal Security Fund	720	10	730	40	132	901	481	(48)	433	2	129	565
IT systems	26	(17)	10	—	3	13	13	(3)	10	—	3	13
Justice	47	—	47	—	1	49	36	12	48	1	1	50
Rights, Equality and Citizenship	63	—	63	—	2	65	47	27	73	0	2	75
Union Civil protection Mechanism	33	—	33	—	2	35	34	—	34	5	2	41
Europe for Citizens	28	—	28	—	1	28	29	—	29	0	1	29
Food and feed	280	(1)	279	—	5	284	248	(4)	244	1	6	252
Health	66	—	66	—	2	69	56	4	60	1	2	63
Decentralised agencies	940	(20)	920	—	76	996	908	(98)	810	—	76	886
Pilot projects and preparatory actions	13	(1)	11	—	0	11	18	(5)	13	—	0	13
Specific Actions	99	—	99	—	1	99	92	2	93	1	0	94
Total MFF Heading 3	3 493	(1)	3 492	247	276	4 015	2 981	32	3 013	16	276	3 305

Programme	EUR million											
	Commitment appropriations					Payment appropriations						
	Budget appropriations			Additional appropriations		Total approp. available	Budget appropriations			Additional appropriations		
	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carry-overs	Assigned revenue		Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carry-overs	Assigned revenue	
	1	2	3=1+2	4	5	6=3+4+5	7	8	9=7+8	10	11	12=9+10+11
4 Pre-accession assistance (IPA II)	1 649	393	2 041	1	106	2 149	1 452	(186)	1 266	6	475	1 747
Macro-financial Assistance (MFA)	42	(32)	11	—	—	11	42	(32)	10	—	—	10
Guarantee Fund for External Actions	138	—	138	—	110	248	138	—	138	—	110	248
Union Civil Protection Mechanism	16	(10)	6	—	1	7	15	(5)	11	2	1	13
EU Aid Volunteers initiative (EUAV)	20	(0)	20	—	—	20	17	(1)	16	0	—	16
Fund for Sustainable Development (EFSD)	25	—	25	—	401	426	25	—	25	275	401	701
European Neighbourhood Instrument (ENI)	2 367	112	2 478	—	40	2 518	2 278	(167)	2 111	5	51	2 167
Development Cooperation Instrument (DCI)	2 976	5	2 981	—	74	3 055	2 735	(78)	2 657	14	110	2 781
Partnership Instrument (PI)	140	5	145	—	6	151	101	27	128	0	7	135
Democracy and Human Rights (EIDHR)	193	(5)	188	—	1	190	169	22	191	3	1	195
Stability and Peace (IcSP)	370	(1)	370	—	9	378	325	2	327	3	12	342
Humanitarian aid	1 085	332	1 417	62	58	1 537	1 095	348	1 443	5	275	1 723
Common Foreign and Security Policy (CFSP)	328	20	348	—	39	387	292	(0)	292	0	52	345
Nuclear Safety Cooperation (INSC)	33	—	33	—	0	33	45	(7)	39	1	1	40

Programme	Commitment appropriations										Payment appropriations					Total approp. available 12=9+10+11
	Budget appropriations				Total approp. available 6=3+4+5	Additional appropriations		Budget appropriations				Additional appropriations				
	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carry-overs		Assigned revenue	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carry-overs	Assigned revenue					
	1	2	3=1+2	4	5	7	8	9=7+8	10	11						
Decentralised agencies	20	—	20	—	0	20	—	20	—	0	20	—	0	20		
Other actions and programmes	83	(3)	80	—	158	238	—	70	0	162	232	—	0	232		
Pilot projects and preparatory actions	9	(6)	3	1	1	4	—	9	—	1	10	—	—	10		
Specific Actions	74	1	75	—	0	76	—	61	—	0	62	—	—	62		
Total MFF Heading 4	9 569	810	10 379	64	1 005	11 448	64	8 906	(93)	8 813	10 788	315	1 659	10 788		
5 Pensions	1 893	(0)	1 893	—	2	1 894	—	1 893	(0)	1 893	1 894	—	2	1 894		
European schools	192	(9)	183	—	15	199	—	192	(9)	183	199	0	15	199		
Decentralised agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Pilot projects and preparatory actions	4	—	4	—	0	4	—	4	(1)	4	4	1	0	4		
Commission administrative expenditure	3 562	9	3 571	—	376	3 947	—	3 562	10	3 572	4 294	346	377	4 294		
Administrative expenditure of Other Institutions	4 015	—	4 015	11	439	4 465	—	4 015	—	4 015	4 963	507	441	4 963		
Total MFF Heading 5	9 666	—	9 666	11	832	10 508	11	9 666	0	9 667	11 355	854	834	11 355		
6 Compensations	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Total MFF Heading 6	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
8 Negative reserve	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Deficit carried over	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
Total MFF Heading 8	—	—	—	—	—	—	—	—	—	—	—	—	—	—		

EUR million

Programme	EUR million										
	Commitment appropriations					Payment appropriations					
	Budget appropriations				Total approp. available	Budget appropriations			Additional appropriations		Total approp. available
	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carry-overs		Assigned revenue	Initial adopted budget	Amending budgets & transfers	Final adopted budget	Carry-overs	
1	2	3=1+2	4	5	6=3+4+5	7	8	9=7+8	10	11	12=9+10+11
9 Emergency Aid Reserve (EAR)	345	(310)	34	—	34	345	(225)	120	—	—	120
European Globalisation Adjustment Fund (EGF)	172	—	172	41	213	25	(19)	6	0	38	44
European Union Solidarity Fund (EUSF)	50	132	182	—	182	50	127	177	—	—	177
Total MFF Heading 9	567	(179)	388	41	429	420	(118)	302	0	38	340
Total	160 114	583	160 696	16 876	178 468	144 681	87	144 768	1 970	19 616	166 353

4.7. DETAILED MFF IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

Programme	EUR million												
	Total approp. available	Commitments made				Appropriat. carried over to 2019				Appropriations lapsing			
		from final adopted budget	from carry-overs	from assigned revenue	Total	%	assigned revenue	carry-overs by decision	Total	from final adopted budget	from carry-overs	from assigned revenue	Total
		2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12	13=10+11+12
1	2 038	—	59	2 097	99%	30	—	30	0	—	—	0	
European Fund for Strategic Investments (EFSI)	2 038	—	59	2 097	99%	30	—	30	0	—	—	0	
European satellite navigation (EGNOS/Galileo)	977	808	84	892	91%	85	—	85	0	—	—	0	

Programme	EUR million												
	Total approp. available	Commitments made				%	Appropriat. carried over to 2019			Appropriations lapsing			Total 13=10+ 11+12
		from final adopted budget	from carry-overs	from assigned revenue	Total		assigned revenue	carry-overs by decision	Total	from final adopted budget	from carry-overs	from assigned revenue	
1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12		
International Thermonuclear Reactor (ITER)	426	376	—	18	394	92 %	32	—	32	—	—	—	—
European Earth Observation Programme (Copernicus)	645	630	—	15	645	100 %	0	—	0	—	—	—	—
European Solidarity Corps (ESC)	43	43	—	—	43	99 %	—	0	0	(0)	—	—	(0)
Nuclear Safety and Decommissioning	141	141	—	—	141	100 %	—	—	—	—	—	—	—
Horizon 2020	13 407	11 214	—	1 040	12 254	91 %	1 149	—	1 149	3	—	0	3
Euratom Research and Training Programme	475	353	—	45	397	84 %	78	—	78	0	—	—	0
Competitiveness enterprises and SMEs (COSME)	403	354	—	37	391	97 %	12	—	12	0	—	—	0
Education, Training and Sport (Erasmus+)	2 741	2 315	—	258	2 573	94 %	168	—	168	—	—	—	—
Employment and Social Innovation (EaSI)	143	129	—	5	134	94 %	6	—	6	2	—	0	2
Customs, Fiscalis and Anti-Fraud	146	138	—	1	139	95 %	6	—	6	1	—	—	1
CEF - Energy	686	680	—	0	680	99 %	6	—	6	0	—	—	0
CEF - Transport	2 063	1 898	—	89	1 986	96 %	76	—	76	0	—	—	0
CEF - Information & Communications Technology (ICT)	178	170	4	5	178	100 %	0	—	0	0	0	—	0
Energy projects for economic recovery (EERF)	53	—	—	—	—	—	53	—	53	—	—	—	—

Programme	EUR million												
	Total appropri- available	Commitments made				%	Appropriat. carried over to 2019			Appropriations lapsing			
		from final adopted budget	from carry- overs	from assigned revenue	Total		from final adopted budget	from carry-overs	from assigned revenue	Total	assigned revenue	carry-overs by decision	Total
	1	2	3	4	5=2+3 +4	6=5/1	7	8	9=7+8	10	11	12	13=10+ 11+12
Decentralised agencies	336	311	—	15	326	97%	10	—	10	0	—	—	0
Other actions and programmes	647	174	—	107	281	43%	366	—	366	1	—	0	1
Pilot projects and preparatory actions	93	91	—	1	92	99%	0	—	0	1	—	—	1
Specific competences of the Commission	133	125	—	3	128	96%	1	—	1	3	—	—	3
Regional convergence (Less developed regions)	31 279	26 960	87	4 103	31 150	100%	120	—	120	—	9	—	9
Transition regions	6 579	5 729	—	850	6 579	100%	—	—	—	—	—	—	—
Competitiveness (More developed regions)	9 837	8 467	—	1 345	9 811	100%	25	—	25	1	—	—	1
Outermost and sparsely populated regions	258	226	—	32	258	100%	—	—	—	—	—	—	—
Cohesion fund	10 719	9 394	—	1 299	10 693	100%	26	—	26	—	—	—	—
European territorial cooperation	2 205	1 934	23	236	2 193	99%	12	—	12	—	—	—	—
Technical assistance	253	246	—	1	247	97%	1	—	1	6	—	—	6
European Aid to the Most Deprived (FEAD)	557	557	—	—	557	100%	0	—	0	0	—	—	0
Youth Employment initiative	434	350	—	84	434	100%	—	—	—	—	—	—	—

Programme	Total appropri- available	Commitments made						Appropriat. carried over to 2019			Appropriations lapsing			Total 13=10+ 11+12			
		from final adopted budget	from carry- overs	from assigned revenue	Total	%	assigned revenue	carry-overs by decision	Total	from final adopted budget	from carry-overs	from assigned revenue					
		2	3	4	5=2+3 +4	6=5/1	7	8	9=7+8	10	11	12					
Connecting Europe Facility (CEF)	1 655	1 655	—	—	1 655	100 %	—	—	—	—	—	—	—	—	—	—	—
Pilot projects and preparatory actions	8	8	—	0	8	100 %	0	—	0	—	—	—	—	—	—	—	0
Total MFF Heading 1	89 649	77 514	114	9 729	87 357	97 %	2 265	0	2 265	18	9	0	27				
2 European Agricultural Guarantee Fund (EAGF)	45 284	42 771	442	1 152	44 364	98 %	449	460	908	3	9	—	11				
Agricultural Fund for Rural Development (EAFRD)	15 352	14 380	—	47	14 427	94 %	925	—	925	1	—	—	1				
European Maritime and Fisheries Fund (EMFF)	1 073	931	—	1 39	1 070	100 %	1	—	1	2	—	—	2				
Fisheries Partnership Agreements (SFPAs) and Fisheries Management Organisations (RFMOs)	95	94	—	—	94	100 %	—	—	—	0	—	—	0				
Environment and climate action (LIFE)	532	522	—	0	522	98 %	9	—	9	0	—	—	0				
Decentralised agencies	68	60	—	6	66	97 %	2	—	2	—	—	—	—				
Other actions and measures	—	—	—	—	—	—	—	—	—	—	—	—	—				
Pilot projects and preparatory actions	16	16	—	—	16	100 %	0	—	0	0	—	—	0				
Specific Actions	—	—	—	—	—	—	—	—	—	—	—	—	—				
Total MFF Heading 2	62 419	58 774	442	1 344	60 560	97 %	1 385	460	1 845	6	9	—	15				

EUR million

Programme	EUR million												
	Total approp. available	Commitments made				%	Appropriat. carried over to 2019			Appropriations lapsing			
		from final adopted budget	from carry-overs	from assigned revenue	Total		from final adopted budget	from carry-overs	from assigned revenue	Total	from final adopted budget	from carry-overs	from assigned revenue
	1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12	13=10+11+12
3 Asylum, Migration and Integration Fund (AMF)	993	747	207	33	986	99%	6	—	6	1	—	—	1
Consumer	29	28	—	1	29	100%	0	—	0	0	—	—	0
Creative Europe	244	230	—	9	239	98%	5	—	5	0	—	—	0
Emergency Support within the Union (IES)	199	199	—	—	199	100%	0	—	0	—	—	—	—
Internal Security Fund	901	729	40	30	799	89%	102	—	102	1	—	—	1
IT systems	13	10	—	2	12	93%	1	—	1	0	—	—	0
Justice	49	47	—	1	48	99%	0	—	0	0	—	—	0
Rights, Equality and Citizenship	65	63	—	1	64	98%	1	—	1	0	—	—	0
Union Civil protection Mechanism	35	33	—	1	35	98%	1	—	1	0	—	—	0
Europe for Citizens	28	28	—	0	28	99%	0	—	0	0	—	—	0
Food and feed	284	279	—	2	281	99%	3	—	3	—	—	—	—
Health	69	66	—	2	68	99%	1	—	1	0	—	0	0
Decentralised agencies	996	920	—	36	956	96%	39	—	39	—	—	—	—
Pilot projects and preparatory actions	11	11	—	—	11	100%	0	—	0	0	—	—	0
Specific Actions	99	99	—	1	99	100%	0	—	0	0	—	—	0
Total MFF Heading 3	4 015	3 491	247	118	3 855	96%	158	—	158	2	—	0	2
4 Pre-accession assistance (IPA II)	2 149	2 041	1	55	2 097	98%	52	—	52	1	—	—	1
Macro-financial Assistance (MFA)	11	10	—	—	10	97%	—	—	—	0	—	—	0

Programme	EUR million												
	Total appropri- available	Commitments made				%	Appropriat. carried over to 2019			Appropriations lapsing			
		from final adopted budget	from carry- overs	from assigned revenue	Total		from final adopted budget	assigned revenue	carry-overs by decision	Total	from final adopted budget	from carry-overs	from assigned revenue
	1	2	3	4	5=2+3 +4	6=5/1	7	8	9=7+8	10	11	12	13=10+ 11+12
Guarantee Fund for External Actions	248	138	—	—	138	56 %	110	—	110	—	—	—	—
Union Civil Protection Mechanism	7	6	—	1	7	100 %	0	—	0	0	—	0	0
EU Aid Volunteers initiative (EUAV)	20	20	—	—	20	100 %	—	—	—	0	—	—	0
Fund for Sustainable Development (EFSD)	426	25	—	300	325	76 %	101	—	101	—	—	—	—
European Neighbourhood Instrument (ENI)	2 518	2 478	—	23	2 501	99 %	17	—	17	0	—	—	0
Development Cooperation Instrument (DCI)	3 055	2 981	—	34	3 015	99 %	40	—	40	0	—	—	0
Partnership Instrument (PI)	151	145	—	1	146	96 %	5	—	5	0	—	—	0
Democracy and Human Rights (EIDHR)	190	188	—	1	189	100 %	1	—	1	0	—	—	0
Stability and Peace (IcSP)	378	369	—	3	373	99 %	5	—	5	0	—	—	0
Humanitarian aid	1 537	1 417	62	54	1 533	100 %	5	—	5	0	—	—	0
Common Foreign and Security Policy (CFSP)	387	348	—	23	371	96 %	16	—	16	0	—	—	0
Nuclear Safety Cooperation (INSC)	33	33	—	—	33	100 %	0	—	0	0	—	—	0
Decentralised agencies	20	20	—	0	20	100 %	0	—	0	—	—	—	—
Other actions and programmes	238	80	—	128	208	87 %	31	—	31	0	—	—	0
Pilot projects and preparatory actions	4	3	1	—	3	85 %	1	—	1	—	—	—	—
Specific Actions	76	75	—	0	76	100 %	0	—	0	0	—	—	0
Total MFF Heading 4	11 448	10 377	64	621	11 062	97 %	383	—	383	2	—	0	2

Programme	Total appropri- available	Commitments made					Appropriat. carried over to 2019			Appropriations lapsing			Total 13=10+ 11+12
		from final adopted budget	from carry- overs	from assigned revenue	Total	%	assigned revenue	carry-overs by decision	Total	from final adopted budget	from carry-overs	from assigned revenue	
		2	3	4	5=2+3 +4	6=5/1	7	8	9=7+8	10	11	12	
5 Pensions	1 894	1 877	—	2	1 879	99 %	0	—	0	15	—	—	15
European schools	199	178	—	13	190	96 %	3	—	3	6	—	—	6
Decentralised agencies	—	—	—	—	—	—	—	—	—	—	—	—	—
Pilot projects and preparatory actions	4	3	—	0	4	100 %	0	—	0	0	—	—	0
Commission administrative expenditure	3 947	3 548	—	224	3 772	96 %	151	1	152	22	—	0	22
Administrative expenditure of Other Institutions	4 465	3 939	7	334	4 280	96 %	105	0	105	76	5	0	81
Total MFF Heading 5	10 508	9 545	7	572	10 124	96 %	259	1	260	119	5	0	124
6 Compensations	—	—	—	—	—	—	—	—	—	—	—	—	—
Total MFF Heading 6	—	—	—	—	—	—	—	—	—	—	—	—	—
8 Negative reserve	—	—	—	—	—	—	—	—	—	—	—	—	—
Deficit carried over	—	—	—	—	—	—	—	—	—	—	—	—	—
Total MFF Heading 8	—	—	—	—	—	—	—	—	—	—	—	—	—
9 Emergency Aid Reserve (EAR)	34	—	—	—	—	—	—	34	34	—	—	—	—
European Globalisation Adjustment Fund (EGF)	213	28	—	—	28	13 %	41	—	41	144	—	—	144
European Union Solidarity Fund (EUSF)	182	152	—	—	152	84 %	—	30	30	—	—	—	—
Total MFF Heading 9	429	180	—	—	180	42 %	41	64	104	144	—	—	144
Total	178 468	159 881	873	12 385	173 139	97 %	4 491	525	5 015	291	23	0	314

EUR million

4.8. DETAILED MFF: IMPLEMENTATION OF PAYMENT APPROPRIATIONS

Programme	Total approp. available	Payments made				Appropriations carried over to 2019				Appropriations lapsing			Total	
		from final adopted budget	from carry-overs	from assigned revenue	Total	%	automat. carry-overs	carry-overs by decs.	assigned revenue	Total	from final adopted budget	from carry-overs		from assigned revenue
		2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8+9	11	12		13
1	1	2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8+9	11	12	13	14=11+12+13
1 European Fund for Strategic Investments (EFSI)	2 068	1 979	—	59	2 038	99%	0	—	30	30	0	—	—	0
European satellite navigation (EGNOS/Galileo)	1 171	908	2	54	964	82%	2	—	205	207	0	0	—	0
International Thermonuclear Reactor (ITER)	699	648	1	18	666	95%	1	—	32	33	0	0	—	0
European Earth Observation Programme (Copernicus)	577	559	2	15	576	100%	2	—	0	2	0	0	0	0
European Solidarity Corps (ESC)	33	26	—	—	26	78%	4	3	—	7	—	—	—	—
Nuclear Safety and Decommissioning	196	196	—	—	196	100%	—	—	—	—	0	—	—	0
Horizon 2020	13 753	10 492	61	766	11 319	82%	75	—	2 349	2 424	2	7	1	10
Euratom Research and Training Programme	462	273	18	26	317	69%	19	—	125	143	0	2	—	2
Competitiveness enterprises and SMEs (COSME)	355	252	2	46	300	85%	3	—	51	54	0	0	—	0
Education, Training and Sport (Erasmus+)	2 697	2 242	7	118	2 366	88%	7	—	323	330	(0)	0	0	0
Employment and Social Innovation (EaSI)	129	115	1	4	120	93%	1	—	6	7	1	1	0	2

EUR million

Programme	EUR million													
	Total approp. available	Payments made				%	Appropriations carried over to 2019				Appropriations lapsing			
		from final adopted budget	from carry-overs	from assigned revenue	Total		from final adopted budget	automat. carry overs	carry-overs by decis.	assigned revenue	Total	from final adopted budget	from carry-overs	from assigned revenue
1	2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8+9	11	12	13	14=11+12+13	
Customs, Fiscals and Anti-Fraud	132	118	0	1	120	91%	0	—	6	6	0	—	6	
CEF - Energy	267	258	1	6	264	99%	1	—	0	1	0	—	2	
CEF - Transport	1 151	1 058	2	77	1 137	99%	1	—	12	13	0	—	1	
CEF - Information & Communications Technology (ICT)	94	76	0	3	80	85%	0	—	0	1	0	—	13	
Energy projects for economic recovery (EERP)	205	150	—	9	159	77%	0	—	39	39	—	—	7	
Decentralised agencies	332	307	—	15	322	97%	0	—	10	10	—	—	0	
Other actions and programmes	573	169	1	98	269	47%	1	—	302	303	0	—	2	
Pilot projects and preparatory actions	53	48	—	1	49	92%	0	—	0	0	—	—	4	
Specific competences of the Commission	125	119	—	2	121	97%	0	—	1	1	—	—	3	
Regional convergence (Less developed regions)	28 858	24 137	—	3 962	28 099	97%	0	—	760	760	—	—	0	
Transition regions	4 374	3 435	—	787	4 223	97%	0	—	151	151	—	—	(0)	
Competitiveness (More developed regions)	9 280	7 373	—	1 742	9 115	98%	0	—	165	165	—	—	0	
Outermost and sparsely populated regions	289	257	—	26	283	98%	0	—	6	6	—	—	0	
Cohesion fund	9 448	8 184	—	1 045	9 229	98%	0	—	219	219	—	—	(0)	

Programme	EUR million												
	Total approp. available	Payments made				Appropriations carried over to 2019				Appropriations lapsing			
		from final adopted budget	from carry-overs	from assigned revenue	Total	%	automat. carry overs	carry-overs by decis.	assigned revenue	Total	from final adopted budget	from carry-overs	from assigned revenue
1	2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8+9	11	12	13	14=11+12+13
European territorial cooperation	1 222	1 074	—	116	1 190	97%	0	—	32	32	—	—	0
Technical assistance	215	185	10	1	196	91%	13	—	1	13	4	—	6
European Aid to the Most Deprived (FEAD)	368	347	0	6	354	96%	0	—	0	0	14	—	14
Youth Employment initiative	1 026	820	—	200	1 020	99%	0	—	6	6	—	—	—
Connecting Europe Facility (CEF)	754	725	—	27	752	100%	—	—	1	1	1	—	1
Pilot projects and preparatory actions	9	9	—	0	9	99%	0	—	—	—	0	—	0
Total MFF Heading 1	80 917	66 540	107	9 230	75 876	94%	130	3	4 833	4 966	59	14	74
2 European Agricultural Guarantee Fund (EAGF)	45 436	42 533	636	1 142	44 310	98%	186	460	459	1 104	2	20	22
Agricultural Fund for Rural Development (EAFRD)	12 929	12 055	2	409	12 467	96%	2	—	453	455	8	0	8
European Maritime and Fisheries Fund (EMFF)	776	506	1	267	774	100%	1	—	1	2	0	0	0
Fisheries Partnership Agreements (SFPAs) and Fisheries Management Organisations (RFMOs)	97	97	—	—	97	100%	0	—	—	—	—	—	—
Environment and climate action (LIFE)	327	311	4	2	317	97%	4	—	4	8	2	0	2
Decentralised agencies	68	60	—	6	66	97%	0	—	2	2	—	—	(0)
Other actions and measures	6	6	—	—	6	100%	0	—	—	—	—	—	—

Programme	Total approp. available	Payments made				Appropriations carried over to 2019				Appropriations lapsing				Total 14=11+ 12+13
		from final adopted budget	from carry-overs	from assigned revenue	Total	%	automat. carry overs	carry-overs by decis.	assigned revenue	Total	from final adopted budget	from carry-overs	from assigned revenue	
		2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8+9	11	12	13	
1	1	2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8+9	11	12	13	14=11+12+13
Pilot projects and preparatory actions	8	8	—	—	8	93%	0	—	0	0	1	—	—	1
Specific Actions	—	—	—	—	—	—	0	—	—	—	—	—	—	—
Total MFF Heading 2	59 648	55 576	643	1 827	58 046	97%	193	460	918	1 570	13	20	—	33
3 Asylum, Migration and Integration Fund (AMIF)	746	704	2	32	738	99%	1	—	5	7	1	0	—	1
Consumer	31	27	0	1	28	92%	1	—	0	1	1	0	—	2
Creative Europe	214	196	2	9	206	96%	1	—	7	8	0	0	—	0
Emergency Support within the Union (IES)	233	226	0	—	226	97%	0	—	0	0	7	0	—	7
Internal Security Fund	565	424	2	29	454	80%	1	—	100	102	8	0	—	8
IT systems	13	10	—	3	13	98%	0	—	0	0	—	—	—	—
Justice	50	46	0	1	47	94%	1	—	0	1	2	0	—	2
Rights, Equality and Citizenship	75	72	0	1	73	97%	0	—	1	1	1	0	—	1
Union Civil protection Mechanism	41	31	2	1	34	83%	0	—	1	1	3	3	—	6
Europe for Citizens	29	28	0	0	29	98%	0	—	0	0	0	0	—	0
Food and feed	252	244	1	3	247	98%	1	—	3	4	0	0	—	0
Health	63	59	1	1	61	98%	1	—	1	1	0	0	—	0
Decentralised agencies	886	810	—	36	846	96%	0	—	39	39	0	—	—	0
Pilot projects and preparatory actions	13	11	—	—	11	89%	0	—	0	0	1	—	—	1

Programme	Total approp. available	Payments made				Appropriations carried over to 2019				Appropriations lapsing				Total
		from final adopted budget	from carry-overs	from assigned revenue	Total	%	automat. carry overs	carry-overs by decis.	assigned revenue	Total	from final adopted budget	from carry-overs	from assigned revenue	
1		2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8+9	11	12	13	14=11+12+13
Specific Actions	94	92	0	0	93	98%	1	—	0	1	1	0	—	1
Total MFF Heading 3	3 305	2 980	11	117	3 108	94%	9	—	159	167	25	5	0	29
4 Pre-accession assistance (IPA II)	1 747	1 236	6	205	1 446	83%	6	—	270	276	24	1	—	25
Macro-financial Assistance (MFA)	10	5	—	—	5	50%	0	—	—	—	5	—	—	5
Guarantee Fund for External Actions	248	138	—	—	138	56%	—	—	110	110	—	—	—	—
Union Civil Protection Mechanism	13	6	2	1	9	64%	0	—	0	0	4	0	0	5
EU Aid Volunteers initiative (EUAV)	16	16	0	—	16	99%	—	—	—	—	0	0	—	0
Fund for Sustainable Development (EFSD)	701	—	275	0	275	39%	25	—	401	426	—	—	—	—
European Neighbourhood Instrument (ENI)	2 167	2 106	5	34	2 145	99%	5	—	17	22	0	1	—	1
Development Cooperation Instrument (DCI)	2 781	2 641	12	31	2 684	97%	16	—	79	95	0	2	—	2
Partnership Instrument (PI)	135	127	0	3	130	96%	0	—	5	5	0	0	—	0
Democracy and Human Rights (EIDHR)	195	188	2	1	191	98%	3	—	0	4	0	1	—	1
Stability and Peace (IcSP)	342	324	2	8	334	98%	4	—	4	8	0	0	—	1
Humanitarian aid	1 723	1 437	5	63	1 506	87%	6	—	212	217	0	0	—	0
Common Foreign and Security Policy (CFSP)	345	292	0	24	316	92%	0	—	28	28	0	0	—	0

EUR million

Programme	Total approp. available	Payments made				Appropriations carried over to 2019				Appropriations lapsing			Total	
		from final adopted budget	from carry-overs	from assigned revenue	Total	%	automat. carry overs	carry-overs by decis.	assigned revenue	Total	from final adopted budget	from carry-overs		from assigned revenue
1	1	2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8+9	11	12	13	14=11+12+13
8 Negative reserve Deficit carried over	—	—	—	—	—	—	0	—	—	—	—	—	—	—
Total MFF Heading 8	—	—	—	—	—	—	0	—	—	—	—	—	—	—
9 Emergency Aid Reserve (EAR)	120	—	—	—	—	—	0	—	—	—	120	—	—	120
European Globalisation Adjustment Fund (EGF)	44	5	0	22	28	64%	0	—	16	16	0	0	—	0
European Union Solidarity Fund (EUSF)	177	152	—	—	152	86%	0	—	—	—	25	—	—	25
Total MFF Heading 9	340	157	0	22	180	53%	0	—	16	16	144	0	—	144
Total	166 353	142 695	1 840	12 138	156 673	94%	1 214	465	7 475	9 154	398	126	2	526

4.9. DETAILED MFF MOVEMENTS IN COMMITMENTS OUTSTANDING (RAL)

Programme	Commitments outstanding at the end of previous year			Commitments of the current year			Total commitm. outstanding at the end of the year		
	Commitm. carried forward from previous year	Decommit.-/Revaluations/Cancellations	Payments	Commitm. outstanding at year-end	Commitm. made during the year	Payments		Cancellation of commitm. which cannot be carried over	
1	1	2	3	4=1+2+3	5	6	7	8=5+6+7	9=4+8
1 European Fund for Strategic Investments (EFSI)	2 654	(0)	(1 963)	691	2 097	(75)	—	2 022	2 714
European satellite navigation (EGNOS/Galileo)	1 300	(4)	(573)	724	892	(391)	—	501	1 224

Programme	Commitments outstanding at the end of previous year						Commitments of the current year				Total commitm. outstanding at the end of the year
	Commitm. carried forward from previous year	Decommitm./Revaluations/Cancellations	Payments	Commitm. outstanding at year-end	Commitm. made during the year	Payments	Cancellation of commitm. which cannot be carried over	Commitm. outstanding at year-end			
	1	2	3	4=1+2+3	5	6	7	8=5+6+7	9=4+8		
International Thermonuclear Reactor (ITER)	1 727	(0)	(594)	1 133	394	(72)	(0)	321	1 454		
European Earth Observation Programme (Copernicus)	174	(0)	(157)	16	645	(418)	—	227	243		
European Solidarity Corps (ESC)	—	—	—	—	43	(26)	—	17	17		
Nuclear Safety and Decommissioning	651	—	(194)	457	141	(2)	—	139	596		
Horizon 2020	19 921	(312)	(7 515)	12 094	12 254	(3 804)	(3)	8 447	20 541		
Euratom Research and Training Programme	198	(4)	(70)	124	397	(247)	(0)	150	275		
Competitiveness enterprises and SMEs (COSME)	908	(55)	(259)	593	391	(41)	—	350	943		
Education, Training and Sport (Erasmus+)	704	(55)	(291)	359	2 573	(2 076)	—	497	855		
Employment and Social Innovation (EaSI)	222	(15)	(102)	105	134	(18)	—	116	222		
Customs, Fiscalis and Anti-Fraud	159	(4)	(90)	65	139	(30)	—	109	175		
CEF - Energy	1 678	(22)	(248)	1 407	680	(16)	—	664	2 072		
CEF - Transport	3 673	(281)	(1 085)	2 307	1 986	(53)	—	1 934	4 241		
CEF - Information & Communications Technology (ICT)	360	(10)	(75)	275	178	(5)	—	173	448		
Energy projects for economic recovery (EERP)	545	(132)	(159)	254	—	—	—	—	254		
Decentralised agencies	49	(2)	(31)	17	326	(291)	—	35	52		

Programme	EUR million										
	Commitments outstanding at the end of previous year					Commitments of the current year					Total commitm. outstanding at the end of the year
	Commitm. carried forward from previous year	Decommitm./Revaluations/Cancellations	Payments	Commitm. outstanding at year-end	Commitm. made during the year	Payments	Cancellation of commitm. which cannot be carried over	Commitm. outstanding at year-end			
1	2	3	4=1+2+3	5	6	7	8=5+6+7	9=4+8			
Other actions and programmes	412	(21)	(177)	215	281	(92)	—	189	404		
Pilot projects and preparatory actions	66	(2)	(24)	39	92	(24)	—	68	107		
Specific competences of the Commission	174	(12)	(84)	78	128	(37)	—	91	169		
Regional convergence (less developed regions)	82 421	(278)	(27 946)	54 197	31 150	(153)	—	30 997	85 194		
Transition regions	16 151	(6)	(4 196)	11 949	6 579	(27)	—	6 553	18 502		
Competitiveness (More developed regions)	25 870	(43)	(8 944)	16 883	9 811	(171)	—	9 640	26 523		
Outermost and sparsely populated regions	613	—	(271)	343	258	(12)	—	246	588		
Cohesion fund	24 398	(11)	(9 214)	15 173	10 693	(14)	—	10 678	25 851		
European territorial cooperation	3 514	(15)	(1 184)	2 314	2 193	(6)	—	2 188	4 502		
Technical assistance	218	(18)	(73)	126	247	(123)	(0)	124	251		
European Aid to the Most Deprived (FEAD)	1 101	(0)	(351)	750	557	(3)	—	554	1 304		
Youth Employment initiative	2 248	(7)	(1 016)	1 224	434	(3)	—	431	1 655		
Connecting Europe Facility (CEF)	4 704	(13)	(745)	3 946	1 655	(7)	—	1 648	5 595		
Pilot projects and preparatory actions	22	(1)	(6)	14	8	(2)	—	6	20		
Total MFF Heading 1	196 837	(1 323)	(67 640)	127 874	87 357	(8 237)	(4)	79 117	206 991		
2 European Agricultural Guarantee Fund (EAGF)	309	(14)	(228)	67	44 364	(44 082)	—	282	349		
Agricultural Fund for Rural Development (EAFRD)	32 742	(108)	(12 174)	20 460	14 427	(292)	—	14 134	34 594		

Programme	Commitments outstanding at the end of previous year						Commitments of the current year				Total commitm. outstanding at the end of the year	
	Commitm. carried forward from previous year	Decommitm./Revaluations/Cancellations	Payments	Commitm. outstanding at year-end	Commitm. made during the year	Payments	Cancellation of commitm. which cannot be carried over	Commitm. outstanding at year-end	EUR million			
									1	2		3
European Maritime and Fisheries Fund (EMFF)	3 218	(233)	(754)	2 231	1 070	(21)	(0)	1 049				3 280
Fisheries Partnership Agreements (SFPAs) and Fisheries Management Organisations (REMOS)	21	(3)	(10)	8	94	(87)	—	7				15
Environment and climate action (LIFE)	1 564	(2)	(283)	1 279	522	(34)	—	488				1 768
Decentralised agencies	3	(0)	(3)	—	66	(63)	—	3				3
Other actions and measures	6	—	(6)	—	—	—	—	—				—
Pilot projects and preparatory actions	20	(0)	(7)	12	16	(0)	—	15				28
Specific Actions	0	—	—	0	—	—	—	—				0
Total MFF Heading 2	37 883	(360)	(13 466)	24 058	60 560	(44 580)	(0)	15 980				40 037
3 Asylum, Migration and Integration Fund (AMF)	2 447	(34)	(721)	1 692	986	(17)	—	969				2 662
Consumer	41	(1)	(20)	21	29	(9)	—	20				40
Creative Europe	193	(7)	(91)	94	239	(115)	—	124				219
Emergency Support within the Union (IES)	90	(1)	(67)	22	199	(160)	—	40				62
Internal Security Fund	1 420	(19)	(433)	969	799	(22)	—	777				1 746
IT systems	47	(1)	(13)	34	12	(0)	—	12				46
Justice	90	(1)	(34)	55	48	(13)	—	35				90
Rights, Equality and Citizenship	115	(1)	(63)	51	64	(10)	—	54				105
Union Civil protection Mechanism	44	(2)	(21)	21	35	(13)	—	21				43

Programme	Commitments outstanding at the end of previous year						Commitments of the current year				Total commitm. outstanding at the end of the year
	Commitm. carried forward from previous year	Decommitm./Revaluations/Cancellations	Payments	Commitm. outstanding at year-end	Commitm. made during the year	Payments	Cancellation of commitm. which cannot be carried over	Commitm. outstanding at year-end	Total commitm. outstanding at the end of the year		
	1	2	3	4=1+2+3	5	6	7	8=5+6+7			
Europe for Citizens	22	(0)	(13)	9	28	(16)	—	12	21		
Food and feed	316	(31)	(187)	98	281	(60)	—	221	319		
Health	133	(6)	(46)	81	68	(16)	—	52	133		
Decentralised agencies	132	(1)	(5)	126	956	(841)	—	115	242		
Pilot projects and preparatory actions	24	(1)	(9)	14	11	(2)	—	9	24		
Specific Actions	77	(1)	(59)	17	99	(34)	—	65	82		
Total MFF Heading 3	5 194	(107)	(1 781)	3 306	3 855	(1 327)	—	2 528	5 834		
4 Pre-accession assistance (IPA II)	6 899	(124)	(1 225)	5 549	2 097	(221)	(0)	1 875	7 425		
Macro-financial Assistance (MFA)	40	(0)	(0)	40	10	(5)	—	5	45		
Guarantee Fund for External Actions	—	—	—	—	138	(138)	—	—	—		
Union Civil Protection Mechanism	18	(1)	(6)	12	7	(3)	—	4	15		
EU Aid Volunteers initiative (EUAV)	18	(0)	(2)	16	20	(14)	—	6	22		
Fund for Sustainable Development (EFSD)	275	—	(275)	—	325	(0)	—	325	325		
European Neighbourhood Instrument (ENI)	7 662	(185)	(1 724)	5 753	2 501	(421)	(0)	2 080	7 833		
Development Cooperation Instrument (DCI)	8 643	(218)	(2 418)	6 006	3 015	(265)	—	2 749	8 755		
Partnership Instrument (PI)	376	(6)	(113)	257	146	(17)	(0)	129	386		
Democracy and Human Rights (EIDHR)	370	(10)	(139)	222	189	(52)	(0)	137	358		
Stability and Peace (IcSP)	623	(34)	(220)	369	373	(114)	(0)	258	627		
Humanitarian aid	899	(33)	(429)	437	1 533	(1 077)	(0)	456	893		

Programme	Commitments outstanding at the end of previous year						Commitments of the current year					Total commitm. outstanding at the end of the year	
	Commitments carried forward from previous year		Decommitm./Revaluations/Cancellations		Payments		Commitm. outstanding at year-end		Commitm. made during the year	Payments	Cancellation of commitm. which cannot be carried over		Commitm. outstanding at year-end
	1	2	3	4=1+2+3	5	6	7	8=5+6+7	9=4+8				
8 Negative reserve Deficit carried over	—	—	—	—	—	—	—	—	—	—	—	—	
Total MFF Heading 8	—	—	—	—	—	—	—	—	—	—	—	—	
9 Emergency Aid Reserve (EAR)	—	—	—	—	—	—	—	—	—	—	—	—	
European Globalisation Adjustment Fund (EGF)	0	(0)	(0)	—	28	(28)	—	—	—	—	—	0	
European Union Solidarity Fund (EUSF)	—	—	—	—	152	(152)	—	—	—	—	—	—	
Total MFF Heading 9	0	(0)	(0)	—	180	(180)	—	—	—	—	—	0	
Total	267 258	(2 544)	(90 407)	174 307	173 139	(66 265)	(5)	106 868	281 175				

4.10. DETAILED MFF: COMMITMENTS OUTSTANDING BY YEAR OF ORIGIN

Programme	EUR million										
	< 2012	2012	2013	2014	2015	2016	2017	2018	Total		
1 European Fund for Strategic Investments (EFSI)	—	—	—	—	0	4	687	2 022	2 714		
European satellite navigation (EGNOS/Galileo)	0	0	—	—	47	112	564	501	1 224		
International Thermonuclear Reactor (ITER)	—	—	546	—	15	306	267	321	1 454		
European Earth Observation Programme (Copernicus)	—	—	—	0	0	3	12	227	243		
European Solidarity Corps (ESC)	—	—	—	—	—	—	—	17	17		
Nuclear Safety and Decommissioning	—	—	97	72	77	103	108	139	596		
Horizon 2020	246	273	784	1 440	2 120	2 908	4 320	8 450	20 541		

Programme	EUR million									
	< 2012	2012	2013	2014	2015	2016	2017	2018	Total	
Euratom Research and Training Programme	8	1	2	7	24	35	48	150	275	
Competitiveness enterprises and SMEs (COSME)	2	4	181	6	46	113	242	350	943	
Education, Training and Sport (Erasmus+)	0	0	1	23	43	93	199	497	855	
Employment and Social Innovation (EaSI)	2	4	6	7	13	14	60	116	222	
Customs, Fiscals and Anti-Fraud	—	0	—	1	4	15	44	109	175	
CEF - Energy	5	2	2	245	235	387	532	664	2 072	
CEF - Transport	13	—	6	226	192	705	1 166	1 934	4 241	
CEF - Information & Communications Technology (ICT)	—	0	—	21	34	135	85	173	448	
Energy projects for economic recovery (EERP)	254	—	—	—	—	—	—	—	254	
Decentralised agencies	—	—	—	—	0	1	15	35	52	
Other actions and programmes	22	4	14	14	23	35	103	189	404	
Pilot projects and preparatory actions	2	1	2	0	3	8	23	68	107	
Specific competences of the Commission	0	0	4	5	5	17	46	91	169	
Regional convergence (Less developed regions)	510	445	3 057	651	5 465	16 652	27 416	30 997	85 194	
Transition regions	38	—	—	149	1 594	4 066	6 102	6 553	18 502	
Competitiveness (More developed regions)	53	—	626	327	1 766	5 071	9 040	9 640	26 523	
Outermost and sparsely populated regions	—	—	—	9	38	74	222	246	588	
Cohesion fund	159	—	487	321	1 046	3 598	9 561	10 678	25 851	
European territorial cooperation	40	9	52	—	5	417	1 780	2 199	4 502	
Technical assistance	1	1	0	2	27	37	60	124	251	
European Aid to the Most Deprived (FEAD)	—	—	—	0	36	300	415	554	1 304	
Youth Employment initiative	—	—	—	0	397	413	413	431	1 655	
Connecting Europe Facility (CEF)	—	—	—	279	550	1 608	1 510	1 648	5 595	
Pilot projects and preparatory actions	0	—	—	1	1	4	9	6	20	
Total MFF Heading 1	1 355	744	5 867	3 807	13 803	37 234	65 049	79 131	206 991	

Programme	EUR million											
	< 2012	2012	2013	2014	2015	2016	2017	2018	Total			
2												
European Agricultural Guarantee Fund (EAGF)	—	—	—	0	3	9	55	282	349			
Agricultural Fund for Rural Development (EAFRD)	34	—	293	198	1 567	7 296	11 072	14 134	34 594			
European Maritime and Fisheries Fund (EMFF)	9	3	96	4	358	760	1 000	1 049	3 280			
Fisheries Partnership Agreements (FPAs) and Fisheries Management Organisations (RFMOs)	—	—	—	—	—	3	5	7	15			
Environment and climate action (LIFE)	142	53	72	107	209	229	273	682	1 768			
Decentralised agencies	—	—	—	—	—	—	0	3	3			
Other actions and measures	—	—	—	—	—	—	—	—	—			
Pilot projects and preparatory actions	0	0	0	2	1	4	5	15	28			
Specific Actions	—	—	—	0	0	—	—	—	0			
Total MFF Heading 2	186	56	461	311	2 138	8 301	12 411	16 173	40 037			
3												
Asylum, Migration and Integration Fund (AMIF)	20	17	29	4	37	491	1 094	969	2 662			
Consumer	—	0	0	1	2	4	14	20	40			
Creative Europe	—	—	1	4	6	22	61	124	219			
Emergency Support within the Union (IES)	—	—	—	—	—	13	9	40	62			
Internal Security Fund	19	42	13	12	26	266	589	777	1 746			
IT systems	1	0	0	1	2	3	25	12	46			
Justice	1	1	4	4	8	16	21	35	90			
Rights, Equality and Citizenship	3	4	2	4	7	12	19	54	105			
Union Civil protection Mechanism	—	0	—	1	2	6	12	21	43			
Europe for Citizens	0	—	0	0	0	1	7	12	21			
Food and feed	1	0	2	6	9	27	52	221	319			
Health	4	1	2	5	14	22	33	52	133			
Decentralised agencies	—	—	—	—	0	12	114	115	242			

Programme	EUR million										Total
	< 2012	2012	2013	2014	2015	2016	2017	2018			
Pilot projects and preparatory actions	0	1	1	2	3	3	4	9			24
Specific Actions	0	0	0	0	0	2	15	65			82
Total MFF Heading 3	50	67	56	45	118	901	2 069	2 528			5 834
4 Pre-accession assistance (IPA II)	349	94	522	437	971	1 475	1 702	1 875			7 425
Macro-financial Assistance (MFA)	—	—	—	—	—	—	40	5			45
Guarantee Fund for External Actions	—	—	—	—	—	—	—	—			—
Union Civil Protection Mechanism	—	—	—	2	2	2	6	4			15
EU Aid Volunteers initiative (EUAV)	—	—	—	7	3	2	4	6			22
Fund for Sustainable Development (EFSD)	—	—	—	—	—	—	—	325			325
European Neighbourhood Instrument (ENI)	426	341	485	594	783	1 367	1 716	2 120			7 833
Development Cooperation Instrument (DCI)	250	178	453	564	938	1 424	2 198	2 751			8 755
Partnership Instrument (PI)	0	8	13	37	42	70	82	133			386
Democracy and Human Rights (EIDHR)	5	2	9	20	35	61	90	137			358
Stability and Peace (IcSP)	7	9	20	36	67	88	141	258			627
Humanitarian aid	9	13	14	8	11	117	267	456			893
Common Foreign and Security Policy (CFSP)	4	14	2	24	23	21	43	134			266
Nuclear Safety Cooperation (INSC)	7	4	7	10	12	18	18	32			107
Decentralised agencies	—	—	—	—	—	—	—	—			—
Other actions and programmes	5	4	2	13	23	31	36	39			152
Pilot projects and preparatory actions	3	1	0	1	3	0	5	2			16
Specific Actions	1	2	1	2	7	20	37	57			126
Total MFF Heading 4	1 065	671	1 526	1 753	2 920	4 697	6 385	8 335			27 352

Programme	EUR million									
	< 2012	2012	2013	2014	2015	2016	2017	2018	Total	
5 Pensions	—	—	—	—	—	—	—	—	—	—
European schools	—	—	—	—	—	—	0	2	2	—
Decentralised agencies	—	—	—	—	—	—	—	—	—	—
Pilot projects and preparatory actions	—	—	—	—	—	0	3	3	6	—
Commission administrative expenditure	—	—	0	0	—	0	0	365	366	—
Administrative expenditure of Other Institutions	0	0	0	0	0	0	0	587	587	—
Total MFF Heading 5	—	—	0	0	—	0	3	957	961	—
6 Compensations	—	—	—	—	—	—	—	—	—	—
Total MFF Heading 6	—	—	—	—	—	—	—	—	—	—
8 Negative reserve	—	—	—	—	—	—	—	—	—	—
Deficit carried over	—	—	—	—	—	—	—	—	—	—
Total MFF Heading 8	—	—	—	—	—	—	—	—	—	—
9 Emergency Aid Reserve (EAR)	—	—	—	—	—	—	—	—	—	—
European Globalisation Adjustment Fund (EGF)	—	—	—	—	—	—	0	0	0	—
European Union Solidarity Fund (EUSF)	—	—	—	—	—	—	—	—	—	—
Total MFF Heading 9	—	—	—	—	—	—	0	0	0	—
Total	2 656	1 538	7 910	5 916	18 979	51 133	85 917	107 126	281 175	—

5. IMPLEMENTATION OF THE BUDGET BY INSTITUTION

5.1. IMPLEMENTATION OF BUDGET REVENUE

Institution	EUR million									
	Income appropriations		Entitlements established			Revenue			Receipts as % of budget	Out-standing
	Initial adopted budget	Final adopted budget	Current year	Carried over	Total	On entitlement. of current year	On entitlement. carried over	Total		
1	2	3	4	5=3+4	6	7	8=6+7	9=8/2	10=5-8	
European Parliament	164	164	197	19	217	191	3	194	118%	23
European Council and Council	53	53	79	2	81	79	1	80	151%	1
Commission	144 315	144 401	164 179	8 210	172 389	157 870	773	158 643	110%	13 747
Court of Justice	56	56	53	0	53	53	0	53	96%	0
Court of Auditors	21	21	21	0	21	21	—	21	101%	0
Economic and Social Committee	12	12	16	0	16	16	0	16	136%	—
Committee of the Regions	9	9	11	0	11	11	0	11	124%	0
Ombudsman	1	1	1	0	1	1	0	1	86%	0
European Data Protection Supervisor	1	1	1	0	1	1	0	1	78%	—
European External Action Service	49	49	296	2	297	295	2	297	607%	1
Total	144 681	144 768	164 856	8 234	173 090	158 539	779	159 318	110%	13 771

The consolidated reports on the implementation of the general budget of the EU include, as in previous years, the budget implementation of all Institutions since within the EU budget a separate budget for each Institution is established.

The budget and implementation of Agencies is not consolidated within the EU budget. The Commission subsidy is part of the EU budget.

Concerning the EEAS, it should be noted that, in addition to its own budget, it also receives contributions from the Commission of EUR 141,7 million (2017: EUR 144 million) and the EDF and the Trust Funds of EUR 70,1 million (2017: EUR 72 million) covering the costs of Commission's staff in the delegations financed under the EDF and the Trust Funds including assigned revenue generated in the year from these contributions. These budget credits are put at the disposal of the EEAS (as assigned revenue) so as to cover primarily the costs of Commission staff working in the EU delegations, these delegations being administratively managed by the EEAS.

5.2. IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

EUR million

Institution	Total appropriat. available	Commitments made			%	Appropriations carried over to 2019			Appropriations lapsing				
		from final adopted budget	from carry-overs	from assigned revenue		Total	from assigned revenue	from carry-overs by decision	Total	from adopted budget	from carry-overs	from assigned revenue	Total
	1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12	13=10+11+12
European Parliament	2 031	1 934	3	56	1 993	98 %	22	0	22	16	—	0	16
European Council and Council	629	527	4	24	555	88 %	23	0	23	46	5	0	51
Commission	1 74 003	155 941	866	12 051	168 859	97 %	4 386	525	4 911	215	18	0	233
Court of Justice	411	407	0	1	407	99 %	1	0	1	3	0	0	3
Court of Auditors	146	140	0	0	141	96 %	0	0	0	6	0	0	6
Economic and Social Committee	140	134	0	4	138	99 %	0	0	0	2	0	0	2
Committee of Regions	98	95	0	2	97	99 %	0	0	0	1	0	0	1
Ombudsman	11	10	0	0	10	95 %	0	0	0	1	0	0	1
European Data Protection Supervisor	14	14	0	0	14	94 %	0	0	0	1	0	0	1
European External Action Service	984	678	0	247	925	94 %	59	0	59	1	0	0	1
Total	178 468	159 881	873	12 385	173 139	97 %	4 491	525	5 015	291	23	0	314

6. IMPLEMENTATION OF THE AGENCIES' BUDGET

The reports below show the revenue and expenditure of the Agencies, both decentralised (also known as traditional agencies) and executive agencies.

The agencies' revenue and expenditure are not consolidated within the EU budget. The Commission subsidy is part of the EU budget.

Other sources of revenue and expenditure made thereof by the agencies are not added into the EU budget accounts. Each agency presents its own accounts. The information presented in the tables below provides the global financial picture of these EU bodies.

6.1. BUDGET REVENUE

Agency	Funding Commission Policy Area	EUR million	
		Final adopted budget	Amounts received
Agency for the Cooperation of Energy Regulators - ACER	6	14	14
Body of European Regulators for Electronic Communications - BEREC	9	4	4
Community Plant Variety Office - CPVO	17	17	18
Consumers, Health, Agriculture and Food Executive Agency - Chafea	17	11	11
Education, Audiovisual and Culture Executive Agency - EACEA	15	50	50
European Agency for Safety and Health at Work - EU-OSHA	4	15	15
European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice - eu-LISA	18	94	97
European Asylum Support Office - EASO	18	98	98
European Aviation Safety Agency - EASA	6	198	155
European Banking Authority - EBA	12	43	44
European Border and Coast Guard Agency - Frontex	18	289	306
European Centre for Disease Prevention and Control - ECDC	17	58	58
European Centre for the Development of Vocational Training - Cedefop	15	18	18
European Chemicals Agency - ECHA	2	119	121
European Environment Agency - EEA	7	66	66
European Fisheries Control Agency - EFCA	11	17	17
European Food Safety Authority - EFSA	17	80	80
European Foundation for the Improvement of Living and Working Conditions - Eurofound	4	21	21
European Global Navigation Satellite Systems (GNSS) Agency	6	33	746
European Institute for Gender Equality - EIGE	4	8	8
European Institute of Innovation and Technology - EIT	15	370	345
European Insurance and Occupational Pensions Authority - EIOPA	12	25	25
European Maritime Safety Agency - EMSA	6	77	103
European Medicines Agency - EMA	2	338	317
European Monitoring Centre for Drugs and Drug Addiction - EMCDDA	18	16	16
European Police Office	18	137	137
European Research Council Executive Agency - ERCEA	8	49	49
European Securities and Markets Authority - ESMA	12	44	44
European Training Foundation - ETF	15	20	20
European Union Agency for Fundamental Rights - FRA	18	23	23
European Union Agency for Law Enforcement Training - CEPOL	18	9	14

Agency	EUR million		
	Funding Commission Policy Area	Final adopted budget	Amounts received
European Union Agency for Network and Information Security - ENISA	9	11	12
European Union Agency for Railways	6	29	29
European Union Intellectual Property Office - EUIPO	12	403	245
European Union's Judicial Cooperation Unit - Eurojust	33	38	38
Executive Agency for Small and Medium-sized Enterprises - EASME	6	44	44
Fusion for Energy - F4E	8	795	831
Innovation and Networks Executive Agency - INEA	6	27	27
Research Executive Agency - REA	8	70	70
Translation Centre for the Bodies of the European Union	15	47	41
Total		3 822	4 377

Type of revenue	EUR million	
	Final adopted budget	Amounts received
Commission subsidy	1 424	1 425
Fee income	746	726
Other income	1 652	2 226
Total	3 822	4 377

6.2. COMMITMENT AND PAYMENT APPROPRIATIONS BY AGENCY

Agency	EUR million			
	Commitment appropriations		Payment appropriations	
	Total approp. available	Commit. made	Total approp. available	Payments made
Agency for the Cooperation of Energy Regulators - ACER	14	13	17	14
Body of European Regulators for Electronic Communications - BEREC	4	4	5	4
Community Plant Variety Office - CPVO	19	17	18	16
Consumers, Health, Agriculture and Food Executive Agency - Chafea	11	10	13	10
Education, Audiovisual and Culture Executive Agency - EACEA	50	49	56	48
European Agency for Safety and Health at Work - EU-OSHA	16	16	20	14
European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice - eu-LISA	211	154	107	94
European Asylum Support Office - EASO	103	94	106	86
European Aviation Safety Agency - EASA	237	179	244	151
European Banking Authority - EBA	44	44	47	41
European Border and Coast Guard Agency - Frontex	318	306	406	293
European Centre for Disease Prevention and Control - ECDC	59	58	69	57
European Centre for the Development of Vocational Training - Cedefop	18	18	19	18
European Chemicals Agency - ECHA	121	117	133	114
European Environment Agency - EEA	97	78	102	61

EUR million

Agency	Commitment appropriations		Payment appropriations	
	Total approp. available	Commit. made	Total approp. available	Payments made
European Fisheries Control Agency - EFCA	18	17	22	19
European Food Safety Authority - EFSA	80	80	87	80
European Foundation for the Improvement of Living and Working Conditions - Eurofound	21	21	25	21
European Global Navigation Satellite Systems (GNSS) Agency	3 522	2 428	1 270	828
European Institute for Gender Equality - EIGE	8	8	9	8
European Institute of Innovation and Technology - EIT	459	395	380	340
European Insurance and Occupational Pensions Authority - EIOPA	25	25	28	24
European Maritime Safety Agency - EMSA	126	114	122	91
European Medicines Agency - EMA	344	312	392	302
European Monitoring Centre for Drugs and Drug Addiction - EMCDDA	16	16	17	17
European Police Office	143	132	156	129
European Research Council Executive Agency - ERCEA	49	49	51	48
European Securities and Markets Authority - ESMA	46	46	51	44
European Training Foundation - ETF	20	20	21	20
European Union Agency for Fundamental Rights - FRA	23	23	30	23
European Union Agency for Law Enforcement Training - CEPOL	14	13	15	11
European Union Agency for Network and Information Security - ENISA	12	12	13	11
European Union Agency for Railways	30	30	34	30
European Union Intellectual Property Office - EUIPO	422	245	445	235
European Union's Judicial Cooperation Unit - Eurojust	40	40	47	41
Executive Agency for Small and Medium-sized Enterprises - EASME	44	44	49	45
Fusion for Energy - F4E	1 019	1 008	847	814
Innovation and Networks Executive Agency - INEA	27	27	28	26
Research Executive Agency - REA	70	70	73	67
Translation Centre for the Bodies of the European Union	47	45	51	45
Total	7 946	6 376	5 625	4 342

EUR million

Type of expenditure	Commitment appropriations		Payment appropriations	
	Total approp. available	Commit. made	Total approp. available	Payments made
Administrative expenses	368	352	445	334
Staff	1 220	1 188	1 236	1 181
Operational expenses	6 358	4 836	3 944	2 826
Total	7 946	6 376	5 625	4 342

GLOSSARY

Actuarial assumptions

Assumptions used to calculate the costs of future events that affect the pension liability.

Actuarial gains and losses

For a defined benefit scheme, the changes in actuarial deficits or surpluses. They arise as a result of differences between the previous actuarial assumptions and what has actually occurred and due to effects of changes in actuarial assumptions.

Administrative appropriations

Administrative appropriations cover the running costs of the Institutions and entities (staff, buildings, office equipment).

Adopted budget

Draft budget becomes the adopted budget as soon as it is approved by the Budgetary Authority.

Amending budget

Decision adopted during the budget year to amend (increase, decrease, transfer) aspects of the adopted budget of that year.

Amounts to be called from Member States

These represent expenses incurred during the reporting period that will need to be funded by future budgets, i.e. by the EU Member States. This is a consequence of the co-existence of accruals based financial statements and a cash based budget.

Annual Activity Report (AAR)

Annual Activity Reports indicate the results of operations by reference to objectives set, associated risks and the internal control structure, inter alia. Since the 2001 budget exercise for the Commission and since 2003 for all European Union institutions, the 'authorising officer by delegation' must submit an AAR to his/her institution on the performance of his/her duties, together with financial and management information.

Appropriations

Budget funding. The budget forecasts both commitments and payments (cash or bank transfers to the beneficiaries). Appropriations for commitments and payments often differ (differentiated appropriations) because multi annual programmes and projects are usually fully committed in the year they are decided and are paid over the years as the implementation of the programme and project progresses. Non-differentiated appropriations apply to administrative expenditure, for agricultural market support and direct payments and commitment appropriations equal payment appropriations.

Assigned revenue

Dedicated revenue received to finance specific items of expenditure. The main source of external assigned revenue is financial contributions from third countries to programmes financed by the Union. The main source of internal assigned revenue is revenue from third parties in respect of goods, services or work supplied at their request; revenue arising from the repayment of amounts wrongly paid and revenue from the sale of publications and films.

Available for sale financial assets

All financial assets (except derivatives) that are according to International Public Sector Accounting Standards measured at fair value and for which the changes in fair value are to be recognised in a reserve in net assets until derecognition (or impairment).

Budget line

As far as the budget structure is concerned, revenue and expenditure are shown in the budget in accordance with a binding nomenclature which reflects the nature and purpose of each item, as imposed by the budgetary authority. The individual headings (title, chapter, article or line) provide a formal description of the nomenclature.

Cancellation of appropriations

Unused appropriations that may no longer be used.

Carryover of appropriations

Exception to the principle of annuality in so far as appropriations that could not be used in a given budget year may, under strict conditions, be exceptionally carried over for use during the following year.

Commitment

Legal pledge to provide finance subject to certain conditions. The EU commits itself to reimbursing its share of the costs of an EU funded project. Today's commitments are tomorrow's payments. Today's payments are yesterday's commitments.

Commitment appropriation

Commitment appropriations cover the total cost of legal obligations (contracts, grant agreements/decisions) that could be signed in the current financial year.

Current service cost

The increase in scheme liabilities arising from service in the current financial year.

Decommitment

An act whereby a previous commitment (or part of it) is cancelled.

Defined benefit scheme

A pension or other retirement benefit scheme where the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Derivatives

Financial instruments whose value is linked to changes in the value of another financial instrument, an indicator or a commodity. In contrast to the holder of a primary financial instrument (e.g. a government bond), who has an unqualified right to receive cash (or some other economic benefit) in the future, the holder of a derivative has only a qualified right to receive such a benefit. An example of a derivative is currency forward contract.

Direct management

Mode of budget implementation. Under direct management the budget is implemented directly by Commission services, Executive Agencies or Trust Funds.

Discount rate

The rate used to adjust for the time value of money. Discounting is a technique used to compare costs and benefits that occur in different time periods.

Effective interest rate

The rate that discounts estimated future cash receipts or payments over the expected life of the financial asset or financial liability to the net carrying amount of the asset or liability.

Financial assets or liabilities at fair value through surplus or deficit

All financial assets or liabilities that are according to International Public Sector Accounting Standards measured at fair value and for which the changes in fair value are to be recognised in surplus or deficit of the period (i.e. derivatives).

Financial correction

The purpose of financial corrections is to protect the EU budget from the burden of erroneous or irregular expenditure. For expenditure under shared management, the task of recovering incorrect payments is primarily the responsibility of the Member State.

A 'confirmed' financial correction has been accepted by the Member State concerned. A 'decided' financial correction has been adopted by a Commission decision and is always a net correction, where the Member State is required to reimburse irregular funds to the EU budget, thus leading to a definitive reduction of the allocated envelope to the Member State concerned. Confirmed and decided financial corrections are reported in this publication as one category.

An 'implemented' financial correction has corrected the observed irregularity.

Indirect management

Mode of budget implementation. Under indirect management the Commission confers tasks of budget implementation to bodies of EU law or national law.

Interruptions and suspensions

If the Commission finds, based on its own work or the information reported by audit authorities, that a Member State has failed to remedy serious shortcomings in the management and control systems and/or to correct irregular expenditure which had been declared and certified, it may interrupt or suspend payments.

Irregularity

An irregularity is an act which does not comply with EU rules and which has a potentially negative impact on EU financial interests, but which may be the result of genuine errors committed either by beneficiaries claiming funds or by the authorities responsible for making payments. If an irregularity is committed deliberately, it constitutes fraud.

Lapsing appropriations

Unused appropriations to be cancelled at the end of the financial year. Lapsing means the cancellation of all or part of the authorisation to make expenditures and/or incur liabilities which is represented by an appropriation. Only for Joint Undertakings, as specified in their Financial Rules, any unused appropriations may be entered in the estimate of revenue and expenditure of up to the following three financial years (the so-called "N+3" rule). Hence, lapsing appropriations for JUs could be reactivated until financial year "N+3".

Own resources

Represent the main funding for the EU institutions and bodies and are defined in the own resources Council Regulation (EU, Euratom) No 609/2014. Own resources comprise GNI-based resources, VAT-based resources and traditional own resources.

Payment appropriations

Payment appropriations cover expenditure due in the current year, arising from legal commitments entered in the current year and/or earlier years.

Pre-financing

A payment intended to provide the beneficiary with a float. It may be split into a number of payments in accordance with the provisions of the underlying contract, decision, agreement or the basic legal act. The float or advance is either used for the purpose for which it was provided during the period defined in the agreement or it is repaid.

Preventive measure

Preventive measures, which are at the Commission's disposal to protect the EU budget when it is aware of potential deficiencies, include suspensions and interruptions of payments from the EU budget to the operational programme.

Reste à Liquider (RAL)

Represents the amount where a budgetary commitment has been made but the subsequent payment is not yet done. They represent payment obligations for the EU for future years and stem directly from the existence of multi annual programmes and the dissociation between commitment and payment appropriations.

Shared management

Mode of budget implementation. Under shared management budget implementation tasks are delegated to Member States. About 80 % of the EU expenditure falls under this implementation mode.

Traditional own resources

These represent revenue for the EU and are part of the 'own resources' which fund the activities of the EU. Traditional own resources are defined in the own resource Council Regulation (EU, Euratom) No 609/2014 and comprise customs duties and sugar levies.

Transfers (between budget lines)

Transfers between budget lines imply the relocation of appropriations from one budget line to another, in the course of the financial year, and thereby they constitute an exception to the budgetary principle of specification. They are, however, expressly authorised by the Treaty on the Functioning of the European Union under the conditions laid down in the Financial Regulation (FR). The FR identifies different types of transfers depending on whether they are between or within budget titles, chapters, articles or headings and require different levels of authorisation.

LIST OF ABBREVIATIONS

AAR	Annual Activity Report
ABB	Activity Based Budgeting
ABM	Activity Based Management
ACER	Agency for the Cooperation of Energy Regulators
AMIF	Asylum, Migration and Integration Fund
AOD	Authorising Officers by Delegation
ARTEMIS	Advanced Research & Technology for Embedded Intelligent Systems
ATM	Air Traffic Management
BBI	Bio-Based Industries Joint Undertaking
BEREC	Body of European Regulators for Electronic Communications
BIC	Bio-based Industries Consortium
BIS	Bank for International Settlements
BOP	Balance of Payments
BUFI Fund	Budget Fines Fund
CAP	Common Agricultural Policy
CCS LGF	Cultural and Creative Sector Guarantee Facility
Cedefop	European Centre for the Development of Vocational Training
CEF	Connecting Europe Facility
CEF DI	Connecting Europe Facility Debt Instrument
CEPOL	European Union Agency for Law Enforcement Training
CF	Cohesion Fund
Chafea	Consumers, Health, Agriculture and Food Executive Agency
CIP	Competitiveness and Innovation Framework Programme
COM	Commission
COSME	Competitiveness of Enterprises and Small and Medium-sized Enterprises
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPR	Common Provisions Regulation
CPVO	Community Plant Variety Office
D&WM	Decommissioning and Waste Management
EACEA	Education, Audiovisual and Culture Executive Agency
EAFRD	European Agricultural Fund for Rural Development
EAGF	European Agricultural Guarantee Fund

EAGGF	European Agricultural Guidance and Guarantee Fund
EASA	European Aviation Safety Agency
EaSI	Employment and Social Innovation
EASME	Executive Agency for Small and Medium-sized Enterprises
EASO	European Asylum Support Office
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECA	European Court of Auditors
ECB	European Central Bank
ECDC	European Centre for Disease Prevention and Control
ECHA	European Chemicals Agency
ECOFIN	Economic and Financial Affairs Council
ECSC	European Coal and Steel Community
ECSEL	Electronic Components and Systems for European Leadership Joint Undertaking
EDF	European Development Fund
EDIF	Guarantee Facility under the Western Balkan
EEA	European Economic Area
EEA	European Environment Agency
EEAS	European External Action Service
EFCA	European Fisheries Control Agency
EFF	European Fisheries Fund
EFSA	European Food Safety Authority
EFSD	European Fund for Sustainable Development
EFSE	European Fund for Southeast Europe
EFSF	European Financial Stability Facility
EFSI	European Fund for Strategic Investments
EFSM	European Financial Stabilisation Mechanism
EFTA	European Free Trade Association
EGNOS	European Geostationary Navigation Overlay System
EIB	European Investment Bank
EIF	European Investment Fund
EIGE	European Institute for Gender Equality

EIOPA	European Insurance and Occupational Pensions Authority
EIT	European Institute of Innovation and Technology
ElectriFI	Electrification Financing Initiative
EMA	European Medicines Agency
EMCDDA	European Monitoring Centre for Drugs and Drug Addiction
EMFF	European Maritime and Fisheries Fund
EMSA	European Maritime Safety Agency
EMU	Economic and Monetary Union
ENEF	Enterprise Expansion Fund
ENIAC	European Nanoelectronics Initiative Advisory Council
ENIF	Enterprise Innovation Fund
ENISA	European Union Agency for Network and Information Security
ENPI	European Neighbourhood and Partnership Instrument
EP	European Parliament
ERCEA	European Research Council Executive Agency
ERDF	European Regional Development Fund
ESA	European Space Agency
ESF	European Social Fund
ESIF	European Structural and Investment Funds
ESM	European Stability Mechanism
ESMA	European Securities and Markets Authority
ETF	European Technology Start up Facility 1998
ETF	European Training Foundation
EU	European Union
EUIPO	European Union Intellectual Property Office
eu-LISA	European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice
EUMETSAT	European Organisation for the Exploitation of Meteorological Satellites
EU-OSHA	European Agency for Safety and Health at Work
Euratom	European Atomic Energy Community
Eurofound	European Foundation for the Improvement of Living and Working Conditions
Eurojust	European Union's Judicial Cooperation Unit
Europol	European Police Office

F4E	Fusion for Energy
FCH	Fuel Cells and Hydrogen Joint Undertaking
FIFG	Financial Instrument for Fisheries Guidance
FIFO	First-in, First-out
FP7	7th Research Framework Programme for Research and Technological Development
FR	Financial Regulation
FRA	European Union Agency for Fundamental Rights
Frontex	European Border and Coast Guard Agency
FSDA	Financial Statement Discussion and Analysis
GDP	Gross Domestic Product
GMES	Global Monitoring for Environment and Security
GNI	Gross National Income
GNSS	Global Navigation Satellite Systems
H2020	Horizon 2020
ICSLT	International Civil Servants Life Table
IFRP	Integrated Financial Reporting Package
IIW	Infrastructure and Innovation Window
IMF	International Monetary Fund
IMI	Innovative Medicines Initiative Joint Undertaking
INEA	Innovation and Networks Executive Agency
IPA II	Instrument for Pre-accession Assistance
IPSAS	International Public Sector Accounting Standards
ISF	Internal Security Fund
IT	Information Technology
ITER	International Thermonuclear Experimental Reactor
JAP	Joint Action Plan
JRC	Joint Research Centre
JU	Joint Undertaking
LGTT	Loan Guarantee Instrument for TEN-T projects
MAP	Multi Annual Programme - Medium Enterprise Financial Inclusion Programme
MEP	Member of the European Parliament
MFA	Macro Financial Assistance
MFF	Multiannual Financial Framework

MSME	Micro, Small and Medium Enterprise
NEETs	Not in Education, Employment or Training
ORD	Own Resources Decision
PBI	Project Bond Initiative
PF4EE	Private Finance for Energy Efficiency Instrument
PGF	Participants Guarantee Fund
PMF	European Progress Microfinance Facility
PPP	Public-Private Partnership
PSEO	Pension Scheme of European Officials
R&I	Research and Innovation
RAL	“Reste à Liquider” (Outstanding Commitments)
REA	Research Executive Agency
RSFF	Risk Sharing Finance Facility
RTD	Research, Technological Development and Demonstration
S&P	Standard & Poor’s Financial Services LLC
SANAD	MENA Fund for Micro-, Small and Medium Enterprises
SAPARD	Special Accession Programme for Agriculture and Rural Development
SEMED	Southern and Eastern Mediterranean Micro, Small and Middle sized Enterprises Financial Inclusion Programme
SESAR	Single European Sky ATM Research Joint Undertaking
SIUGI	SME Initiative Uncapped Guarantee Instrument
SME	Small and Medium-sized Enterprise(s)
SMEW	SME Window (Small and Medium-sized Enterprises Window)
TFEU	Treaty on the Functioning of the European Union
TOR	Traditional Own Resources
TRDI	Temporary Rural Development Instrument
VAT	Value Added Tax
YEI	Youth Employment Initiative
