

## 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 2019

(2020/C 384/01)

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## FOREWORD

It is my pleasure to present the 2019 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.

The EU budget proved once more that it means added value for citizens, companies and regions: despite its limited amount, representing around 2 % of all public spending in the Union, it complements national budgets and supports our common political priorities.

The 2019 budget was the penultimate budget of the current multiannual financial framework (MFF). The implementation of almost all programmes was at cruising speed, with the exception of new programmes, such as the European Defence Industrial Development Programme (EDIDP), or actions for which the legislative process finished recently. The implementation of the EU budget totalled EUR 178,8 billion in commitment appropriations, and EUR 159,1 billion in payment appropriations.

In line with the European Commission proposal of May 2018, a significant portion of the 2019 budget went to programmes to stimulate the creation of jobs, especially for young people, and to boost growth, strategic investments and convergence. The EU has also continued supporting the efforts to effectively deal with the migration challenge, both inside and outside the EU.

Measures to support economic growth and reduce the economic gaps between regions amounted to nearly half of the funds committed. EU funding contributed EUR 12,4 billion to research and innovation under Horizon 2020, including in the field of high-performance computing. The budget also proved in other areas that it is an investment in the future: it increased expenditure on education and training by 20 % for Erasmus+ as compared to 2018 and by 37 % for the Connecting Europe Facility, which fosters transport and digital infrastructure. Support for agriculture and rural areas remained stable at EUR 57,9 billion, contributing also to the fight against climate change and to the promotion of sustainable growth.

The 2019 budget provided the necessary flexibility to address the internal aspect of migration issues, with a total of EUR 1,2 billion support from the Asylum, Migration and Integration Fund, along with EUR 533 million for border management and security from the Internal Security Fund. A total of EUR 5 million was also allocated to the creation of the new European Public Prosecutor's Office, set up to prosecute crimes against the EU budget, including fraud, money laundering and corruption.

Even before the Coronavirus crisis the EU Budget 2019 showed the importance of a functioning multiannual financial framework which provides the necessary means and flexibility to act and to react to upcoming challenges. This flexibility will also play a role for the next multiannual financial framework, which is at the heart of the recovery plan for Europe.

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 ensures legal compliance and increases the accountability of EU spending. It helps to engage with citizens and with other stakeholders, and to maintain their confidence and trust in the European Union.

Johannes HAHN

*Commissioner for Budget and Human Resources*

## EUROPEAN UNION POLITICAL AND FINANCIAL FRAMEWORK, GOVERNANCE AND ACCOUNTABILITY

The European Union (EU) is a Union on 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<sup>(1)</sup> 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 promoting the general interest of the Union which includes executing the budget and managing programmes in cooperation with the Member States and in accordance with the principle of sound financial management.

The EU pursues the objectives established by the Treaty with a number of tools, one of which is the EU budget. Others are, for example, a common legislative framework or joint policy strategies.

#### **Commission political priorities**

The political priorities of the Commission are defined in the political guidelines set by the President of the Commission. Under President von der Leyen, the Commission which took office on 1 December 2019 will focus on the following six headline ambitions:

#### **SIX HEADLINE AMBITIONS**

##### ***A European Green Deal***

— Striving to be the first climate-neutral continent

##### ***An economy that works for people***

— Working for social fairness and prosperity

##### ***A Europe fit for the digital age***

— Empowering people with a new generation of technologies

##### ***Promoting our European way of life***

— Building a Union of equality in which we all have the same access to opportunities

##### ***A stronger Europe in the world***

— Europe to strive for more by strengthening our unique brand of responsible global leadership

##### ***A new push for European democracy***

— Nurturing, protecting and strengthening our democracy

The previous Commission focused on ten priorities set by former President Jean-Claude Juncker and in line with Europe 2020, the EU's long-term growth strategy at the time:

— A new boost for jobs, growth and investment,

— A connected digital single market,

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<sup>(1)</sup> 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 TEU).

- A resilient Energy Union with a forward-looking climate change policy,
- A deeper and fairer internal market with a strengthened industrial base,
- A deeper and fairer Economic and Monetary Union (EMU),
- A balanced and progressive trade policy to harness globalisation,
- An area of justice and fundamental rights based on mutual trust,
- Towards a new policy on migration,
- Europe as a stronger global actor,
- A Union of democratic change.

### **2030 Agenda for Sustainable Development**

The 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals, adopted by the United Nations in September 2015, have given a new impetus to global efforts to achieve sustainable development. The EU played an important role in shaping the 2030 Agenda, reflecting the fact that sustainable development has long been at the heart of the European project. The Sustainable Development Goals are firmly anchored in the EU Treaties and mainstreamed in all the EU policies and initiatives. The EU budget plays an essential role in addressing many sustainability challenges including poverty, youth unemployment, health and well-being, climate change, loss of biodiversity, sustainable energy and migration.

### **Multiannual financial framework and spending programmes**

The policies supported by the EU budget are implemented in accordance with the multiannual financial framework (MFF) and corresponding sectoral legislation defining spending programmes. These translate the EU's political priorities into financial terms over a period long enough to be effective and to provide a coherent long-term perspective for beneficiaries of EU funds and co-financing national authorities. Maximum annual amounts (ceilings) are set 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 for 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. The current MFF covers the period 2014-2020.

### **Interinstitutional agreement**

The multiannual financial framework is complemented by the interinstitutional agreement <sup>(2)</sup>, 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 Treaty on the Functioning of the European Union (TFEU), is to implement budgetary discipline, to 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 Article 314 TFEU. According to the principle of budgetary 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.

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<sup>(2)</sup> 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 (OJ C 373, 20.12.2013, p. 1).

## Management modes

The EU budget is implemented in three management modes which determine how the money is paid out and managed:

- Shared management: the vast proportion of the budget is managed under a system of shared management by the Commission in cooperation with the Member States, notably in the areas of structural funds and agriculture.
- Direct management: the Commission also manages programmes itself and can delegate the implementation of specific programmes to executive agencies.
- Indirect management: Expenditure decisions can also be indirectly managed via other bodies within or outside the EU. The Financial Regulation and/or delegation agreements define the necessary control and reporting mechanisms by these entities and the supervision by the Commission where budget implementation tasks are entrusted to national agencies, the European Investment Bank Group, third countries, international organisations (e.g. the World Bank or the United Nations) and other entities (e.g. EU decentralised agencies, Joint Undertakings). **Financial Regulation**

## Financial Regulation

The Financial Regulation (FR) <sup>(3)</sup> applicable to the general budget is a central act in the regulatory architecture of the EU's finances. It defines in detail the financial rules applicable to the execution of the EU budget and the roles of the different actors involved in ensuring that the money is used soundly and achieves the objectives set.

## 2. GOVERNANCE AND ACCOUNTABILITY

### 2.1. INSTITUTIONAL STRUCTURE

The EU has an institutional framework which aims to promote its values, advance its objectives, serve its interests, those of its citizens and those of the Member States, and ensure the consistency, effectiveness and continuity of its policies and actions. The organisational structure consists of institutions, agencies and other EU bodies, which are included in the EU consolidated accounts as far as the consolidation criteria as set out in the Financial Regulation and the applicable accounting rules are met (please refer to note 9 for the list of entities included in the scope of consolidation).

The European Parliament, jointly with the Council, exercises legislative and budgetary functions. The Commission is politically accountable to the European Parliament. The Council also carries out policy-making and coordinating functions within the general political direction and priorities of the Union set by the European Council.

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; for allocating EU funding and managing financing programmes; and for representing the EU internationally.

The Commission implements the budget, in large part in cooperation with the Member States <sup>(4)</sup>. 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 when they share the implementation of the budget and the resulting responsibilities. They also lay down the responsibilities and detailed rules for each of the EU's institution as concerns their own expenditure.

<sup>(3)</sup> 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).

<sup>(4)</sup> See Article 317 TFEU.

## 2.2. THE COMMISSION'S GOVERNANCE STRUCTURE

The 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 <sup>(5)</sup>.

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.

The Commission performs its functions under the leadership of the College of Commissioners, which sets priorities and takes overall political responsibility for the work of the Commission. The President decides on the internal organisation of the Commission, ensuring that it acts consistently, efficiently and as a collegiate body. The internal arrangements create a structure of robust controls and management tools which allow the College of Commissioners to take political responsibility for the work of the Commission, namely the decisions it takes as well as for coordinating, executive and management functions, as laid down in the Treaties.

The College delegates the operational implementation of the budget and financial management to the Directors-General and Heads of Service who lead the administrative structure of the Commission <sup>(6)</sup>. This decentralised approach creates an administrative culture that encourages civil servants to take responsibility for activities over which they have control and requires them to provide assurance as concerns the activities for which they are accountable.

The central services support the Directors-General and Heads of Service in the exercise of their responsibilities. In particular, the Corporate Management 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, communication and information management <sup>(7)</sup>.

This governance system is based on the Treaties and has evolved over time to adapt to a changing environment and to remain in line with best practice as set out in relevant international standards <sup>(8)</sup>. The further streamlining and strengthening of the arrangements introduced in 2018 <sup>(9)</sup> took into account audit work by the European Court of Auditors <sup>(10)</sup> and the Commission's Internal Audit Service. As required by the Financial Regulation (Article 247), the Annual Management and Performance Report for the EU budget includes information on the key governance arrangements in the Commission.

## 2.3. PERFORMANCE FRAMEWORK OF THE EU BUDGET

Implementing robust performance frameworks is essential for ensuring a strong focus on results, European level added value and the sound management of EU programmes. The performance framework for the EU budget is highly developed, and ranks higher than that of any individual country assessed by the Organisation for Economic Co-operation and Development (OECD) in its standard index of performance budgeting frameworks.

The EU budget performance framework reports on several types and levels of strategic goals, objectives and indicators. It also takes account of the complementarity and mainstreaming of policies (such as addressing climate change or gender equality) and programmes and the key role of the Member States in implementing the EU budget.

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<sup>(5)</sup> 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](https://ec.europa.eu/info/sites/info/files/c_2017_6915_final_en.pdf)

<sup>(6)</sup> 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).

<sup>(7)</sup> See Commission Decision of 21 November 2018 on the Corporate Management Board, C(2018) 7706 final.

<sup>(8)</sup> E.g. the Commission's internal control principles are based on the COSO Internal Control principles.

<sup>(9)</sup> [https://ec.europa.eu/info/publications/governance-in-the-commission\\_en](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](https://ec.europa.eu/info/sites/info/files/file_import/streamlining-strengthening-corporate-governance-european-commission_en.pdf)

<sup>(10)</sup> Special Report No 27/2016 on 'Governance at the European Commission — best practice?'



- Objectives, indicators and targets are included in the programmes' legal bases and every year the Commission reports on them through the **programme statements** that accompany the draft budget. The latter provide the information necessary for understanding the execution of programmes and measuring their performance; this includes the long-term financial commitments under the multiannual financial framework, programme performance baselines (starting points for policy action), targets (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**. 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.

These elements place the budget authority in a strong position to factor in performance information during the annual budgetary procedure.

#### 2.4. 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 the Internal Rules <sup>(11)</sup>) and applied accordingly. As authorising officers by delegation, the Commission's Directors-General and Heads of Service are responsible for the sound financial management of EU resources, compliance with the provisions of the Financial Regulation, risk management and establishing an appropriate internal control framework.

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 a sound financial management standpoint. Tasks can further be delegated to Directors, Heads of Unit and others, who thereby become Authorising Officers by Sub-Delegation. Each authorising officer by delegation may rely on one or two directors 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, including through the work of the Corporate Management Board.

The Financial Regulation requires each authorising officer to prepare an annual activity report ('AAR') on what has been achieved and on internal control and financial management during the year. The AAR includes a declaration that resources have been used based on the principles of sound financial management and that control procedures are in place which provide the necessary guarantees 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 assumes political responsibility for the financial management of the EU budget**.

The Accounting Officer of the Commission is centrally responsible for 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.

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<sup>(11)</sup> Since mid-2019 (further to the revised Article 12 of the Internal Rules) the management of the European Development Fund (EDF) is co-delegated among five departments (DEVCO, ECHO, EAC, EACEA, JRC).

The Audit Progress Committee ensures the independence of the Internal Auditor and monitors the quality of internal audit work and the follow-up given by the Commission to internal and external audit recommendations, as well as to the European Court of Auditors' discharge-related findings and recommendations on the reliability of the annual consolidated EU accounts. The advisory role of the committee contributes to the overall further improvement of the Commission's effectiveness and efficiency in achieving its goals and facilitates the College's oversight of the Commission's governance, risk management, and internal control practices.

## 2.5. FINANCIAL REPORTING

Reporting on the EU budget is delivered through the **Integrated Financial and Accountability Reporting package** which brings together comprehensive information on the implementation, performance, results, financial management and protection of the EU budget. This comprises the consolidated annual accounts of the EU, the Annual Management and Performance Report for the EU budget (which includes an evaluation on the Union's finances based on the results achieved), the annual report on internal audits carried out, 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 package provides the public with a comprehensive view of the financial and operational situation of the EU budget 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:

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

## 2.6. EXTERNAL AUDIT AND DISCHARGE PROCEDURE

In line with the principles of sound financial management, funds must be managed in an effective, efficient and economic manner. An accountability framework based on comprehensive reporting, external audit and political control exists to provide reasonable assurance that EU funds are spent well in a proper manner.

Every year the **European Court of Auditors**, based on a systematic and thorough approach, examines the reliability of the accounts, whether all revenue has been received and all expenditure incurred in a lawful and regular manner and whether the financial management and the qualitative aspects of budgeting, including the performance dimension, have been sound. The publication of the annual report of the European Court of Auditors is the starting point for the discharge procedure. The auditors also prepare special reports on specific spending or policy areas, or on budgetary or management issues.



The **European Parliament** decides, after a recommendation by the **Council**, on whether or not to provide its final approval, known as 'granting discharge', on the way the Commission implemented the EU budget in a given year. The annual discharge procedure ensures that the Commission is held politically accountable for the implementation of the EU budget.

The decision on the discharge is also based on the Commission's integrated financial and accountability reporting, on hearings of Commissioners and on the replies provided to written questions addressed to the Commission.

## NOTE ACCOMPANYING THE CONSOLIDATED ACCOUNTS

The consolidated annual accounts of the European Union for the year 2019 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*

18 June 2020

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## HIGHLIGHTS OF THE FINANCIAL YEAR 2019

**Implementation of the 2019 Union budget**

The EU budget has an important role to support the delivery of the Union's policies and priorities. Despite its limited amount, representing around 2 % of all public spending in the Union, it complements national budgets and has a clear focus on investment and additionality. It is a key tool among the wide set of European-level policy and regulatory instruments, to implement policy priorities which all EU members have agreed upon, translated into a Multiannual Financial Framework containing the different programmes and maximum expenditure ceilings.

The EU budget for 2019, adopted on 12 December 2018, confirms that the EU is directing money to where the needs are. In 2019, and in line with the European Commission proposal of May 2018, the biggest part of the EU budget went to stimulate the creation of jobs, especially for young people, and to boost growth, strategic investments and convergence. The EU has also continued supporting the efforts to effectively deal with the migration challenge, both inside and outside the EU.

The 2019 adopted budget contributed to the strength and resilience of the European economy and to promoting solidarity and security both within and beyond its borders. The 2019 budget was the penultimate budget of the current multiannual financial framework (MFF). The implementation of almost all programmes was at cruising speed, with the exception of new programmes, such as the European Defence Industrial Development Programme (EDIDP), or actions for which the legislative process finished recently.

The implementation of the EU budget in 2019 totalled EUR 178,8 billion in commitment appropriations, and EUR 159,1 billion in payment appropriations. This implementation can be considered satisfactory, with only minor adjustments made throughout the year. After amounts carried over to 2020, the implementation reached 99,4 % of commitment appropriations and 99,5 % of payment appropriations.

Measures to support economic growth and reduce the economic gaps between regions amounted to nearly half of the funds committed. EU funding contributed EUR 12,4 billion to research and innovation under Horizon 2020, including in the field of high-performance computing. The budget increased for education and training (20 % more for Erasmus+ than in 2018) and transport and digital infrastructure (37 % more for the Connecting Europe Facility). Support for agriculture and rural areas remained stable at EUR 57,9 billion, contributing also to the fight against climate change and to the promotion of sustainable growth.

The 2019 budget provided the necessary flexibility to address the internal aspect of migration issues, with a total of EUR 1,2 billion support from the Asylum, Migration and Integration Fund, along with EUR 533 million for border management and security from the Internal Security Fund. A total of EUR 5 million was also allocated to the creation of the new European Public Prosecutor's Office, set up to prosecute crimes against the EU budget, including fraud, money laundering and corruption.

**Financial Statements — highlights***Balance sheet*

- Under Property, Plant and Equipment, the four satellites launched in 2018 successfully passed the in-orbit testing in 2019. They have been added to the operational constellation in 2019, bringing it up to 26 satellites — see note 2.2.
- Available for Sale financial assets increased by EUR 3,0 billion, due to the continued funding of the EFSI & EFSD guarantee funds, as well as Horizon 2020 Financial Instruments. Loans decreased by EUR 1,3 billion following the repayment of BOP loans by Romania and Latvia, offset somewhat by new MFA loans granted — see note 2.4.
- Pre-financing (i.e. advances paid to beneficiaries of EU funds) increased slightly by EUR 1,5 billion to EUR 51,4 billion — see note 2.5.
- Overall the total Receivables & Recoverables amounts remained at a similar level to last year, being EUR 24,0 billion — see note 2.6.
- A fall in the long-term interest rate used to value employee benefit obligations (the so-called discount rate), becoming negative for the first time, led to a significant increase in the year-end liability, an increase of EUR 17,2 billion — see note 2.9.

- The repayment of BOP borrowings of EUR 1,5 billion drove the decrease in financial liabilities, somewhat offset by new borrowings linked to MFA loans granted — see note **2.11**.
- Payables and accruals remained at a similar level to 2018, EUR 94,1 billion in total — see notes **2.12** and **2.13**.

#### *Statement of Financial Performance*

- On the revenue side there were EUR 3,0 billion higher GNI revenue following adjustments made for past amounts (mostly for years 2012 to 2017) as GNI bases were updated with real data. Fines income was EUR 4,3 billion in 2019 — see note **3.1/3.4**.
- Expenses incurred under shared management increased by EUR 4,8 billion, led by better implementation of programmes under ERDF & Cohesion fund as the current MFF advances — see note **3.9**.

#### *Contingent Liabilities*

- Budgetary guarantees increased by EUR 2,7 billion due to the signing of new EFSI and ELM operations in 2019 that are guaranteed by the EU budget — see note **4.1.1**.

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES <sup>(12)</sup>

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<sup>(12)</sup> 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	31.12.2019	31.12.2018
<b>NON-CURRENT ASSETS</b>			
<i>Intangible assets</i>	2.1	515	446
<i>Property, plant and equipment</i>	2.2	11 380	11 185
<i>Investments accounted for using the equity method</i>	2.3	591	591
<i>Financial assets</i>	2.4	66 714	65 231
<i>Pre-financing</i>	2.5	26 240	26 006
<i>Exchange receivables and non-exchange recoverables</i>	2.6	3 607	416
		<b>109 047</b>	<b>103 875</b>
<b>CURRENT ASSETS</b>			
<i>Financial assets</i>	2.4	4 514	4 168
<i>Pre-financing</i>	2.5	25 206	23 968
<i>Exchange receivables and non-exchange recoverables</i>	2.6	20 367	24 248
<i>Inventories</i>	2.7	68	73
<i>Cash and cash equivalents</i>	2.8	19 745	18 113
		<b>69 900</b>	<b>70 570</b>
<b>TOTAL ASSETS</b>		<b>178 947</b>	<b>174 444</b>
<b>NON-CURRENT LIABILITIES</b>			
<i>Pension and other employee benefits</i>	2.9	(97 659)	(80 456)
<i>Provisions</i>	2.10	(3 710)	(3 281)
<i>Financial liabilities</i>	2.11	(53 071)	(53 289)
		<b>(154 440)</b>	<b>(137 025)</b>
<b>CURRENT LIABILITIES</b>			
<i>Provisions</i>	2.10	(1 116)	(852)
<i>Financial liabilities</i>	2.11	(1 446)	(2 617)
<i>Payables</i>	2.12	(27 241)	(32 227)
<i>Accrued charges and deferred income</i>	2.13	(67 227)	(63 186)
		<b>(97 030)</b>	<b>(98 882)</b>
<b>TOTAL LIABILITIES</b>		<b>(251 470)</b>	<b>(235 907)</b>
<b>NET ASSETS</b>		<b>(72 523)</b>	<b>(61 463)</b>
<i>Reserves</i>	2.14	5 037	4 961
<i>Amounts to be called from Member States <sup>(1)</sup></i>	2.15	(77 560)	(66 424)
<b>NET ASSETS</b>		<b>(72 523)</b>	<b>(61 463)</b>

<sup>(1)</sup> The European Parliament adopted a budget on 4 December 2019 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 2020. Additionally, under Article 83 of the Staff Regulations (Council Regulation (EEC, Euratom, ECSC) No 259/68 of 29 February 1968 (OJ L 56, 4.3.1968, p. 1) as amended), the Member States shall jointly guarantee the liability for pensions.



## STATEMENT OF FINANCIAL PERFORMANCE

EUR million

	Note	2019	2018
<b>REVENUE</b>			
<b>Revenue from non-exchange transactions</b>			
GNI resources	3.1	108 820	105 780
Traditional own resources	3.2	21 235	22 767
VAT resources	3.3	18 128	17 624
Fines	3.4	4 291	6 740
Recovery of expenses	3.5	2 627	2 215
Other	3.6	2 072	3 312
		<b>157 174</b>	<b>158 438</b>
<b>Revenue from exchange transactions</b>			
Financial revenue	3.7	1 817	3 115
Other	3.8	1 298	1 379
		<b>3 116</b>	<b>4 494</b>
<b>Total Revenue</b>		<b>160 289</b>	<b>162 932</b>
<b>EXPENSES</b>			
Implemented by Member States	3.9		
European Agricultural Guarantee Fund		(43 951)	(43 527)
European Agricultural Fund for Rural Development and other rural development instruments		(13 541)	(13 149)
European Regional Development Fund and Cohesion Fund		(35 178)	(30 230)
European Social Fund		(11 218)	(11 935)
Other		(2 608)	(2 826)
Implemented by the Commission, executive agencies and trust funds	3.10	(18 942)	(17 551)
Implemented by other EU agencies and bodies	3.11	(3 131)	(3 396)
Implemented by third countries and international organisations	3.11	(4 085)	(4 016)
Implemented by other entities	3.11	(2 875)	(3 569)
Staff and pension costs	3.12	(11 366)	(10 929)
Finance costs	3.13	(1 491)	(1 677)
Other expenses	3.14	(7 109)	(6 208)
<b>Total Expenses</b>		<b>(155 493)</b>	<b>(149 014)</b>
<b>ECONOMIC RESULT OF THE YEAR</b>		<b>4 796</b>	<b>13 918</b>

## CASHFLOW STATEMENT

EUR million

	2019	2018
<b>Economic result of the year</b>	<b>4 796</b>	<b>13 918</b>
<b>Operating activities</b>		
Amortisation	107	104
Depreciation	1 022	998
(Increase)/decrease in loans	1 255	1 041
(Increase)/decrease in pre-financing	(1 472)	(947)
(Increase)/decrease in exchange receivables and non-exchange recoverables	691	(12 299)
(Increase)/decrease in inventories	5	222
Increase/(decrease) in pension and other employee benefits	17 203	7 334
Increase/(decrease) in provisions	693	594
Increase/(decrease) in financial liabilities	(1 389)	(1 007)
Increase/(decrease) in payables	(4 985)	(6 821)
Increase/(decrease) in accrued charges and deferred income	4 041	(716)
Prior year budgetary surplus taken as non-cash revenue	(1 803)	(556)
Remeasurement of employee benefits liability (non-cash movement not included in statement of financial performance)	(14 164)	(4 396)
Other non-cash movements	111	(71)
<b>Investing activities</b>		
(Increase)/decrease in intangible assets and property, plant and equipment	(1 392)	(1 583)
(Increase)/decrease in investments accounted for using the equity method	(1)	(9)
(Increase)/decrease in available for sale financial assets	(2 964)	(1 811)
(Increase)/decrease in financial assets at fair value through surplus or deficit	(121)	7
<b>NET CASHFLOW</b>	<b>1 633</b>	<b>(5 998)</b>
Net increase/(decrease) in cash and cash equivalents	1 633	(5 998)
Cash and cash equivalents at the beginning of the year	18 113	24 111
Cash and cash equivalents at year-end	19 745	18 113

## 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
<b>BALANCE AS AT 31.12.2017</b>	<b>(75 234)</b>	<b>4 598</b>	<b>278</b>	<b>(70 359)</b>
<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
<b>BALANCE AS AT 31.12.2018</b>	<b>(66 424)</b>	<b>4 730</b>	<b>231</b>	<b>(61 463)</b>
<i>Movement in Guarantee Fund reserve</i>	(21)	21	—	—
<i>Fair value movements</i>	—	—	160	160
<i>Remeasurements in employee benefits liabilities</i>	(14 164)	—	—	(14 164)
<i>Other</i>	56	(105)	—	(49)
<i>2018 budget result credited to Member States</i>	(1 803)	—	—	(1 803)
<i>Economic result of the year</i>	4 796	—	—	4 796
<b>BALANCE AS AT 31.12.2019</b>	<b>(77 560)</b>	<b>4 646</b>	<b>391</b>	<b>(72 523)</b>

## 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 <sup>(13)</sup>, 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 ensure the internal consistency of the EU consolidated accounts.

**Application of new and amended European Union Accounting Rules (EAR)**

*New EAR which are effective for annual periods beginning on or after 1 January 2019*

The following new EAR, adopted by the Accounting Officer of the Commission, became mandatorily effective for annual periods beginning on or after 1 January 2019:

- EAR 20 'Public Sector Combinations', which is based on IPSAS 40 'Public Sector Combinations', establishes the requirements for classifying, recognising and measuring public sector combinations, i.e. the bringing together of separate operations into one public sector entity.

The standard distinguishes between two types of public sector combinations: amalgamations and acquisitions. An amalgamation is a public sector combination in which either no party to the combination gains control on one or more operations, or, in case one party to the combination does gain control, there is evidence that the combination has the economic substance of an amalgamation (the standard provides several indicators relating to the consideration and the decision-making process to allow for that assessment). An acquisition is a public sector combination in which one party to the combination gains control of one or more operations and there is evidence that the combination is not an amalgamation.

Public sector combinations which are classified as an amalgamation are accounted for by applying the modified pooling-of-interests method, which requires that the resulting entity shall recognise the identifiable assets, liabilities and any non-controlling interests subject to the combination at their carrying amount with a corresponding increase or decrease in net assets (i.e. without giving rise to goodwill).

Public sector combinations which are classified as acquisitions are accounted for by applying the acquisition method, which requires that the identifiable assets acquired and liabilities assumed are recognised at their acquisition-date fair-values, and any non-controlling interest in the acquired operation is recognised at the proportionate share of the acquired operations' identifiable net assets. Unlike an amalgamation an acquisition gives rise to goodwill (measured as the excess of the consideration transferred and any non-controlling interest over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed).

The standard foresees distinct disclosure requirements in order to enable the users of the EU financial statements to evaluate the nature and financial effects of an amalgamation or acquisition, as well as the financial effects of adjustments recognised in the current reporting period relating to such transactions that occurred during the period or previous reporting periods.

Since there were no public sector combinations during the reporting period the new standard has no effect on the 2019 financial statements.

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<sup>(13)</sup> OJ L 193, 30.7.2018, p. 1.

*New EAR adopted but not yet effective at 31 December 2019*

There are no new EAR adopted but not yet effective at 31 December 2019.

## 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.

## 1.3. CONSOLIDATION

### Scope of consolidation

The consolidated financial statements of the EU comprise all significant controlled entities, joint arrangements and associates. The complete list of consolidated entities can be found in note 9. It now comprises 52 controlled entities and 1 associate. Among the controlled entities are the EU institutions (including the Commission, but not the European Central Bank) and the EU agencies (except those of the former 2nd pillar, i.e. the Common and Foreign Security Policy). The European Coal and Steel Community in Liquidation (ECSC i.L.) is also considered as a controlled entity. The EU's only associate is the European Investment Fund (EIF).

Entities falling under the scope of consolidation but immaterial to the EU consolidated financial statements as a whole need not be consolidated or accounted for using the 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 2019, 7 entities have been classified as such minor entities.

### Controlled entities

In order to determine the scope of consolidation the control concept is applied. Controlled entities are 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.

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 of which the EU and one or more parties have joint control. Joint control is the agreed sharing of control of an arrangement by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of parties sharing control. Joint agreements can be either joint ventures or joint operations. A joint venture is a joint arrangement that is structured through a separate vehicle and whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Participations in joint ventures are

accounted for using the equity method (see note 1.5.4). A joint operation is a joint arrangement whereby the parties that have joint control of the arrangements have rights to the assets, and obligations for the liabilities, related to the arrangement. Participations in joint operations are accounted for by recognising in the EU's financial statements its assets and liabilities, revenue and expense, as well as its share of assets, liabilities, revenue and expense jointly held or incurred.

### Associates

Associates are entities over which the EU has, directly or indirectly, significant influence but not exclusive or joint 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 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	31.12.2019	31.12.2018	Currency	31.12.2019	31.12.2018
<b>BGN</b>	<b>1,9558</b>	1,9558	<b>PLN</b>	<b>4,2568</b>	4,3014
<b>CZK</b>	<b>25,4080</b>	25,7240	<b>RON</b>	<b>4,783</b>	4,6635
<b>DKK</b>	<b>7,4715</b>	7,4673	<b>SEK</b>	<b>10,4468</b>	10,2548
<b>GBP</b>	<b>0,8508</b>	0,8945	<b>CHF</b>	<b>1,0854</b>	1,1269
<b>HRK</b>	<b>7,4395</b>	7,4125	<b>JPY</b>	<b>121,9400</b>	125,8500
<b>HUF</b>	<b>330,5300</b>	320,9800	<b>USD</b>	<b>1,1234</b>	1,145



#### 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, financial risk of accounts receivable and the amounts disclosed in the notes concerning financial instruments, accrued revenue and charges, provisions, degree of impairment of intangible assets and property, plant and equipment, net realisable value of inventories, contingent assets and liabilities. Actual results could differ from those estimates. Changes in estimates are reflected in the period in which they become known, if the change affects the period only, or that period and future periods, if the change affects both.

### 1.5. BALANCE SHEET

#### 1.5.1. *Intangible assets*

An intangible asset is an identifiable non-monetary asset without physical substance. An asset is identifiable if it is either separable (i.e. it is capable of being separated or divided from the entity, e.g. by being sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the entity intends to do so), or arises from binding arrangements (including rights from contracts or other legal rights), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations).

Acquired intangible assets are stated at historical cost less accumulated amortisation and impairment losses. 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 capitalisable costs 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.

Intangible assets are amortised on a straight-line basis over their estimated useful lives (3 to 11 years). The estimated useful lives of intangible assets depend on their specific economic lifetime or legal lifetime determined by an agreement.

#### 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 is not depreciated as it is 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>	10 % 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**

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Leases are classified as either finance leases or operating leases.

Finance leases are leases where substantially all the risks and rewards incidental to ownership are transferred to the lessee. When entering a finance lease as a lessee, the assets acquired under the finance lease are recognised as assets and the associated lease obligations as liabilities as from the commencement of the lease term. The assets and liabilities are recognised at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Over the period of the lease term, the assets held under finance leases are depreciated over the shorter of the asset's useful life and the lease term. The minimum lease payments are apportioned between the finance charge (the interest element) and the reduction of the outstanding liability (the capital element). The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability, which is presented as current/non-current, as applicable. Contingent rents are charged as expenses in the period in which they are incurred.

An operating lease is a lease other than a finance lease, i.e. a lease where the lessor retains substantially all the risks and rewards incidental to ownership of an asset. When entering an operating lease as a lessee, the operating lease payments are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term with neither a leased asset nor a leasing liability presented in the statement of financial position.

#### **1.5.3. *Impairment of non-financial assets***

An impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through amortisation or depreciation (as applicable). 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 tested for impairment whenever there is an indication at the reporting date that an asset may be impaired. 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. 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, with the initial carrying amount subsequently being increased or decreased to recognise further contributions, the EU's share of the surplus or deficit of the investee, any impairments and dividends. The initial cost together with all movements give the carrying amount of the investment in the financial statements at the balance sheet date. 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. 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 (see note 1.3) 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 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 the category 'fair value through surplus or deficit' if acquired principally for the purpose of being sold in the short term, or if so designated by the entity. Derivatives are also presented 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 classified as 'at fair value through surplus or deficit', 'held-to-maturity' or 'available for sale' are recognised on their 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. As the EU retains control over the pre-financing and is entitled to a refund for the ineligible part, the amount is presented as an asset.

Pre-financing is initially recognised on the balance sheet when cash is transferred to the recipient. It is measured at the amount of the consideration given. In subsequent periods pre-financing is measured at the amount initially recognised on the balance sheet less the 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 in 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 heading 'Pre-financing'. 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*

The EU Accounting Rules require a separate presentation of exchange and non-exchange transactions. To distinguish between the two categories, the term 'receivables' is reserved for exchange transactions, whereas for 'non-exchange transactions', i.e. when the EU receives value from another entity without directly giving approximately equal value in exchange, the term 'recoverables' is used (e.g. 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 fair value as at the date of acquisition (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 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 provided under the Pension Scheme of the European Officials (PSEO), as well as medical coverage provided under the Joint Sickness Insurance Scheme (JSIS) (see note 2.9). These benefits are provided 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:

- (i) Pension Scheme of European Officials (PSEO): The benefits granted under this notionally funded <sup>(14)</sup> 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.

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.

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<sup>(14)</sup> 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).

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. After the decision to impose a fine, the undertakings 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; or
- (b) not to accept the decision, in which case they lodge an appeal under EU law.

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 TFEU). The cash received is used to clear the recoverable. However, subject to the agreement of the Commission's Accounting Officer, the undertaking may present a bank guarantee for the amount instead. In that case the fine remains as a recoverable. If neither cash nor a guarantee is received and there are doubts about the undertaking's solvency, a value reduction on the entitlement is recognised.

In case the undertaking appeals against the decision, and has already provisionally paid the fine, the amount is disclosed as a contingent liability, or, 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, the outstanding recoverable 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 their 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 either 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. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

## **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

	EUR million
Gross carrying amount at 31.12.2018	1 073
Additions	178
Disposals	(20)
Transfer between asset categories	0
Other changes	(1)
<b>Gross carrying amount at 31.12.2019</b>	<b>1 230</b>
Accumulated amortisation at 31.12.2018	(627)
Amortisation charge for the year	(107)
Amortisation written back	0
Disposals	19
Transfer between asset categories	0
Other changes	0
<b>Accumulated amortisation at 31.12.2019</b>	<b>(715)</b>
<b>Net carrying amount at 31.12.2019</b>	<b>515</b>
Net carrying amount at 31.12.2018	446

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, the four satellites launched in 2018 successfully passed the in-orbit testing. They have been added to the operational constellation in 2019 bringing the total to 26 satellites. The Galileo operational fixed assets, covering both satellites and ground installations, amounted to EUR 2 489 million at 31 December 2019, net of accumulated depreciation (2018: EUR 2 410 million). The remaining assets under construction total EUR 1 361 million (2018: EUR 1 324 million). The development of the Galileo system will continue until the system reaches its full operational capacity. When completed, the Galileo constellation will comprise 30 satellites (including 6 spare satellites).

Regarding Copernicus, no new satellites became operational in 2019. The total value of Copernicus operational fixed assets is EUR 1 153 million (2018: EUR 1 455 million), net of accumulated depreciation. A further EUR 1 453 million related to Copernicus satellites is recognised as assets under construction (2018: EUR 1 207 million).

Fixed assets related to the European Geostationary Navigation Overlay System (EGNOS) ground infrastructure of EUR 37 million (2018: EUR 52 million) are also included under the Space assets heading. In addition, EGNOS assets under construction amount to EUR 238 million (2018: EUR 130 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**

EUR million

	Land and Buildings	Space assets	Plant and Equipment	Furniture and Vehicles	Computer Hardware	Other	Finance leases	Assets under construction	Total
<i>Gross carrying amount at 31.12.2018</i>	5 626	5 259	641	270	634	327	2 620	3 199	18 575
<i>Additions</i>	117	10	24	14	60	21	118	941	1 306
<i>Disposals</i>	(1)	(0)	(117)	(28)	(58)	(29)	(3)	—	(236)
<i>Transfer between asset categories</i>	154	411	(7)	3	7	7	(98)	(477)	0
<i>Other changes</i>	(0)	—	0	(0)	0	(0)	—	(10)	(10)
<b>Gross carrying amount at 31.12.2019</b>	<b>5 895</b>	<b>5 680</b>	<b>542</b>	<b>259</b>	<b>644</b>	<b>325</b>	<b>2 638</b>	<b>3 653</b>	<b>19 635</b>
<i>Accumulated depreciation at 31.12.2018</i>	(3 279)	(1 342)	(540)	(198)	(521)	(255)	(1 257)		(7 390)
<i>Depreciation charge for the year</i>	(190)	(659)	(31)	(17)	(64)	(27)	(94)		(1 083)
<i>Depreciation written back</i>	0	—	39	7	14	0	(0)		61
<i>Disposals</i>	1	0	67	17	43	26	3		157
<i>Transfer between asset categories</i>	(35)	—	7	(2)	(5)	0	35		(0)
<i>Other changes</i>	—	—	0	(0)	0	(0)	—		0
<b>Accumulated depreciation at 31.12.2019</b>	<b>(3 503)</b>	<b>(2 001)</b>	<b>(457)</b>	<b>(194)</b>	<b>(533)</b>	<b>(255)</b>	<b>(1 313)</b>		<b>(8 255)</b>
<b>NET CARRYING AMOUNT AT 31.12.2019</b>	<b>2 392</b>	<b>3 679</b>	<b>85</b>	<b>65</b>	<b>110</b>	<b>70</b>	<b>1 325</b>	<b>3 653</b>	<b>11 380</b>
<i>NET CARRYING AMOUNT AT 31.12.2018</i>	2 347	3 917	101	72	113	72	1 363	3 199	11 185

### 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 2019, the EU held 29,7 % of ownership interests in the EIF (2018: 29,7 %) and 29,7 % of the voting rights (2018: 29,7 %). In accordance with its statutes, the EIF is required to allocate at least 20 % of its annual net result to a statutory reserve, until the aggregate reserve amounts to 10 % of subscribed capital. This reserve is not available for distribution.

	EUR million
	European Investment Fund
<b>Participation at 31.12.2018</b>	<b>591</b>
<i>Contributions</i>	—
<i>Dividends received</i>	(3)
<i>Share of net result</i>	53
<i>Share in the net assets</i>	(49)
<b>Participation at 31.12.2019</b>	<b>591</b>

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

	EUR million	
	31.12.2019	31.12.2018
	Total EIF	Total EIF
<i>Assets</i>	2 965	2 662
<i>Liabilities</i>	(975)	(674)
<i>Revenue</i>	337	291
<i>Expenses</i>	(161)	(167)
<i>Surplus/(deficit)</i>	176	124

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

	EUR million	
	31.12.2019	31.12.2018
<i>Net assets of the associate</i>	1 990	1 988
<b>EC ownership interests in EIF</b>	<b>29,70 %</b>	<b>29,70 %</b>
<i>Carrying amount</i>	591	591

The EU, represented by the Commission, has paid in 20 % of its subscribed shares in the EIF capital at 31 December 2019, the amount uncalled being as follows:

	EUR million	
	Total EIF capital	EU subscription
<i>Total share capital</i>	4 500	1 337

EUR million

	Total EIF capital	EU subscription
<i>Paid-in</i>	(900)	(267)
<b>Uncalled</b>	<b>3 600</b>	<b>1 070</b>

## 2.4. FINANCIAL ASSETS

EUR million

	Note	31.12.2019	31.12.2018
<b>Non-current</b>			
<i>Available for sale financial assets</i>	2.4.1	15 211	13 657
<i>Financial assets at fair value through surplus or deficit</i>	2.4.2	134	14
<i>Loans</i>	2.4.3	51 368	51 560
		<b>66 714</b>	<b>65 231</b>
<b>Current</b>			
<i>Available for sale financial assets</i>	2.4.1	3 196	1 786
<i>Financial assets at fair value through surplus or deficit</i>	2.4.2	3	2
<i>Loans</i>	2.4.3	1 316	2 380
		<b>4 514</b>	<b>4 168</b>
<b>Total</b>		<b>71 228</b>	<b>69 398</b>

2.4.1. *Available for sale financial assets*

EUR million

	31.12.2019	31.12.2018
<i>BUFI investments</i>	1 863	1 888
<i>ECSC in Liquidation</i>	1 459	1 506
<i>European Bank for Reconstruction and Development</i>	188	188
<i>EEAS local staff pension plan</i>	75	—
	<b>3 585</b>	<b>3 582</b>
<i>Guarantee Funds for budgetary guarantees:</i>		
<i>EFSD Guarantee Fund</i>	6 654	5 000
<i>Guarantee Fund for external actions</i>	2 545	2 465
<i>EFSD Guarantee Fund</i>	595	9
	<b>9 794</b>	<b>7 474</b>

	EUR million	
	31.12.2019	31.12.2018
<i>Financial Instruments financed by the EU budget:</i>		
<i>Horizon 2020</i>	2 455	2 031
<i>Connecting Europe Facility</i>	699	540
<i>Risk Sharing Finance Facility</i>	597	679
<i>EU SME Equity Facilities</i>	507	464
<i>European Fund for South East Europe</i>	166	115
<i>Risk Capital Operations</i>	112	113
<i>Energy Efficiency Finance Facility</i>	105	101
<i>Other</i>	387	343
	<b>5 028</b>	<b>4 386</b>
<b>Total</b>	<b>18 407</b>	<b>15 443</b>
<i>Non-current</i>	15 211	13 657
<i>Current</i>	3 196	1 786

Out of the total of EUR 18 407 million, the EU holds available for sale financial assets in the form of debt securities (e.g. bonds) of EUR 14 998 million (2018: EUR 13 993 million), equity instruments of EUR 2 801 million (2018: EUR 1 365 million) and investments in money market funds (such as the EIB Unitary Fund) of EUR 608 million (2018: EUR 85 million).

#### **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 in Liquidation (ECSC i.L.), 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 the number of shares held at 31 December 2019 were 90 044 (2018: 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 the 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 were 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) 2015/1017 of the European Parliament and of the Council <sup>(15)</sup>), 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. At the end of 2019 the assets of the EFSI guarantee fund totalled EUR 6 688 million (2018: EUR 5 452 million), of which EUR 6 654 million was invested in available for sale financial assets (2018: EUR 5 000 million), while another EUR 1 879 million (2018: EUR 2 688 million) have been committed but not yet paid into the fund and is included in the budgetary RAL and also disclosed as outstanding commitments not yet expensed in note 5.1. The fund will be progressively provisioned and will 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. The fund is managed by the EIB and it is 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 amounts recovered from defaulting debtors for whom the fund has had to activate its guarantee. The Guarantee Fund for external actions 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 will be covered from the EU budget in year N+2, while any surplus is paid back to the EU budget.

### **EFSD Guarantee Fund**

Pursuant to the EFSD Regulation (Regulation (EU) 2017/1601 of the European Parliament and of the Council <sup>(16)</sup>) 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, along with 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. Total payments received into the guarantee fund as at 31 December 2019 amounted to EUR 600 million, of which EUR 595 million is invested in available for sale financial assets, while another EUR 95 million (2018: 325 EUR million) has been committed but not yet paid and is included in budgetary RAL and also disclosed as outstanding commitments not yet expensed 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 will 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 which is managed by the EIF.

<sup>(15)</sup> OJ L 169, 1.7.2015, p. 1.

<sup>(16)</sup> OJ L 249, 27.9.2017, p. 1.

### 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. Given that the significant portion of the RSFF outstanding operations has been already repaid, in 2019 the EIB partially released the EU guarantee, which resulted in a decrease in the EU contingent liability as disclosed in the note 4.1.3.

### Connecting Europe Facility

Pursuant to Regulation (EU) No 1316/2013 of the European Parliament and of the Council<sup>(17)</sup>, 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). It offers risk-sharing for debt financing in the form of senior and subordinated debt or guarantee as well as support for project bonds. After 19 June 2019, with the effect of the first amendment of the delegation agreement with the EIB, all CEF operations deployed by the EIB are assigned to one of the two portfolios: debt portfolio or non securitisable financing portfolio, for which a new portfolio-based risk sharing approach is introduced.

### 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.

#### 2.4.2. Financial assets at fair value through surplus or deficit

EUR million

Type of derivative	31.12.2019		31.12.2018	
	Notional amount	Fair value	Notional amount	Fair value
Foreign currency forward contract	393	3	476	2
Guarantee on equity portfolio	1 439	134	674	14
<b>Total</b>	<b>1 832</b>	<b>137</b>	<b>1 150</b>	<b>16</b>
Non-current	1 439	134	674	14
Current	393	3	476	2

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 delivers 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 heading Guarantee on equity portfolio comprises guarantees given by the EU to financial institutions on portfolios of equity investments that are classified as derivative financial instruments and accounted for as a financial asset or financial liability at fair value through surplus or deficit. The total amount represents mainly the EFSI guarantee given by the EU to

<sup>(17)</sup> OJ L 348, 20.12.2013, p. 129.

the EIB Group with underlying equity investments disbursed by the EIB and EIF amounting to EUR 1 420 million (2018: EUR 674 million). The fair value of the EU guarantee on the EFSI equity portfolios totalled EUR 134 million (2018: EUR 14 million).

#### Fair value hierarchy of financial assets measured at fair value

	EUR million	
	31.12.2019	31.12.2018
Level 1: Quoted prices in active markets	15 482	13 993
Level 2: Observable inputs other than quoted prices	1 543	275
Level 3: Valuation techniques with inputs not based on observable market data	1 518	1 191
<b>Total</b>	<b>18 544</b>	<b>15 459</b>

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 1.1.2019	1 191
Purchases, sales, issues and settlements	173
Gains or losses for the period in financial income or finance costs	90
Gains or losses in net assets	71
Transfers into level 3	—
Transfers out of level 3	—
Other	(8)
<b>Closing balance at 31.12.2019</b>	<b>1 518</b>

#### 2.4.3. Loans

		EUR million	
	Note	31.12.2019	31.12.2018
Loans for financial assistance	2.4.3.1	52 564	53 873
Other loans	2.4.3.2	121	67
<b>Total</b>		<b>52 684</b>	<b>53 939</b>
Non-current		51 368	51 560
Current		1 316	2 380

## 2.4.3.1. Loans for financial assistance

	EUR million					
	EFSM	BOP	MFA	Euratom	ECSC in Liquidation	Total
<i>Total at 31.12.2018</i>	47 400	1 734	4 388	254	98	53 873
<i>New loans</i>	—	—	420	—	—	420
<i>Repayments</i>	—	(1 500)	(52)	(40)	(97)	(1 689)
<i>Exchange differences</i>	—	—	—	—	5	5
<i>Changes in carrying amount</i>	(6)	(33)	(1)	(0)	(6)	(45)
<i>Impairment</i>	—	—	—	—	—	—
<b>Total at 31.12.2019</b>	<b>47 394</b>	<b>201</b>	<b>4 754</b>	<b>214</b>	<b>0</b>	<b>52 564</b>
<i>Non-current</i>	46 800	200	4 112	178	—	51 290
<i>Current</i>	594	1	643	35	—	1 273

The nominal value of loans for financial assistance at 31 December 2019 totals EUR 51 941 million (2018: EUR 53 206 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.

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. During 2019, Romania repaid the remaining EUR 1 billion of its outstanding loan amount and Latvia repaid EUR 500 million of its EUR 700 million outstanding amount.

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 2019, further disbursements of loans under MFA for a total amount of EUR 420 million were provided, being EUR 300 million to Tunisia, EUR 100 million to Jordan and EUR 20 million to Moldova — 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 214 million (2018: EUR 254 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. The last promissory notes were fully reimbursed in 2019.



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

	31.12.2019	31.12.2018
<i>Macro Financial Assistance (MFA)</i>	0 % - 3,82 %	0 % - 3,82 %
<i>Euratom</i>	0,08 % - 5,76 %	0,08 % - 5,76 %
<i>Balance of Payment (BOP)</i>	2,88 %	2,88 % - 3,38 %
<i>European Financial Stability Mechanism (EFSM)</i>	0,50 % - 3,75 %	0,50 % - 3,75 %
<i>ECSC in Liquidation</i>	—	5,23 % - 5,81 %

**2.4.3.2. Other loans**

	EUR million	
	31.12.2019	31.12.2018
<i>Loans with special conditions</i>	73	64
<i>ECSC in Liquidation housing loans</i>	1	2
<i>Term deposits</i>	46	0
<b>Total</b>	<b>121</b>	<b>67</b>
<i>Non-current</i>	78	38
<i>Current</i>	42	28

Nominal value of other loans at 31 December 2019 total EUR 728 million (2018: EUR 617 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**

	EUR million					
	31.12.2018	Additions	Reversals	Write-off	Other	31.12.2019
<i>Loans with special conditions</i>	8	2	—	—	—	10
<i>Subrogated loans</i>	579	75	—	—	4	658
<b>Total</b>	<b>587</b>	<b>77</b>	<b>—</b>	<b>—</b>	<b>4</b>	<b>668</b>

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 from the EFSI Guarantee Fund. These loans are fully impaired for an amount of EUR 658 million (2018: EUR 579 million). Guarantee calls are 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 the aim to recover any sums due.

## 2.5. PRE-FINANCING

EUR million

	Note	31.12.2019	31.12.2018
<b>Non-current</b>			
<i>Pre-financing</i>	2.5.1	22 135	21 814
<i>Other advances to Member States</i>	2.5.2	4 045	4 122
<i>Contribution to Trust Funds</i>		60	71
		<b>26 240</b>	<b>26 006</b>
<b>Current</b>			
<i>Pre-financing</i>	2.5.1	22 314	21 572
<i>Other advances to Member States</i>	2.5.2	2 892	2 396
		<b>25 206</b>	<b>23 968</b>
<b>Total</b>		<b>51 446</b>	<b>49 974</b>

The level of pre-financing in the various programmes must be sufficient to ensure the necessary funding for the beneficiary to initiate and advance the project, while also safeguarding the financial interests of the EU and taking into consideration legal, operational and cost-effectiveness constraints.

2.5.1. *Pre-financing*

EUR million

	Gross amount	Cleared via accruals	Net amount at 31.12.2019	Gross amount	Cleared via accruals	Net amount at 31.12.2018
<b>Shared management</b>						
<i>EAFRD &amp; other rural development instruments</i>	3 193	—	3 193	3 743	—	3 743
<i>ERDF &amp; CF</i>	17 985	(3 540)	14 444	18 088	(3 461)	14 627
<i>ESF</i>	6 830	(1 530)	5 301	6 548	(1 147)	5 401
<i>Other</i>	3 549	(1 463)	2 086	4 684	(2 498)	2 186
	<b>31 557</b>	<b>(6 533)</b>	<b>25 024</b>	<b>33 063</b>	<b>(7 105)</b>	<b>25 958</b>
<b>Direct Management</b>						
<i>Implemented by:</i>						
<i>Commission</i>	12 839	(8 344)	4 495	12 531	(8 262)	4 269
<i>EU executive agencies</i>	16 522	(10 339)	6 184	15 012	(9 540)	5 472

EUR million						
	Gross amount	Cleared via accruals	Net amount at 31.12.2019	Gross amount	Cleared via accruals	Net amount at 31.12.2018
<i>Trust funds</i>	858	(665)	194	585	(433)	152
	<b>30 219</b>	<b>(19 347)</b>	<b>10 872</b>	<b>28 127</b>	<b>(18 234)</b>	<b>9 893</b>
<b>Indirect Management</b>						
<i>Implemented by:</i>						
<i>Other EU agencies &amp; bodies</i>	1 162	(678)	484	762	(207)	555
<i>Third countries</i>	1 491	(861)	630	1 546	(879)	667
<i>International organisations</i>	8 289	(5 317)	2 972	7 684	(5 053)	2 631
<i>Other entities</i>	10 570	(6 104)	4 467	9 107	(5 426)	3 681
	<b>21 513</b>	<b>(12 960)</b>	<b>8 553</b>	<b>19 099</b>	<b>(11 565)</b>	<b>7 534</b>
<b>Total</b>	<b>83 289</b>	<b>(38 840)</b>	<b>44 449</b>	<b>80 289</b>	<b>(36 904)</b>	<b>43 386</b>
<i>Non-current</i>	22 135	—	22 135	21 814	—	21 814
<i>Current</i>	61 154	(38 840)	22 314	58 476	(36 904)	21 572

Pre-financing represents money paid out, and thus the 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 accepted and recognised in the statement of financial performance.

For shared management, almost all pre-financing relates to the current programming period. There is an initial pre-financing which will not be cleared (i.e. recognised in the statement of financial performance) before the end of the programming period and is shown as a non-current pre-financing. There is also an annual pre-financing which is cleared on an annual basis and is shown as a current pre-financing. EUR 10,5 billion of new pre-financing has been paid in 2019. The shared management pre-financing is stable compared to 2018 except for a decrease in the EAFRD which relates to the remaining pre-financing of the previous programming period. This has been cleared during the year.

For direct management, the biggest part of pre-financing concerns Research (mainly Horizon 2020, implemented by the Commission and EU executive agencies) and amounts to EUR 7,8 billion (2018: EUR 6,8 billion). The increase is a consequence of the agreements entered into during 2019, for which pre-financing payments were made.

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 IPA (Instrument for Pre-Accession). The increase in pre-financing to international organisations concerns mainly the above mentioned external relations instruments. The increase in pre-financing to other entities mainly concerns the Erasmus program implemented by national agencies with new agreements starting in 2019.

### Guarantees received in respect of pre-financing

These are guarantees that the Commission requests in certain cases from beneficiaries that are not Member States, 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 made against the guarantee, then reduced by subsequent clearings. At 31 December 2019 the nominal value of guarantees received in respect of pre-financing amounted to EUR 492 million while the on-going value of those guarantees was EUR 406 million (2018: EUR 516 million and EUR 420 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 2019, pre-financing amounts covered by the PGF totalled EUR 2,1 billion (2018: EUR 2 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 2,2 billion (2018: EUR 2,1 billion). The assets of the PGF also include financial assets that are managed by 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	
	31.12.2019	31.12.2018
<i>Advances to Member States for financial instruments under shared management</i>	3 304	3 675
<i>Aid Schemes</i>	3 634	2 843
<b>Total</b>	<b>6 937</b>	<b>6 518</b>
<i>Non-current</i>	4 045	4 122
<i>Current</i>	2 892	2 396

### **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 7 146 million paid, it is estimated that EUR 3 247 million were unused at 31 December 2019. 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 1 198 million paid excluding amounts still in pre-financing, out of which EUR 324 million is estimated as unused).

For rural development, EUR 54 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 2019. It should be noted that the actual implementation by the various instruments will be reviewed as part of the closure process of the programmes in the coming years.

### **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 2 044 million for cohesion policy and EUR 1 460 million for agriculture and rural development.

*2007-2013 Period:*

It is estimated that EUR 130 million paid in the context of rural development remains unused at the end of 2019.

**2.6. EXCHANGE RECEIVABLES AND NON-EXCHANGE RECOVERABLES**

EUR million			
	Note	31.12.2019	31.12.2018
<b>Non-current</b>			
<i>Recoverables from non-exchange transactions</i>	2.6.1	2 422	397
<i>Receivables from exchange transactions</i>	2.6.2	1 185	19
		<b>3 607</b>	<b>416</b>
<b>Current</b>			
<i>Recoverables from non-exchange transactions</i>	2.6.1	19 328	22 212
<i>Receivables from exchange transactions</i>	2.6.2	1 038	2 036
		<b>20 367</b>	<b>24 248</b>
<b>Total</b>		<b>23 974</b>	<b>24 664</b>

**2.6.1. Recoverables from non-exchange transactions**

EUR million			
	Note	31.12.2019	31.12.2018
<b>Non-current</b>			
<i>Member States</i>	2.6.1.1	2 422	397
		<b>2 422</b>	<b>397</b>
<b>Current</b>			
<i>Member States</i>	2.6.1.1	6 180	10 900
<i>Competition fines</i>	2.6.1.2	11 301	9 727
<i>Accrued income and deferred charges</i>	2.6.1.3	1 788	1 511
<i>Other recoverables</i>		59	74
		<b>19 328</b>	<b>22 212</b>
<b>Total</b>		<b>21 750</b>	<b>22 609</b>

## 2.6.1.1. Recoverables from Member States

	EUR million	
	31.12.2019	31.12.2018
TOR A accounts	5 478	5 609
TOR separate accounts	1 591	1 612
Own resources to be received	7	2 758
Impairment	(931)	(991)
Other	—	86
<b>Own resources recoverables</b>	<b>6 145</b>	<b>9 075</b>
European Agricultural Guarantee Fund (EAGF)	1 722	1 708
European Agricultural Fund for Rural Development (EAFRD) and other rural development instruments	879	954
Impairment	(822)	(788)
<b>EAGF and rural development recoverables</b>	<b>1 779</b>	<b>1 875</b>
<b>Pre-financing recovery</b>	<b>443</b>	<b>145</b>
<b>VAT paid and recoverable</b>	<b>44</b>	<b>45</b>
<b>Other recoverables from Member States</b>	<b>191</b>	<b>158</b>
<b>Total</b>	<b>8 602</b>	<b>11 297</b>
Non-current	2 422	397
Current	6 180	10 900

The largest amount included under non-current relates to amounts due from Member States, and the large increase concerns the United Kingdom (UK) infringement case (explained below) — in the previous year this amount, EUR 2,1 billion, had been shown under current. Also included as non-current, as in previous years, are amounts relating 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.

The above mentioned move from current to non-current also explains the large decrease in current amounts due from Member States. The decrease is also due to there being no own resources to be received linked to an amending budget in 2019 as compared to 2018 — see below.

**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, not yet recovered. TOR are composed of customs duties and sugar levies, collected by Member States on behalf of the Commission.

The 'A accounts' have tended to have a level of approximately EUR 3 billion at year-end, however, in both 2018 and 2019 the balance includes additional TOR amounts related to the UK infringement case (explained below) and other TOR inspection reports. As late payment interest of EUR 1,2 billion is applicable (2018: EUR 1,3 billion), 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 Commission sent a letter of formal notice (Infringement No 2018/2008) to the UK because it failed to make the correct amount of traditional own resources available to the EU budget, as required by EU law. As the UK did not provide a satisfactory reply, neither to the letter of formal notice nor to the reasoned opinion sent on 24 September 2018, the Commission confirmed on 6 March 2019 its decision to refer the infringement to the Court of Justice of the EU and lodged its application on 7 March 2019. The case originated in a 2017 OLAF report, that 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 with the methodology used by the Commission to estimate the above losses. The ongoing Court proceedings and the information available to date are indicative of a long-term process. Therefore, both the principal of EUR 2,1 billion and the estimated late payment interest of EUR 1,1 billion accrued until end 2019 (compared to EUR 0,7 billion interest accrued and recognised until end 2018) have been classified as long-term assets.

In addition, the Commission included in the accounts a receivable of EUR 0,2 billion for established customs duties and late payment interest which is based on the latest available information. The amount of EUR 0,7 billion initially recognised in 2018 has been adjusted downwards following new information that the UK authorities provided in 2019 (see notes 2.6.2 and 3.7).

'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. These amounts are generally at a similar level at each year-end, as seen above.

'Own resources to be received' in 2018 refer to recoverables as a result of the amending budget No 6/2018 adopted on 12 December 2018. The amounts were entered by Member States on the first working day of January 2019. There is no such amount relating to 2019.

### EAGF and Rural Development recoverables

This item primarily covers the amounts owed by Member States at 31 December 2019, as declared and certified by the Member States as at 15 October 2019. An estimation is made for the recoverables arising after this declaration and up to 31 December 2019. 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

	EUR million	
	31.12.2019	31.12.2018
<i>Recoverable from fines gross amount</i>	14 606	13 022
<i>Provisional payments</i>	(3 125)	(3 131)
<i>Impairment</i>	(180)	(164)
<b>Total</b>	<b>11 301</b>	<b>9 727</b>
<i>Non-current</i>	—	—
<i>Current</i>	11 301	9 727

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 of having to pay back these amounts to the fined 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 11 133 million (2018: EUR 9 354 million) of fines not paid at year-end, the Commission has accepted financial 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 recoverables from competition fines is mainly due to one significant fine (EUR 1 494 million) where the company concerned covered the fine with a bank guarantee accepted by the Commission. The remaining increase due to other competition fines raised in the year (EUR 2 597 million) was largely offset by fines which were definitively cashed in 2019 (see note **2.8.1**).

#### 2.6.1.3. Accrued income and deferred charges

	EUR million	
	31.12.2019	31.12.2018
<i>Accrued income</i>	1 502	1 240
<i>Deferred charges relating to non-exchange transactions</i>	286	272
<b>Total</b>	<b>1 788</b>	<b>1 511</b>
<i>Non-current</i>	—	—
<i>Current</i>	1 788	1 511

Accrued income includes EUR 1,4 billion (2018: EUR 1,1 billion) 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 in early 2020. This procedure for the acceptance of Member States' annual accounts was introduced in the cohesion area for the programming period 2014-2020.

#### 2.6.2. Receivables from exchange transactions

	EUR million	
	31.12.2019	31.12.2018
<b>Non-current</b>		
<i>Late payment interest</i>	1 137	—
<i>Other receivables</i>	48	19
	<b>1 185</b>	<b>19</b>
<b>Current</b>		
<i>Customers</i>	269	232
<i>Impairment on receivables from customers</i>	(153)	(143)
<i>Deferred charges relating to exchange transactions</i>	238	243
<i>Other</i>	684	1 704
	<b>1 038</b>	<b>2 036</b>
<b>Total</b>	<b>2 223</b>	<b>2 055</b>

The non-current late payment interest concerns the infringement case mentioned in note **2.6.1.1**. In 2018 this interest had been shown under current.



The other current receivables mainly relate to late payment interests. The decrease in 2019 is primarily due to the classification as non-current of the interest relating to the infringement case and the downwards adjustment of TOR inspection reports (see note **2.6.1.1**).

## 2.7. INVENTORIES

EUR million

	31.12.2019	31.12.2018
<i>Scientific materials</i>	47	52
<i>Other</i>	21	21
<b>Total</b>	<b>68</b>	<b>73</b>

## 2.8. CASH AND CASH EQUIVALENTS

EUR million

	Note	31.12.2019	31.12.2018
<i>Accounts with Treasuries and Central Banks</i>		15 519	12 932
<i>Current accounts</i>		91	79
<i>Imprest accounts</i>		7	5
<i>Transfers (cash in transit)</i>		0	0
<i>Bank accounts for budget implementation</i>	2.8.1	<b>15 617</b>	<b>13 017</b>
<i>Cash belonging to financial instruments</i>	2.8.2	<b>1 567</b>	<b>2 377</b>
<i>Cash relating to fines</i>	2.8.3	<b>1 258</b>	<b>1 438</b>
<i>Cash relating to other institutions, agencies and bodies</i>		<b>1 208</b>	<b>1 167</b>
<i>Cash relating to trust funds</i>		<b>97</b>	<b>114</b>
<b>Total</b>		<b>19 745</b>	<b>18 113</b>

### 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 accounts. The treasury balance at the end of 2019 is driven by the following main elements:

- An amount of EUR 2,6 billion of fines, imposed by the Commission for breach of competition rules, definitively cashed in 2019 and not yet included in an amending budget, is included in the year-end treasury balance.
- The treasury balance also includes not yet used assigned revenue and other payment appropriations of EUR 9,7 billion of the 2019 budget.

### 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 subsequent 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

	EUR million				
	Pension Scheme of European Officials	Other retirement benefit schemes	Joint Sickness Insurance Scheme	31.12.2019 Total	31.12.2018 Total
<i>Defined Benefit Obligation</i>	83 842	2 149	12 071	98 062	80 871
<i>Plan assets</i>	N/A	(94)	(309)	(403)	(415)
<b>Net liability</b>	<b>83 842</b>	<b>2 055</b>	<b>11 762</b>	<b>97 659</b>	<b>80 456</b>

The increase in the total employee benefits liability is primarily driven by the increase in the net liability of the Pension Scheme of European Officials (PSEO), the largest scheme in place. This PSEO liability has increased mainly because of the actuarial loss from changes in financial assumptions caused by a sharp decrease in the nominal discount rate. Furthermore, as the nominal discount rate is adjusted for inflation to obtain the real discount rate, this year the real discount rate was for the first time negative — meaning that any given amount is worth more today than in the future: this significantly increases the size of the liability at year-end (see note **2.9.3**). The lower discount rate has had a similar effect on the other smaller schemes.

Additionally, the rights accrued during the year due to service are higher than the benefits paid out during the year. There is also an increase due to the annual interest cost (unwinding of the liability discounting) as well as actuarial losses from experience.

#### 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 9,7 %. 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 PSEO staff (active staff, retirees, former active staff now on invalidity and dependants of deceased staff) at 31 December 2019 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).

### 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 4,3 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:

	EUR million			
	Pension Scheme of European Officials	Other retirement benefit schemes	Joint Sickness Insurance Scheme	Total
<b>Present value as at 31.12.2018</b>	<b>70 017</b>	<b>1 865</b>	<b>8 990</b>	<b>80 871</b>
<b>Recognised in statement of financial performance</b>				
Current Service Cost	2 824	84	277	3 185
Interest cost	1 339	30	180	1 549
Past Service Cost	—	(60)	—	(60)
<b>Recognised in net assets</b>				
Remeasurements in employee benefits liabilities				
Actuarial (gains)/losses from experience	1 910	77	(339)	1 648
Actuarial (gains)/losses from demographic assumptions	—	0	—	0
Actuarial (gains)/losses from financial assumptions	9 339	220	3 065	12 625
<b>Other</b>				
Benefits paid	(1 587)	(67)	(101)	(1 756)
<b>Present value as at 31.12.2019</b>	<b>83 842</b>	<b>2 149</b>	<b>12 071</b>	<b>98 062</b>

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

Interest cost refers to 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 what was expected according to the assumptions made last year for 2019 and what really occurred in 2019.

Actuarial gains and losses from actuarial assumptions (demographic variables such as employee turnover and mortality and financial variables such as discount rates and expected salary increases) arise where these assumptions are updated in order to reflect changes in 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

	EUR million		
	Other retirement benefit schemes	Joint Sickness Insurance Scheme	Total
<b>Present value as at 31.12.2018</b>	<b>119</b>	<b>296</b>	<b>415</b>
<i>Net movement in plan assets</i>	(25)	14	(12)
<b>Present value as at 31.12.2019</b>	<b>94</b>	<b>309</b>	<b>403</b>

#### Actuarial assumptions — employee benefits

The principal 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
<b>2019</b>		
<i>Nominal discount rate</i>	1,1 %	1,2 %
<i>Expected inflation rate</i>	1,3 %	1,3 %
<i>Real discount rate</i>	(0,2) %	(0,1) %
<i>Expected rate of salary increases</i>	1,8 %	1,8 %
<i>Medical cost trend rates</i>	N/A	3,0 %
<i>Retirement age</i>	63/64/66	63/64/66
<b>2018</b>		
<i>Nominal discount rate</i>	1,9 %	2,0 %

	Pension Scheme of European Officials	Joint Sickness Insurance Scheme
<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

Mortality rates for 2018 and 2019 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 22 years as of December 2019 for the PSEO, and 26 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.

A decrease in the real discount rate, i.e. the difference between the nominal discount rate and the expected inflation rate, has been observed over the past few years but it was particularly steep in 2019. The decrease in the real discount rate is mainly due to the decline in the nominal discount rate, which is in line with the trend observed globally on the financial markets. With the expected inflation rate having fallen only slightly, the decline in the nominal discount rate was not counterbalanced and translated to the significant decrease in the real discount rate, thus becoming negative for the first time and contributing to the significant actuarial loss from financial assumptions.

### Sensitivity analyses

The sensitivity analysis is based on simulations which change, everything else being equal, 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:

	EUR million			
	2019		2018	
	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>	8	(8)	12	(12)
<i>Defined benefit obligation</i>	352	(341)	253	(246)

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

	EUR million			
	2019		2018	
	Increase 0,1 %	Decrease 0,1 %	Increase 0,1 %	Decrease 0,1 %
<i>Defined benefit obligation</i>	(311)	322	(219)	226

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

	EUR million			
	2019		2018	
	Increase 0,1 %	Decrease 0,1 %	Increase 0,1 %	Decrease 0,1 %
<i>Defined benefit obligation</i>	(30)	29	(26)	25

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

	EUR million			
	2019		2018	
	One year increase	One year decrease	One year increase	One year decrease
<i>Defined benefit obligation</i>	(363)	383	(91)	54

#### **Pension Scheme of European Officials sensitivity**

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

	EUR million			
	2019		2018	
	Increase 0,1 %	Decrease 0,1 %	Increase 0,1 %	Decrease 0,1 %
<i>Defined benefit obligation</i>	(1 797)	1 854	(1 434)	1 478

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

	EUR million			
	2019		2019	
	Increase 0,1 %	Decrease 0,1 %	Increase 0,1 %	Decrease 0,1 %
<i>Defined benefit obligation</i>	1 774	(1 724)	1 427	(1 388)

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

	EUR million			
	2019		2018	
	One year increase	One year decrease	One year increase	One year decrease
<i>Defined benefit obligation</i>	(620)	771	(573)	645

## 2.10. PROVISIONS

EUR million

	Amount at 31.12.2018	Additional provisions	Unused amounts reversed	Amounts used	Transfer between categories	Change in estimation	Amount at 31.12.2019
<i>Legal cases:</i>							
<i>Agriculture</i>	270	439	—	(269)	0	—	441
<i>Other</i>	100	4	(8)	(6)	12	1	103
<i>Nuclear site dismantlement</i>	1 933	—	—	(34)	—	233	2 132
<i>Financial</i>	1 551	587	(1)	(206)	0	7	1 938
<i>Other</i>	278	31	(34)	(24)	(12)	(27)	211
<b>Total</b>	<b>4 132</b>	<b>1 061</b>	<b>(43)</b>	<b>(539)</b>	<b>0</b>	<b>214</b>	<b>4 826</b>
<b>Non-current</b>	<b>3 281</b>	<b>871</b>	<b>(17)</b>	<b>(278)</b>	<b>(362)</b>	<b>215</b>	<b>3 710</b>
<b>Current</b>	<b>852</b>	<b>190</b>	<b>(27)</b>	<b>(261)</b>	<b>362</b>	<b>(2)</b>	<b>1 116</b>

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. The Agriculture amounts relate to legal actions of Member States against conformity clearance decisions for the EAGF.

**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 2019, this resulted in a provision of EUR 2 132 million, split between amounts expected to be used in 2020 (EUR 31 million) and afterwards (EUR 2 101 million). The increase compared to 2018 is mainly the result of the decreasing discount rate applied to the estimated future costs.

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 processes 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	31.12.2019	31.12.2018
<b>Non-current</b>			
<i>Financial liabilities at amortised cost</i>	2.11.1	53 062	53 281
<i>Financial liabilities at fair value through surplus or deficit</i>	2.11.2	9	7
		<b>53 071</b>	<b>53 289</b>
<b>Current</b>			
<i>Financial liabilities at amortised cost</i>	2.11.1	1 423	2 602
<i>Financial liabilities at fair value through surplus or deficit</i>	2.11.2	4	15
<i>Financial guarantee liabilities</i>	2.11.3	20	—
		<b>1 446</b>	<b>2 617</b>
<b>Total</b>		<b>54 517</b>	<b>55 906</b>

#### 2.11.1. Financial liabilities at amortised cost

EUR million			
	Note	31.12.2019	31.12.2018
<i>Borrowings for financial assistance</i>	2.11.1.1	52 564	53 872
<i>Other financial liabilities</i>	2.11.1.2	1 921	2 012
<b>Total</b>		<b>54 485</b>	<b>55 884</b>
<b>Non-Current</b>		53 062	53 281
<b>Current</b>		1 423	2 602



## 2.11.1.1. Borrowings for financial assistance

	EUR million					
	EFSM	BOP	MFA	Euratom	ECSC in Liquidation	Total
<i>Total at 31.12.2018</i>	47 400	1 734	4 388	254	97	53 872
<i>New loans</i>	—	—	420	—	—	420
<i>Repayments</i>	—	(1 500)	(52)	(40)	(97)	(1 689)
<i>Exchange differences</i>	—	—	—	—	5	5
<i>Changes in carrying amount</i>	(6)	(33)	(1)	—	(5)	(44)
<b>Total at 31.12.2019</b>	<b>47 394</b>	<b>201</b>	<b>4 754</b>	<b>214</b>	<b>0</b>	<b>52 564</b>
<i>Non-current</i>	46 800	200	4 112	178	—	51 290
<i>Current</i>	594	1	643	35	—	1 273

Borrowings mainly include debts evidenced by certificates amounting to EUR 52 433 million (2018: EUR 53 725 million). The changes in carrying amount correspond to the change in accrued interests.

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)**

	31.12.2019	31.12.2018
<i>Macro Financial Assistance (MFA)</i>	0 % - 3,82 %	0 % - 3,82 %
<i>Euratom</i>	0 % - 5,68 %	0 % - 5,68 %
<i>Balance of Payment (BOP)</i>	2,88 %	2,88 % - 3,38 %
<i>European Financial Stability Mechanism (EFSM)</i>	0,50 % - 3,75 %	0,50 % - 3,75 %
<i>ECSC in Liquidation</i>	—	6,91 % - 8,97 %

## 2.11.1.2. Other financial liabilities

	EUR million	
	31.12.2019	31.12.2018
<b>Non-current</b>		
<i>Finance lease liabilities</i>	1 244	1 331
<i>Buildings paid for in instalments</i>	385	314
<i>Other</i>	144	115
	<b>1 772</b>	<b>1 760</b>

EUR million

	31.12.2019	31.12.2018
<b>Current</b>		
<i>Finance lease liabilities</i>	97	93
<i>Buildings paid for in instalments</i>	36	29
<i>Fines to be reimbursed</i>	—	125
<i>Other</i>	17	5
	<b>149</b>	<b>252</b>
<b>Total</b>	<b>1 921</b>	<b>2 012</b>

**Finance lease liabilities**

EUR million

	Future amounts to be paid			
	< 1 year	1-5 years	> 5 years	Total Liability
<i>Land and buildings</i>	91	332	788	1 211
<i>Other fixed assets</i>	5	124	—	129
<b>Total at 31.12.2019</b>	<b>97</b>	<b>456</b>	<b>788</b>	<b>1 340</b>
<i>Interest element</i>	54	189	157	400
<b>Total future minimum lease payments at 31.12.2019</b>	<b>150</b>	<b>644</b>	<b>946</b>	<b>1 741</b>
<i>Total future minimum lease payments at 31.12.2018</i>	153	654	1 089	1 896

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

**2.11.2. Financial liabilities at fair value through surplus or deficit**

EUR million

Type of derivative	31.12.2019		31.12.2018	
	Notional amount	Fair value	Notional amount	Fair value
<i>Guarantee on equity portfolio</i>	752	10	536	20
<i>FX option (put spread)</i>	13	2	11	2
<b>Total</b>	<b>765</b>	<b>12</b>	<b>546</b>	<b>22</b>

*EUR million*

Type of derivative	31.12.2019		31.12.2018	
	Notional amount	Fair value	Notional amount	Fair value
<i>Non-current</i>	148	9	82	7
<i>Current</i>	617	4	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 2019 this heading relates mainly 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 2019 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*

	31.12.2019	31.12.2018
<i>Level 1: Quoted prices in active markets</i>	—	—
<i>Level 2: Observable inputs other than quoted prices</i>	2	2
<i>Level 3: Valuation techniques with inputs not based on observable market data</i>	10	20
<b>Total</b>	<b>12</b>	<b>22</b>

### 2.11.3. Financial guarantee liabilities

The EFSI guarantee on the debt portfolio disbursed by the EIB under the EFSI Innovation and Infrastructure window (IIW), as well as the External Lending Mandate (ELM) guarantee for the EIB loans disbursed under the EIB Resilience Initiative (ERI) are classified as a financial guarantee liability. At 31 December 2019, the EFSI financial guarantee liability totals EUR zero (2018: EUR zero), as the revenues to be received under this guarantee exceed expected losses, while the ELM ERI financial guarantee liability amounts to EUR 20 million (see note **4.1.1**).

## 2.12. PAYABLES

	EUR million					
	Gross Amount	Adjustments	Net Amount at 31.12.2019	Gross Amount	Adjustments	Net Amount at 31.12.2018
<b>Cost claims and invoices received from:</b>						
<i>Member States</i>						
<i>EAFRD &amp; other rural development instruments</i>	21	(0)	21	247	—	247
<i>ERDF &amp; CF</i>	8 068	(2 437)	5 631	10 761	(1 724)	9 037
<i>ESF</i>	2 882	(558)	2 325	5 195	(496)	4 699
<i>Other</i>	852	(45)	807	632	(75)	557
<i>Private and public entities</i>	1 562	(180)	1 381	1 461	(179)	1 282
<b>Total cost claims and invoices received</b>	<b>13 384</b>	<b>(3 220)</b>	<b>10 165</b>	<b>18 296</b>	<b>(2 475)</b>	<b>15 821</b>
<b>EAGF</b>	<b>16 255</b>	<b>N/A</b>	<b>16 255</b>	<b>14 772</b>	<b>N/A</b>	<b>14 772</b>
<b>Own resources payables</b>		<b>N/A</b>	<b>—</b>	<b>769</b>	<b>N/A</b>	<b>769</b>
<b>Sundry payables</b>	<b>539</b>	<b>N/A</b>	<b>539</b>	<b>570</b>	<b>N/A</b>	<b>570</b>
<b>Other</b>	<b>283</b>	<b>N/A</b>	<b>283</b>	<b>294</b>	<b>N/A</b>	<b>294</b>
<b>Total</b>	<b>30 462</b>	<b>(3 220)</b>	<b>27 241</b>	<b>34 701</b>	<b>(2 475)</b>	<b>32 227</b>

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 2019 totalled EUR 7,6 billion. A part of this amount (EUR 2 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 be paid at year-end (EUR 0,5 billion).

Payables concerning cohesion policy (ERDF, CF, ESF) have decreased. The claims related to the period 2007-2013 have further decreased to EUR 1,9 billion (2018: EUR 3,5 billion), as the Commission has validated and paid the final cost claims submitted by the Member States for this period. At the same time, claims related to period 2014-2020 decreased to EUR 5,8 billion (2018: EUR 10 billion) as fewer cost claims were received for payment at 31 December compared to last year. The implementation of the programmes is however progressing (see ERDF, CF expenses note 3.9) as evidenced by the fact that the overall liabilities for ERDF, CF are stable — see increase in accrued charges note 2.13.

The increase in EAGF payables relates to the repartition of the total EAGF liabilities between payables and accrued charges. The total EAGF liabilities remain stable at EUR 44 448 million against EUR 44 159 million last year. However, in 2019 the amounts already claimed by the Member States at the end of the year (accounted for as payable) are higher than in 2018.

### Requests for pre-financing

In addition to the above amounts, at the end of 2019, 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. Amending budgets are implemented according to Article 10(3) of Council Regulation (EU, Euratom) No 609/2014<sup>(18)</sup>. The amount on 31 December 2018 was due to the adoption of the amending budget No 6/2018 adopted on 12 December 2018. According to this legal provision, the resulting amounts were returned to the Member States on the first working day of January 2019. This year there was no similar amending budget, thus no such payables.

#### 2.13. ACCRUED CHARGES AND DEFERRED INCOME

	EUR million	
	31.12.2019	31.12.2018
<i>Accrued charges</i>	66 860	62 877
<i>Deferred income</i>	251	96
<i>Other</i>	116	213
<b>Total</b>	<b>67 227</b>	<b>63 186</b>

The split of accrued charges is as follows:

	EUR million	
	31.12.2019	31.12.2018
<i>EAGF</i>	28 193	29 387
<i>EAFRD and other rural development instruments</i>	18 583	18 687
<i>ERDF and CF</i>	9 525	5 863
<i>ESF</i>	3 016	2 321
<i>Other</i>	7 542	6 619
<b>Total</b>	<b>66 860</b>	<b>62 877</b>

<sup>(18)</sup> OJ L 168, 7.6.2014, p. 39.

Accrued charges refer to recognised expenses for which the Commission has still to receive cost claims. For cohesion policy, the increase for ERDF & CF accrued charges (as the programmes are being further implemented) offsets the decrease in payables, thus resulting in a stable amount of the overall liability towards the Member States (EUR 15 156 million, compared to EUR 14 900 million in the previous year). For ESF, the total liability has decreased to EUR 5 341 million (2018: EUR 7 020 million) following the trend in the ESF expenses. For the decrease in EAGF see note **2.12** above.

#### NET ASSETS

##### 2.14. RESERVES

EUR million			
	Note	31.12.2019	31.12.2018
<i>Fair value reserve</i>	2.14.1	391	231
<i>Guarantee Fund reserve</i>	2.14.2	2 870	2 849
<i>Other reserves</i>	2.14.3	1 776	1 881
<b>Total</b>		<b>5 037</b>	<b>4 961</b>

##### 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

EUR million		
	31.12.2019	31.12.2018
<i>Included in fair value reserve</i>	200	(70)
<i>Included in the statement of financial performance</i>	(40)	23
<b>Total</b>	<b>160</b>	<b>(47)</b>

##### 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 1 461 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 i.L.

##### 2.15. AMOUNTS TO BE CALLED FROM MEMBER STATES

EUR million	
<i>Amounts to be called from Member States at 31.12.2018</i>	66 424
<i>Return of budget surplus to Member States</i>	1 803
<i>Movement in Guarantee Fund reserve</i>	21

	EUR million
<i>Remeasurements in employee benefits liabilities</i>	14 164
<i>Other reserve movements</i>	(56)
<i>Economic result of the year</i>	(4 796)
<b>Total amounts to be called from Member States at 31.12.2019</b>	<b>77 560</b>

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 operational revenue. GNI (gross national income) revenue amounts to EUR 108 820 million for 2019 (2018: EUR 105 780 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 size of adjustments for the past (mostly years 2012 to 2017). Every year, the GNI bases are updated with real data and the contributions of Member States to the EU budget are recalculated in line with their updated economic performance. This procedure is key to ensuring a level playing field among Member States in terms of their annual contributions.

#### 3.2. TRADITIONAL OWN RESOURCES

	EUR million	
	2019	2018
<i>Customs duties</i>	21 235	22 763
<i>Sugar levies</i>	0	4
<b>Total</b>	<b>21 235</b>	<b>22 767</b>

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 decrease in customs duties largely refers to the absence of the infringement case revenue recognised in 2018 (see note 2.6.1.1).



### 3.3. VAT RESOURCES

The VAT resource 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, Council Decision 2014/335/EU, Euratom <sup>(19)</sup>, foresees a reduced rate of call of 0,15 % for Germany, the Netherlands and Sweden.

#### REVENUE FROM NON-EXCHANGE TRANSACTIONS: TRANSFERS

### 3.4. FINES

Revenue of EUR 4 291 million (2018: EUR 6 740 million) relates to fines the Commission has imposed on companies for breaches of EU competition rules and fines the Commission has imposed on Member States for infringements of EU law. The Commission recognises revenue from fines when it adopts the decision to impose a fine and it officially notifies the addressee. The amounts relate mainly to competition fines (EUR 4 091 million). The biggest cases concern breaches of EU antitrust rules, i.e. a fine imposed on Google for abusive practices in online advertising (EUR 1 494 million), fines imposed on five banks in two Forex cases for participating in foreign exchange spot trading cartels (in total EUR 1 068 million) and a fine imposed on Mastercard for obstructing merchants' access to cross-border card payment services (EUR 570 million).

### 3.5. RECOVERY OF EXPENSES

	EUR million	
	2019	2018
<i>Shared management</i>	2 547	2 116
<i>Direct management</i>	65	65
<i>Indirect management</i>	16	34
<b>Total</b>	<b>2 627</b>	<b>2 215</b>

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, issued so as to recover expenditure previously paid out from the EU budget. Recoveries are based on controls, audits or eligibility analysis and therefore, 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 year-end, 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.

<sup>(19)</sup> OJ L 168, 7.6.2014, p. 105.

### Cohesion policy

The main amounts related to cohesion policy relate to accrued income of EUR 1,4 billion (2018: EUR 1,1 billion) 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 in early 2020. This procedure for the acceptance of Member States' annual accounts in the cohesion area started with the programming period 2014-2020.

### 3.6. OTHER REVENUE FROM NON-EXCHANGE TRANSACTIONS

	EUR million	
	2019	2018
<i>Contributions from third countries</i>	1 485	1 376
<i>Staff taxes and contributions</i>	1 299	1 268
<i>Contributions from Member States for external aid</i>	331	594
<i>Transfer of assets</i>	60	85
<i>Adjustment of provisions</i>	41	100
<i>Agricultural levies</i>	2	4
<i>Budgetary adjustments</i>	(1 719)	(726)
<i>Other</i>	574	612
<b>Total</b>	<b>2 072</b>	<b>3 312</b>

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

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 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 the positive effect from taking in the budget surplus from the previous year of EUR 1 803 million (2018: EUR 555 million) was overcompensated by GNI/VAT adjustments of EUR 3 443 million (2018: EUR 1 292 million).

Other revenue from non-exchange transactions includes EUR 151 million of Member State contributions to Fusion for Energy, the European Joint Undertaking for ITER and the Development of Fusion Energy.

### REVENUE FROM EXCHANGE TRANSACTIONS

### 3.7. FINANCIAL REVENUE

	EUR million	
	2019	2018
<i>Interest on:</i>		
<i>Late payments</i>	133	1 458

	EUR million	
	2019	2018
<i>Loans</i>	1 180	1 265
<i>Other</i>	70	68
<i>Premium on financial guarantee liability</i>	193	121
<i>Dividends</i>	29	103
<i>Financial revenue from financial assets or liabilities at fair value through surplus or deficit</i>	125	29
<i>Realised gains on available for sale financial assets</i>	82	23
<i>Other</i>	4	48
<b>Total</b>	<b>1 817</b>	<b>3 115</b>

The late payment interest of 2018 included a large initial interest revenue on late payments in relation to the UK infringement case and the TOR inspection reports (see note **2.6.1.1**). This year additional revenue has been recognised for the infringement case as well as a downwards adjustment of interest concerning TOR inspection reports (see note **2.6.1.1**).

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

### 3.8. OTHER REVENUE FROM EXCHANGE TRANSACTIONS

	EUR million	
	2019	2018
<i>Fee revenue for rendering of services (agencies)</i>	592	602
<i>Foreign exchange gains</i>	347	329
<i>Fee and premium revenue related to financial instruments</i>	43	54
<i>Share of net result of EIF</i>	53	37
<i>Sales of goods</i>	31	33
<i>Fixed assets related revenue</i>	5	27
<i>Other</i>	227	297
<b>Total</b>	<b>1 298</b>	<b>1 379</b>

Fee revenue for rendering of services mainly includes 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	2019	2018
<i>European Agricultural Guarantee Fund</i>	43 951	43 527
<i>European Agricultural Fund for Rural Development and other rural development instruments</i>	13 541	13 149
<i>European Regional Development Fund and Cohesion Fund</i>	35 178	30 230
<i>European Social Fund</i>	11 218	11 935
<i>Other</i>	2 608	2 826
<b>Total</b>	<b>106 495</b>	<b>101 666</b>

The increase mainly concerns cohesion policy (ERDF, CF) where almost all expenses relate to the current programming period, where the work continues to advance.

Other expenses mainly include: Asylum and Migration (EUR 0,6 billion), Fund for European Aid to the Most Deprived (EUR 0,5 billion), Internal Security (EUR 0,4 billion), European Union Solidarity Fund (EUR 0,4 billion) and European Maritime and Fisheries Fund (EUR 0,7 billion). The decrease compared to last year mainly relates to the European Union Solidarity Fund.

**3.10. DIRECT MANAGEMENT**

<i>EUR million</i>		
	2019	2018
<i>Implemented by the Commission</i>	8 435	8 120
<i>Implemented by EU Executive Agencies</i>	10 095	8 964
<i>Implemented by Trust funds</i>	412	468
<b>Total</b>	<b>18 942</b>	<b>17 551</b>

These amounts mainly concern the implementation of Research Policy (EUR 7,7 billion), Connecting Europe Facility (CEF) — transport part (EUR 3,1 billion), Development Co-operation Instrument (EUR 1,4 billion), European Neighbourhood Policy (EUR 1,1 billion).

The increase in direct management expenses implemented by EU Executive agencies refers mainly (EUR 0,8 billion) to the Innovation and Networks Executive Agency (INEA) out of which the biggest part relates to the transport part of the 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>		
	2019	2018
<i>Implemented by other EU agencies &amp; bodies</i>	3 131	3 396
<i>Implemented by third countries</i>	637	679

	EUR million	
	2019	2018
<i>Implemented by international organisations</i>	3 448	3 337
<i>Implemented by other entities</i>	2 875	3 569
<b>Total</b>	<b>10 091</b>	<b>10 981</b>

In 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 5,8 billion is related to increasing Europe's competitiveness (in areas such as research, satellite navigation systems and education). The decrease in expenses implemented by other entities mainly relates to education (Erasmus).

### 3.12. STAFF AND PENSION COSTS

	EUR million	
	2019	2018
<i>Staff costs</i>	6 692	6 454
<i>Pension costs</i>	4 674	4 476
<b>Total</b>	<b>11 366</b>	<b>10 929</b>

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. FINANCE COSTS

	EUR million	
	2019	2018
<i>Interest expenses:</i>		
<i>Borrowings</i>	1 174	1 260
<i>Other</i>	23	26
<i>Impairment losses on loans and receivables</i>	105	126
<i>Loss on financial assets or liabilities at fair value through surplus or deficit</i>	57	95
<i>Finance leases</i>	70	73
<i>Impairment losses on available for sale financial assets</i>	19	25
<i>Realised loss on available for sale financial assets</i>	7	21
<i>Other</i>	36	50
<b>Total</b>	<b>1 491</b>	<b>1 677</b>

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

## 3.14. OTHER EXPENSES

	EUR million	
	2019	2018
<i>Administrative and IT expenses</i>	2 540	2 313
<i>Fixed assets related expenses</i>	1 630	1 608
<i>Adjustment of provisions</i>	1 294	923
<i>Foreign exchange losses</i>	343	341
<i>Operating lease expenses</i>	442	424
<i>Reduction of fines by the Court of Justice</i>	91	1
<i>Other</i>	769	598
<b>Total</b>	<b>7 109</b>	<b>6 208</b>

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

	EUR million	
	2019	2018
<i>Research costs</i>	398	385
<i>Non-capitalised development costs</i>	119	106
<b>Total</b>	<b>517</b>	<b>491</b>

## 3.15. 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 <sup>(1)</sup>	Total
<i>GNI resources</i>	—	—	—	—	—	108 820	108 820
<i>Traditional own resources</i>	—	—	—	—	—	21 235	21 235
<i>VAT</i>	—	—	—	—	—	18 128	18 128
<i>Fines</i>	—	—	—	—	—	4 291	4 291
<i>Recovery of expenses</i>	1 520	1 076	10	22	0	0	2 627
<i>Other</i>	1 202	29	43	214	5 176	(4 592)	2 072
<b>Revenue from non-exchange transactions</b>	<b>2 722</b>	<b>1 104</b>	<b>54</b>	<b>235</b>	<b>5 176</b>	<b>147 882</b>	<b>157 174</b>
<i>Financial revenue</i>	423	1	0	11	0	1 383	1 817
<i>Other</i>	155	(12)	(5)	13	283	864	1 298
<b>Revenue from exchange transactions</b>	<b>578</b>	<b>(11)</b>	<b>(5)</b>	<b>24</b>	<b>283</b>	<b>2 247</b>	<b>3 116</b>
<b>Total revenue</b>	<b>3 300</b>	<b>1 093</b>	<b>49</b>	<b>260</b>	<b>5 459</b>	<b>150 129</b>	<b>160 289</b>
<i>Expenses implemented by Member States:</i>							
<i>EAGF</i>	—	(43 951)	—	—	—	—	(43 951)
<i>EAFRD &amp; other rural development instruments</i>	—	(13 541)	—	—	—	—	(13 541)
<i>ERDF &amp; CF</i>	(35 178)	—	—	—	—	—	(35 178)
<i>ESF</i>	(11 218)	—	—	—	—	—	(11 218)
<i>Other</i>	(512)	(668)	(1 382)	(46)	—	(0)	(2 608)
<i>Implemented by the EC, executive agencies and trust funds</i>	(12 763)	(676)	(1 060)	(4 446)	(19)	23	(18 942)
<i>Implemented by other EU agencies and bodies</i>	(2 799)	(62)	(927)	(32)	—	689	(3 131)
<i>Implemented by third countries and int. org.</i>	(526)	(2)	(242)	(3 314)	(0)	—	(4 085)
<i>Implemented by other entities</i>	(2 037)	(1)	(1)	(839)	(0)	3	(2 875)
<i>Staff and Pension costs</i>	(1 637)	(350)	(444)	(604)	(7 222)	(1 110)	(11 366)

EUR million

	Smart and inclusive growth	Sustainable growth	Security and citizenship	Global Europe	Administration	Not assigned to MFF heading <sup>(1)</sup>	Total
<i>Finance costs</i>	(113)	(56)	(0)	(9)	(104)	(1 209)	(1 491)
<i>Other expenses</i>	(2 287)	(493)	(137)	(136)	(3 640)	(415)	(7 109)
<b>Total expenses</b>	<b>(69 070)</b>	<b>(59 800)</b>	<b>(4 194)</b>	<b>(9 427)</b>	<b>(10 985)</b>	<b>(2 018)</b>	<b>(155 493)</b>
<b>Economic result of the year</b>	<b>(65 770)</b>	<b>(58 707)</b>	<b>(4 145)</b>	<b>(9 167)</b>	<b>(5 526)</b>	<b>148 111</b>	<b>4 796</b>

<sup>(1)</sup> '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

EUR million

	31.12.2019			31.12.2018		
	Ceiling	Signed	Disbursed	Ceiling	Signed	Disbursed
<i>EIB external lending mandate guarantees</i>	37 929	31 521	20 014	40 417	30 889	20 510
<i>EFSD guarantee</i>	25 797	21 889	17 634	25 898	19 842	15 764
<i>EFSD guarantee</i>	50	—	—	—	—	—
<b>Total</b>	<b>63 775</b>	<b>53 410</b>	<b>37 648</b>	<b>66 315</b>	<b>50 731</b>	<b>36 273</b>

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 or other financial institutions. 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 (EUR 15 762 million). The ceiling represents the total guarantee that the EU budget, and thus its Member States, have committed to cover, since in order to disclose the maximum exposure faced by the EU at 31 December 2019, one must also include operations authorised to be signed but not yet signed (EUR 10 365 million). The amounts are presented net of financial provisions or financial liabilities recognised for those programmes.

**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 2019 the amount of loans outstanding and covered by the EU guarantee totalled EUR 20 014 million (2018: 20 510 million). The EU budget guarantees:

- EUR 19 074 million (2018: EUR 19 360 million) via the Guarantee Fund for external actions (see note 2.4.1), and
- EUR 940 million (2018: EUR 1 150 million) directly for loans granted to Member States before accession.

In addition to the EUR 20 014 million disclosed above as disbursed, the EU guarantees a further EUR 161 million of outstanding loans to Syria for which provisions have been made, and EUR 20 million recognised as financial guarantee liability for the EIB Economic Resilience Initiative (ERI) Private Mandate (see below).

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 made 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.

According to Decision (EU) 2018/412 of the European Parliament and of the Council<sup>(20)</sup>, up to EUR 2,3 billion shall be allocated to the new private sector lending mandate for projects directed to the long-term economic resilience of refugees, migrants, host and transit communities under the EIB ERI. The EIB has disbursed the first ERI Private Mandate operations in 2019. The Union budget is remunerated for the risk taken in relation to guarantees granted for EIB financing operations under the ERI Private Mandate, hence the ERI Private Mandate guarantee is accounted for as a financial guarantee liability (see note **2.11.3**).

EU guarantee payments are made by the Guarantee Fund for external actions — see note **2.4.1**. During 2019, EUR 55 million of guarantee calls have been paid out from the Guarantee Fund for external actions (2018: EUR 56 million).

### 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. The EU budget provides a guarantee of up to EUR 26 billion ('EFSI EU guarantee') under an agreement between the EU and the EIB, hereinafter referred to as 'EFSI Agreement', in order to protect the EIB from potential losses it may suffer from its financing and investment operations.

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 finance the operations (debt and equity investments) and, to do this, borrow the necessary funds on the capital markets. The EIB Group takes the investment decisions independently and manages the operations in accordance with its rules and procedures. The EU provides the guarantee for those operations, and covers losses incurred by the EIB up to the ceiling of this guarantee.

In order to ensure that investments made under EFSI remain focused on the specific objective of addressing market failures and that they are eligible for the protection of the EU guarantee, a dedicated governance structure has been put in place, including an Investment Committee of independent experts which examines each project proposed by the EIB under the IIW regarding its eligibility for the EU guarantee coverage and EFSI Steering Board ensuring an oversight over the programme.

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 accounted for as a financial guarantee liability in respect of the IIW debt portfolio (see note **2.11.3**), 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 (see note **2.4.2**). In addition, a contingent liability related to the EFSI guarantee given is disclosed in this note. The EFSI contingent liability includes operations of the COSME, H2020, CCS LGF and EaSI programmes for the part covered by the EFSI EU guarantee under SMEW debt portfolio, and is presented net of EUR 74 million of financial provisions recognised for this portfolio, as included under the heading financial provisions in the note **2.10**.

EU guarantee payments, not covered by the EU revenues standing in credit on the EFSI settlement account at the EIB, are made by the EFSI Guarantee Fund — see note **2.4.1**. During 2019 no guarantee calls have been paid out from the EFSI Guarantee Fund (2018: EUR 61 million).

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<sup>(20)</sup> OJ L 76, 19.3.2018, p. 30.

### European Fund for Sustainable Development (EFSD)

The European Fund for Sustainable Development, established by the EFSD Regulation, is an initiative aiming to support investments in Africa and the European Neighbourhood as a means to contribute to the achievement of the sustainable development and to address specific socioeconomic root causes of migration. Under the EFSD Regulation, the EU should make available guarantees of EUR 1,5 billion (further increased by external contributions) to implementing partners for their investment and financing operations, in order to reduce their investment risks. The EFSD Guarantee is backed by the EFSD Guarantee Fund (see note 2.4.1). As at 31 December 2019, one EFSD guarantee agreement 'Framework to Scale Up Renewable Energy Investments', was effective, but no underlying financing operations were signed by the implementing partner, EBRD.

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

EUR million

	31.12.2019			31.12.2018		
	Drawn	Undrawn	Total	Drawn	Undrawn	Total
EFSM	47 394	—	47 394	47 400	—	47 400
BOP	201	—	201	1 734	—	1 734
MFA	4 754	560	5 314	4 388	980	5 368
Euratom	214	200	414	254	200	454
<b>Total</b>	<b>52 564</b>	<b>760</b>	<b>53 324</b>	<b>53 775</b>	<b>1 180</b>	<b>54 955</b>

The EU budget guarantees the borrowings of the Commission taken to finance lending to Member and non-Member States in 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 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 guarantors not provide for them.

#### 4.1.3. Guarantees given for EU financial instruments

EUR million

	31.12.2019	31.12.2018
Horizon 2020	1 584	1 467
Risk Sharing Finance Facility	110	642
Connecting Europe Facility	684	579
Other	38	29
<b>Total</b>	<b>2 416</b>	<b>2 717</b>

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 practice, 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 and financial liabilities recognised for these instruments — see notes **2.10** and **2.11.2**.

#### 4.1.4. *Legal cases*

	EUR million	
	31.12.2019	31.12.2018
<i>Fines</i>	3 128	3 187
<i>Agriculture</i>	199	653
<i>Cohesion</i>	341	26
<i>Other</i>	2 137	1 867
<b>Total</b>	<b>5 805</b>	<b>5 732</b>

#### **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 whether 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 the cases relating to fines imposed, the amounts that have been provisionally received will be returned to the companies without budgetary impact. 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 and rural development conformity decisions 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. The increase comes from two cases concerning eligible expenses and Member States accounts.

#### **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 2019 (as in 2018) mainly concerns a damages claim against the Commission for a merger prohibition decision, where, in the absence of a reliable estimate, the amount disclosed relates to the claimed amount. The increase in 2019 relates to damages claims concerning a Commission delegated regulation, annulled by the General Court.

## 4.2. CONTINGENT ASSETS

	EUR million	
	31.12.2019	31.12.2018
<i>Guarantees received:</i>		
<i>Performance guarantees</i>	349	321
<i>Other guarantees</i>	16	19
<i>Other contingent assets</i>	65	25
<b>Total</b>	<b>430</b>	<b>366</b>

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 2019.

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 of the European Parliament and of the Council <sup>(21)</sup> 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 of the European Parliament and of the Council <sup>(22)</sup>) 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.

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 until the reporting date — see note 5.1 below. Once the payments relating to the RAL are made, 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.

<sup>(21)</sup> OJ L 347, 20.12.2013, p. 549.

<sup>(22)</sup> OJ L 347, 20.12.2013, p. 320.

The disclosures below thus represent amounts at 31 December 2019 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.

EUR million			
	Note	31.12.2019	31.12.2018
<i>Outstanding budgetary commitments not yet expensed</i>	5.1	249 686	235 836
<i>Shared management legal commitments under the current MFF pending implementation</i>	5.2	72 832	143 883
<i>Significant legal commitments in other areas</i>	5.3	13 941	18 126
<b>Total</b>		<b>336 459</b>	<b>397 845</b>

#### 5.1. OUTSTANDING BUDGETARY COMMITMENTS NOT YET EXPENSED

EUR million		
	31.12.2019	31.12.2018
<i>Outstanding budgetary commitments not yet expensed</i>	249 686	235 836

The amount disclosed above is the budgetary RAL ('Reste à Liquider') of EUR 297 693 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 2019 totalled EUR 51 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 relevant contractual obligations 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

EUR million				
Funds	Financial framework 2014-2020 (A)	Legal commitments according to latest Commission Decision (B)	Budget commitments including decommitments (C)	Legal commitments pending implementation (B-C)
<i>European Regional Development Fund and Cohesion Fund</i>	262 585	262 407	220 447	41 960
<i>European Social Fund</i>	92 912	92 751	78 841	13 910
<i>European Neighbourhood Policy Instrument</i>	—	—	—	—
<i>Fund for European Aid to the most Deprived</i>	3 814	3 813	3 235	578
<b>HEADING 1B: COHESION POLICY FUNDS</b>	<b>359 310</b>	<b>358 971</b>	<b>302 524</b>	<b>56 448</b>

EUR million				
Funds	Financial framework 2014-2020 (A)	Legal commitments according to latest Commission Decision (B)	Budget commitments including decommitments (C)	Legal commitments pending implementation (B-C)
<i>European Agricultural Fund for Rural Development</i>	100 079	100 079	85 404	14 675
<i>European Maritime and Fisheries Fund</i>	5 749	5 687	4 828	859
<b>HEADING 2: NATURAL RESOURCES</b>	<b>105 829</b>	<b>105 766</b>	<b>90 232</b>	<b>15 534</b>
<i>Asylum and Migration Fund</i>	4 575	4 482	4 032	450
<i>Internal Security Fund</i>	3 159	3 095	2 695	401
<b>HEADING 3: SECURITY &amp; CITIZENSHIP</b>	<b>7 733</b>	<b>7 577</b>	<b>6 727</b>	<b>851</b>
<b>Total</b>	<b>472 872</b>	<b>472 315</b>	<b>399 483</b>	<b>72 832</b>

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 constitutes 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 provides an overview of the legal and budgetary commitments related to the headings 1B, 2 and 3 of the MFF 2014-2020. The table starts by disclosing the total MFF amounts voted for the period (column A). Column B shows the legal commitments concluded by the EU at year-end, some of which are not yet covered by budgetary commitments. Column C contains the budgetary commitments already made to cover the above mentioned legal commitments. The difference between these two columns represents the outstanding amounts that the EU will commit budgetarily and then pay after 31 December 2019. As the end of the MFF period approaches, the difference between legal commitments and budgetary commitments reduces significantly (EUR 72,8 billion compared to EUR 143,8 billion in 2018).

### 5.3. SIGNIFICANT LEGAL COMMITMENTS IN OTHER AREAS

EUR million		
	31.12.2019	31.12.2018
<i>Connecting Europe Facility</i>	7 680	11 554
<i>ITER</i>	1 676	1 489
<i>Copernicus</i>	601	1 267
<i>Galileo</i>	438	493



	EUR million	
	31.12.2019	31.12.2018
<i>Fisheries agreements</i>	223	46
<i>Operating lease commitments</i>	2 535	2 352
<i>Other contractual commitments</i>	788	924
<b>Total</b>	<b>13 941</b>	<b>18 126</b>

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 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 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<sup>(23)</sup> 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) No 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<sup>(24)</sup> 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 of the European Parliament and of the Council<sup>(25)</sup> the Commission signed a delegation agreement with ESA. Article 9 of Regulation (EU) No 1285/2013 authorises the use of annual instalments.

<sup>(23)</sup> OJ L 122, 24.4.2014, p. 44.

<sup>(24)</sup> OJ L 349, 21.12.2013, p. 100.

<sup>(25)</sup> OJ L 347, 20.12.2013, p. 1.



### Fisheries agreements

These represent commitments entered into with third countries for operations under international fisheries agreements up to 2025. The commitments made are based on Council decisions for each third country (e.g. Agreement between the EU and the Kingdom of Morocco, the Implementation Protocol thereto and the Exchange of Letters accompanying the Agreement <sup>(26)</sup>) 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:

<i>EUR million</i>				
	Minimum lease payments			
	< 1 year	1-5 years	> 5 years	Total
<i>Buildings</i>	429	981	1 079	2 490
<i>IT materials and other equipment</i>	10	26	9	45
<b>Total</b>	<b>439</b>	<b>1 008</b>	<b>1 088</b>	<b>2 535</b>

In March 2019, in the context of the United Kingdom's notification of its intention to withdraw from the EU, 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 <sup>(27)</sup>, the seat of the European Medicines Agency (EMA) was relocated from London to Amsterdam. On 2 July 2019, the Agency reached an agreement with its landlord and since then has sublet its premises to a subtenant under conditions that are consistent with the ones of the headlease, including the sublease term that extends until the expiry of EMA's headlease in June 2039.

The amounts disclosed in the table above include EUR 418 million still due under the headlease contract. An equal amount of payments is expected to be received by the subtenant under the non-cancellable sublease.

### 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 a building contract (JMO2) of the Commission in Luxembourg (EUR 381 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,
- 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 EFSD Guarantee Fund, and
- Financial instruments financed by the EU budget.

<sup>(26)</sup> OJ L 77, 20.3.2019, p. 1.

<sup>(27)</sup> OJ L 291, 16.11.2018, p. 3.

## 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 opened by the financial institution in its name but on behalf of the Commission (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.

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 are carried out by the EU according to the respective Council Regulations, Council and EP Decisions, and, if applicable, internal guidelines. Written procedure manuals covering specific areas such as borrowings and loans 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 Council Regulation (EU, Euratom) No 609/2014 (as amended by Council Regulation (EU, Euratom) 2016/804<sup>(28)</sup>) and in the Financial Regulation.

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<sup>(28)</sup> OJ L 132, 21.5.2016, p. 85.

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 cash held in those 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 regulate 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.

## **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 entities by applying a guaranteed return calculated on the same basis to the nominal amount of fines. However, the guaranteed return applied to entities fined before the entry into force of the new Financial Regulation in August 2018 is floored at zero. 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 imposed by the Commission 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.

#### *Financial 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. 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 the 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 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 managed assets shall provide sufficient liquidity in relation to 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 Commission is authorised to invest the assets of the EFSD Guarantee Fund on the financial markets following the principle of sound financial management and appropriate prudential rules. 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**

	31.12.2019						
	USD	GBP	DKK	SEK	EUR	Other	Total
<b>Financial assets</b>							
<i>Available for sale financial assets</i>	577	62	17	9	17 723	21	18 407
<i>Financial assets at fair value through surplus or deficit</i>	(393)	—	—	—	529	—	137

EUR million

EUR million

	31.12.2019						
	USD	GBP	DKK	SEK	EUR	Other	Total
Loans <sup>(1)</sup>	17	32	—	—	65	7	121
Receivables and recoverables	30	804	62	93	22 751	233	23 974
Cash and cash equivalents	100	311	319	432	16 910	1 673	19 745
	<b>332</b>	<b>1 209</b>	<b>398</b>	<b>533</b>	<b>57 979</b>	<b>1 934</b>	<b>62 384</b>
<b>Financial liabilities</b>							
Financial liabilities at fair value through surplus or deficit	(0)	—	—	—	(10)	(2)	(12)
Payables	(5)	(1)	(0)	(1)	(27 200)	(33)	(27 241)
	<b>(5)</b>	<b>(1)</b>	<b>(0)</b>	<b>(1)</b>	<b>(27 211)</b>	<b>(35)</b>	<b>(27 254)</b>
<b>Total</b>	<b>326</b>	<b>1 208</b>	<b>398</b>	<b>532</b>	<b>30 768</b>	<b>1 898</b>	<b>35 130</b>

<sup>(1)</sup> Excluding back-to-back loans for financial assistance.

EUR million

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

<sup>(1)</sup> 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:

EUR million				
	Economic result			
	USD	GBP	DKK	SEK
2019	(14)	(104)	(35)	(48)
2018	(7)	(512)	(35)	(47)

EUR million				
	Net assets			
	USD	GBP	DKK	SEK
2019	(17)	(6)	(2)	(1)
2018	(13)	(5)	(2)	(1)

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

EUR million				
	Economic result			
	USD	GBP	DKK	SEK
2019	17	127	42	58
2018	9	625	43	57

EUR million				
	Net assets			
	USD	GBP	DKK	SEK
2019	20	7	2	1
2018	16	6	2	1

### Borrowing and lending activities for financial assistance

Financial assets and liabilities are currently only 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 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 payment needs in the same currencies. Balances on these accounts are kept within their respective ceilings.

### Fines

All fines are imposed, paid or provisionally covered in EUR and therefore do not pose any 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.

### EFSD Guarantee Fund

The EFSD 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 %).

	EUR million	
	Increase (+) / decrease (-) in basis points	Effect on net assets
2019: Available for sale financial assets	+100	(447)
	-100	483
2018: Available for sale financial assets	+100	(348)
	-100	374

### 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 charge. Accounts held with national central banks (own resources and other) 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. 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 floored at zero for operational balances up to a specified ceiling.

Sensitivity to interests rate changes of a given portfolio of money market instruments and bonds increases with its duration. The duration of the main asset portfolios managed by the Commission is described below.

### Fines

The provisionally cashed fines are invested in a portfolio of money market instruments and long-term bonds with an average portfolio duration of 2,57 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 2,99 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 3,07 years.

### EFSD Guarantee Fund

The budget provisioned in the EFSD Guarantee Fund is invested in a portfolio of money market instruments and long-term bonds with a total average portfolio duration of 2,51 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

EUR million

	Total	Neither past due nor impaired	Past due but not impaired		
			< 1 year	1-5 years	> 5 years
Loans	52 684	52 683	1	—	—
Receivables and recoverables	23 974	9 410	2 726	11 543	295
Financial assets at fair value through surplus or deficit	137	137	—	—	—
<b>Total at 31.12.2019</b>	<b>76 795</b>	<b>62 231</b>	<b>2 727</b>	<b>11 543</b>	<b>295</b>
Loans	53 939	53 939	0	—	—
Receivables and recoverables	24 664	14 737	6 585	3 209	134
Financial assets at fair value through surplus or deficit	16	16	—	—	—
<b>Total at 31.12.2018</b>	<b>78 620</b>	<b>68 692</b>	<b>6 585</b>	<b>3 209</b>	<b>134</b>



Receivables and recoverables past due for less than 1 year include recoverables related to competition fines of EUR 1 799 million. Receivables and recoverables past due between 1 and 5 years contain recoverables concerning competition fines of EUR 9 212 million and receivables and recoverables past due for more than 5 years contain recoverables from competition fines of EUR 257 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. In addition to these, the receivables and recoverables past due for less than 1 year and those past due between 1 and 5 years contain EUR 0,8 billion receivables and EUR 2,1 billion recoverables respectively that relate to the infringement case referred to in note **2.6.1.1**.

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

EUR million

	31.12.2019					
	AFS <sup>(1)</sup>	Financial assets at FVSD <sup>(2)</sup>	Loans	Receivables and recoverables	Cash	Total
<b>Counterparties with external credit rating</b>						
<i>Prime and high grade</i>	8 848	137	32	3 632	15 452	28 101
<i>Upper medium grade</i>	3 588	—	23 013	1 444	3 688	31 734
<i>Lower medium grade</i>	2 298	—	24 711	1 867	322	29 198
<i>Non-investment grade</i>	264	—	4 855	478	262	5 858
	<b>14 998</b>	<b>137</b>	<b>52 610</b>	<b>7 422</b>	<b>19 724</b>	<b>94 891</b>
<b>Counterparties without external credit rating</b>						
<i>Group 1</i>	—	—	73	1 987	21	2 082
<i>Group 2</i>	—	—	—	2	—	2
	<b>—</b>	<b>—</b>	<b>73</b>	<b>1 989</b>	<b>21</b>	<b>2 083</b>
<b>Total</b>	<b>14 998</b>	<b>137</b>	<b>52 683</b>	<b>9 410</b>	<b>19 745</b>	<b>96 974</b>

EUR million

	31.12.2018					
	AFS <sup>(1)</sup>	Financial assets at FVSD <sup>(2)</sup>	Loans	Receivables and recoverables	Cash	Total
<b>Counterparties with external credit rating</b>						
<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

EUR million

	31.12.2018					
	AFS <sup>(1)</sup>	Financial assets at FVSD <sup>(2)</sup>	Loans	Receivables and recoverables	Cash	Total
<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
	<b>13 993</b>	<b>16</b>	<b>53 874</b>	<b>11 475</b>	<b>18 092</b>	<b>97 449</b>
<b>Counterparties without external credit rating</b>						
<i>Group 1</i>	—	—	64	3 262	21	3 347
<i>Group 2</i>	—	—	2	0	—	2
	—	—	<b>66</b>	<b>3 262</b>	<b>21</b>	<b>3 349</b>
<b>Total</b>	<b>13 993</b>	<b>16</b>	<b>53 939</b>	<b>14 737</b>	<b>18 113</b>	<b>100 797</b>

<sup>(1)</sup> Available for sale financial assets (excluding investments in money market funds and equity instruments).

<sup>(2)</sup> 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 above mentioned 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 categorised in non-investment grade relate primarily to financial support loans disbursed by the Commission to partner countries in financial difficulties. The amount under receivables and recoverables relates to recoverables against certain Member States based on own resources regulations or other legal basis. The amount under cash relates mainly to own resources bank accounts opened in the treasury or in the central banks of certain 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 for the implementation 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 EU budget.

The Own Resources legislation fixes the ceiling for own resources payments at 1,20 % of Member States' GNI and during 2019 0,88 % was actually used to cover payment appropriations. This means that at 31 December 2019 there existed an available margin of 0,32 % to cover these guarantees. To this end, the EU is entitled to call upon 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 70 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 2019 between EUR 6 billion and EUR 40 billion, and with an overall amount of payments made from Commission accounts in 2019 that exceeded EUR 158 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 20 % of the portfolio. The five countries with the highest exposure (Spain, Italy, Germany, France and Belgium) represent altogether 52 % of the investment portfolio. The weighted average credit rating of the portfolio is A (S&P or equivalent).

*Financial guarantees*

The risk management policy applied for the acceptance of such guarantees ensures a high credit quality for the Commission. The policy includes defining a maximum credit exposure towards a particular financial sector entity based on its credit rating and the level of an entity's capital as accounted for in its IFRS financial statements. The compliance of the outstanding guarantees with the applicable policy requirements is reviewed regularly.

**Guarantee Fund for external actions**

The 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 limited to investment grade, except for EU Member States exposure. The weighted average credit rating of the portfolio is BBB+ (S&P or equivalent).

As the sole counterparty for all outstanding currency forwards as of 31 December 2019 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.

**EFSD 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 limited to investment grade, except for EU Member States exposure. The weighted average credit rating of the portfolio is BBB+ (S&P or equivalent).

**6.6. LIQUIDITY RISK****Maturity analysis of financial liabilities by remaining contractual maturity**

	EUR million			
	< 1 year	1-5 years	> 5 years	Total
Borrowings	(1 273)	(19 312)	(31 978)	(52 564)
Payables	(27 241)	—	—	(27 241)
Financial guarantee liabilities	(20)	—	—	(20)
Other	(149)	(640)	(1 132)	(1 921)
<b>Total at 31.12.2019</b>	<b>(28 684)</b>	<b>(19 952)</b>	<b>(33 110)</b>	<b>(81 746)</b>
Borrowings	(2 350)	(17 363)	(34 158)	(53 872)
Payables	(32 227)	—	—	(32 227)

EUR million				
	< 1 year	1-5 years	> 5 years	Total
<i>Other</i>	(252)	(648)	(1 112)	(2 012)
<b>Total at 31.12.2018</b>	<b>(34 829)</b>	<b>(18 011)</b>	<b>(35 270)</b>	<b>(88 110)</b>

### Financial instruments at fair value through surplus or deficit

EUR million				
	< 1 year	1-5 years	> 5 years	Total
<i>Derivative pay leg</i>	(397)	(2)	(7)	(406)
<i>Derivative receive leg</i>	395	—	—	395
<b>Net cash flows at 31.12.2019</b>	<b>(2)</b>	<b>(2)</b>	<b>(7)</b>	<b>(10)</b>
<i>Derivative pay leg</i>	(490)	(2)	(6)	(498)
<i>Derivative receive leg</i>	477	—	—	477
<b>Net cash flows at 31.12.2018</b>	<b>(14)</b>	<b>(2)</b>	<b>(6)</b>	<b>(21)</b>

### 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, Council Regulation (EC) No 431/2009 <sup>(29)</sup> 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 <sup>(30)</sup> 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 revenue equal the amount of payment appropriations for the budgetary year. Member States' contributions, however, are received in twelve monthly instalments throughout the year and based on the adopted budget, while payments are subject to operational needs. Moreover, in accordance with 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.

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. Operational needs 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.

<sup>(29)</sup> OJ L 128, 27.5.2009, p. 1.

<sup>(30)</sup> OJ L 118, 12.5.2010, p. 1.

### **Fines**

The BUFI fund where provisionally paid fines are invested 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 short-term cash outflows. In addition, the share of cash, cash equivalents and securities maturing within 1 year is 24 %.

### **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 cash outflows. The share of cash, cash equivalents and securities maturing within 1 year is 11 %.

### **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 short-term cash outflows if necessary. In addition the share of cash, cash equivalents and securities maturing within 1 year is 23 %.

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 liquid assets that can be sold to meet short-term cash outflows, if necessary. In addition the share of cash, cash equivalents and securities maturing within 1 year is 42 %.

### **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 under Eastern Partnership SME Finance Facility programme (see note 2.11.2). Moreover, the EU guarantee on equity portfolios held by the EIB Group led 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 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

EUR

Entitlement (per employee)	Category 1	Category 2	Category 3	Category 4	Category 5
<b>Basic salary (per month)</b>	28 461,39	25 780,25 - 26 811,47	20 624,20 - 23 202,23	22 274,14 - 23 717,84	13 113,98 - 20 624,20
<b>Residential/Expatriation allowance</b>	15 %	15 %	15 %	15 %	0-4 %-16 %
<b>Family allowances:</b>					
Household (% salary)	2 % + 191,44	2 % + 191,44	2 % + 191,44	2 % + 191,44	2 % + 191,44
Dependent child	418,31	418,31	418,31	418,31	418,31
Pre-school	102,18	102,18	102,18	102,18	102,18
Education, or	283,82	283,82	283,82	283,82	283,82
Education outside place of work	567,38	567,38	567,38	567,38	567,38
<b>Presiding judges allowance</b>	N/A	N/A	651,20	N/A	N/A
<b>Representation allowance</b>	1 542,36	991,26	651,20	N/A	N/A
<b>Annual travel costs</b>	N/A	N/A	N/A	N/A	N/A
<b>Transfers to Member State:</b>					
Education allowance <sup>(1)</sup>	Yes	Yes	Yes	Yes	Yes
% of salary <sup>(1)</sup>	5 %	5 %	5 %	5 %	5 %
% of salary with no cc	max 25 %	max 25 %	max 25 %	max 25 %	max 25 %
<b>Representation expenses</b>	Reimbursed	Reimbursed	Reimbursed	N/A	N/A
<b>Taking up duty:</b>					
Installation expenses	56 922,77	51 560,49 - 53 622,93	41 248,39 - 46 404,45	44 548,28 - 47 435,67	Reimbursed
Family travel expenses	Reimbursed	Reimbursed	Reimbursed	Reimbursed	Reimbursed
Moving expenses	Reimbursed	Reimbursed	Reimbursed	Reimbursed	Reimbursed
<b>Leaving office:</b>					
Resettlement expenses	28 461,39	25 780,25 - 26 811,47	20 624,20 - 23 202,23	22 274,14 - 23 717,84	Reimbursed
Family travel expenses	Reimbursed	Reimbursed	Reimbursed	Reimbursed	Reimbursed
Moving expenses	Reimbursed	Reimbursed	Reimbursed	Reimbursed	Reimbursed
Transition (% salary) <sup>(2)</sup>	40 % – 65 %	40 % – 65 %	40 % – 65 %	40 % – 65 %	N/A



EUR

Entitlement (per employee)	Category 1	Category 2	Category 3	Category 4	Category 5
Sickness insurance	<i>Covered</i>	<i>Covered</i>	<i>Covered</i>	<i>Covered</i>	<i>Covered</i>
<b>Pension (% salary, before tax)</b>	Max 70 %	Max 70 %	Max 70 %	Max 70 %	Max 70 %
<b>Deductions:</b>					
Tax on salary	8 % – 45 %	8 % – 45 %	8 % – 45 %	8 % – 45 %	8 % – 45 %
<b>Sickness insurance (% salary)</b>	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	9,7 %
<b>Number of persons at year-end</b>	<b>3</b>	<b>8</b>	<b>93</b>	<b>28</b>	<b>112</b>

(<sup>1</sup>) With correction coefficient ('CC') applied.

(<sup>2</sup>) Paid for the first 3 years following departure.

#### 8. EVENTS AFTER THE BALANCE SHEET DATE

The annual accounts and related notes were prepared using the most recently available information and this is reflected in the information presented above. At the date of signature of these accounts two key material matters are disclosed below, the departure of the United Kingdom from the European Union and the EU reaction to the coronavirus outbreak. No further 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.

#### Coronavirus disease 2019 (COVID-19)

During the first half of 2020, the coronavirus outbreak has had huge global impacts. As a non-adjusting event, the outbreak of the coronavirus does not require any adjustments to the figures reported. For subsequent reporting periods, the implementation of the immediate response initiatives proposed by the Commission (including the reactivation of the Emergency Support Instrument (ESI) and further reinforcement of the Union Civil Protection Mechanism (UCPM/rescEU), the Coronavirus Response Investment Initiative (CRII and CRII+) and the support to mitigate Unemployment Risks in an Emergency (SURE) following the COVID-19 outbreak) will affect the recognition, measurement or reclassification of some assets and liabilities in the financial statements:

— Activation of the Emergency Support Instrument (ESI) and further reinforcement of the Union Civil Protection Mechanism (UCPM/rescEU):

Given the depth of the crisis following the COVID-19 outbreak as well as the extent and nature of the needs requiring support from the EU budget, the EU reactivated the ESI instrument. This instrument, originally established in March 2016 to address the emergency situation which had arisen following the massive influx of refugees in Greece (see Council Regulation (EU) 2016/369 <sup>(31)</sup> of 15 March 2016), has been reactivated for a period of 3 years (2020-2022) to finance expenditure necessary to address the COVID-19 pandemic for the period 1 February 2020 to 31 January 2022 (see Council Regulation (EU) 2020/521 <sup>(32)</sup> of 14 April 2020). To further this objective, the 2020 budget was amended to include EUR 2,7 billion in commitment appropriations and EUR 1,4 billion in payment appropriations (see Definitive Adoption (EU, Euratom) 2020/537 of Amending budget No 2 of the European Union for the financial year 2020 <sup>(33)</sup> of 17 April 2020). The reactivation will allow the Union to deploy measures preventing and mitigating severe consequences in one or more Member States and to address in a coordinated manner the needs related to the COVID-19 disaster, by complementing any assistance provided under other EU instruments. The instrument is centrally managed by the Commission and mainly focuses on direct procurement and grants, whilst in certain cases actions will be implemented through partners such as international organisations.

<sup>(31)</sup> OJ L 70, 16.3.2016, p. 1.

<sup>(32)</sup> OJ L 117, 15.4.2020, p. 3.

<sup>(33)</sup> OJ L 126, 21.4.2020, p. 67.



As a complementary measure to the ESI, the Union Civil Protection Mechanism/rescEU was reinforced to allow wider stock-piling and coordination of essential resource distribution across Europe (see Commission Implementing Decision (EU) 2019/570<sup>(34)</sup>, as amended by Commission Implementing Decision 2020/414<sup>(35)</sup> of 19 March 2020 and Commission Implementing Decision (EU) 2020/452 of 26 March 2020<sup>(36)</sup>). To this purpose the 2020 budget was amended to include a further EUR 0,3 billion in commitment appropriations and EUR 0,2 billion in payment appropriations. The reinforcement of the UCPM/rescEU will support Member States in purchasing some of the needed equipment (including therapeutics, medical equipment, Personal Protective Equipment, laboratory supplies), thus increasing the volume as well as complementing and widening the scope of priority items purchased through the joint procurement under the Joint Procurement Agreement, a coordinated approach giving Member States a strong position when negotiating with the industry on availability and price of medical products. The rescEU direct grants will provide 100 % financing from the EU budget, which includes full financing for development of these capacities and full financing of deployment of equipment. The equipment purchased will be hosted by one or more Member States, while decision making is organised at EU level, providing emergency supplies over and beyond national stocks. It will be available to all Member States and will be used in case of insufficient national availability.

— Coronavirus Response Investment Initiative (CRII and CRIIplus):

CRII, implemented by Regulation (EU) 2020/460 of the European Parliament and the Council<sup>(37)</sup> of 30 March 2020, introduced specific measures to mobilise investments in the healthcare systems of Member States and in other sectors of their economies in response to the COVID-19 outbreak by providing immediate liquidity to accelerate up to EUR 37 billion of European public investment, introducing flexibility in applying EU spending rules and extending the scope of the EU Solidarity Fund. CRIIplus, implemented by Regulation (EU) 2020/558 of the European Parliament and the Council<sup>(38)</sup> of 23 April 2020, introduced further measures to provide exceptional flexibility for the use of the European Structural and Investments Funds. The 2019 balance sheet includes EUR 6,8 billion as current pre-financing since these amounts were originally intended to be recovered during 2020. However, as a consequence of the CRII, the amounts will now remain with the Member States so as to be used to accelerate investments related to the COVID-19 outbreak. As the CRII foresees the clearance or recovery of pre-financing at closure, and eligibility periods may end in 2022, this EUR 6,8 billion of current pre-financing will likely all be reclassified, in conformity with the accounting rules, to non-current in the 2020 financial statements.

— European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE) following the COVID-19 outbreak:

As part of its emergency support package to tackle the economic impact of the COVID-19 crisis, the EU adopted on 19 May 2020 Council Regulation (EU) 2020/672<sup>(39)</sup> establishing the SURE instrument to help workers keep their jobs during the crisis. SURE is a temporary scheme which can provide up to EUR 100 billion of financial assistance (loans under favourable terms) to Member States. The instrument enables Member States to request EU financial assistance to help finance the sudden and severe increases of national public expenditure, as from 1 February 2020, related to national short-time work schemes and similar measures, including for self-employed persons, or to some health-related measures, in particular at the work place in response to the crisis. To enable the EU to provide financial assistance under SURE, the Commission shall be empowered to borrow on the capital markets or with financial institutions on behalf of the EU to a maximum amount of EUR 100 billion. SURE loans will be backed by the EU budget and guarantees provided by Member States according to their share in the EU's GNI. The total amount of guarantees will be EUR 25 billion and the instrument will become active only when all guarantees have been provided. The instrument is limited until 31 December 2022.

<sup>(34)</sup> OJ L 99, 10.4.2019, p. 41.

<sup>(35)</sup> OJ L 82 I, 19.3.2020, p. 1.

<sup>(36)</sup> OJ L 94 I, 27.3.2020, p. 1.

<sup>(37)</sup> OJ L 99, 31.3.2020, p. 5.

<sup>(38)</sup> OJ L 130, 24.4.2020, p. 1.

<sup>(39)</sup> OJ L 159, 20.5.2020, p. 1.

— Next Generation EU:

Furthermore, on 27 May 2020 President von der Leyen presented a new proposal for the EU long-term budget (multiannual financial framework) 2021-2027 and sectoral programmes boosted by 'Next Generation EU' <sup>(40)</sup>, an emergency temporary recovery instrument, to help repair the immediate economic and social damage brought about by the coronavirus pandemic, kickstart the recovery and prepare for a better future for the next generation. This proposal is currently being discussed with Member States and the European Parliament. Should an agreement be reached based on this proposal, many EU budget programmes would be topped-up by funds raised through borrowings by the EU. Given the size of the proposed amounts, it would have a significant impact on the content of future EU balance sheets; the specific impact can only be assessed once the final proposal has been approved by the budget authority and its implementation starts.

## Departure of United Kingdom from the European Union

On 1 February 2020 the United Kingdom ceased to be a Member State of the European Union. Following the conclusion of the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community (the 'Withdrawal Agreement') between the two parties, the United Kingdom committed to pay all its obligations under the current MFF and previous financial perspectives following from its membership of the Union.

At the date of signature of these accounts, and based on the Withdrawal Agreement concluded and already in operation, there is no financial impact to be reported in these accounts.

### 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 and Culture Executive Agency (EACEA)*

*Consumers, Health, Agriculture and Food Executive Agency (CHAFEA)*

*Research Executive Agency (REA)*

*Executive Agency for Small and Medium-sized Enterprises (EASME)*

*European Research Council Executive Agency (ERCEA)*

*Innovation and Networks Executive Agency (INEA)*

<sup>(40)</sup> [https://ec.europa.eu/info/strategy/eu-budget/eu-long-term-budget/2021-2027\\_en](https://ec.europa.eu/info/strategy/eu-budget/eu-long-term-budget/2021-2027_en)

**2.2. Decentralised Agencies (33)**

European Maritime Safety Agency (EMSA)

European Medicines Agency (EMA)

European Chemicals Agency (ECHA)

European Institute for Gender Equality (EIGE)

European Environment Agency (EEA)

European Banking Authority (EBA)

European Asylum Support Office (EASO)

European Border and Coast Guard Agency (Frontex)

European Union Agency for Law Enforcement Training (CEPOL)

European Global Navigation Satellite Systems Agency (GSA)

European Union Agency for Criminal Justice Cooperation (Eurojust)

European Agency for Safety and Health at Work (EU-OSHA)

European Centre for Disease Prevention and Control (ECDC)

European Centre for the Development of Vocational Training (CEDEFOP)

European Union Agency for the Cooperation of Energy Regulators (ACER)

Agency for Support for the Body of European Regulators for Electronic Communications (BEREC Office)

European Union Agency for Cybersecurity (ENISA)

European Food Safety Authority (EFSA)

European Union Agency for Railways (RAIL)

Community Plant Variety Office (CPVO)

European Fisheries Control Agency (EFCA)

European Union Intellectual Property Office (EUIPO)

European Union Aviation Safety Agency (EASA)

European Securities and Markets Authority (ESMA)

European Training Foundation (ETF)

European Foundation for the Improvement of Living and Working Conditions (Eurofound)

European Monitoring Centre for Drugs and Drug Addiction (EMCDDA)

European Union Agency for Law Enforcement Cooperation (EUROPOL)

European Union Agency for Fundamental Rights (FRA)

European Insurance and Occupational Pensions Authority (EIOPA)

Translation Centre for the Bodies of the European Union

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

European Union Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA)

**3. Other controlled entities (2)**

European Coal and Steel Community in Liquidation (ECSC i.L.)

European Institute of Innovation and Technology (EIT)

**B. ASSOCIATES (1)**

*European Investment Fund (EIF)*

**MINOR ENTITIES**

The entities listed below have not been consolidated using the equity method in the 2019 EU consolidated financial statements on the basis of immateriality:

**Bio Based Industries Joint Undertaking (BBI)**

BBI is a Public-Private Partnership (PPP) between the EU and the Bio-based Industries Consortium (BIC). The objectives of the BBI are to contribute to a more resource efficient and sustainable low-carbon economy and to increasing economic growth and employment by developing sustainable and competitive bio-based industries in Europe.

**Clean Sky Joint Undertaking (Clean Sky)**

Clean Sky is the largest European research programme developing innovative, cutting-edge technology aimed at reducing CO<sub>2</sub>, 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, a partnership between the European Union and the European pharmaceutical industry, is the world's biggest public private partnership in life sciences and working to improve health by speeding up the development of, and patient access to, innovative medicines, particularly in areas where there is an unmet medical or social need.

**Electronic Components and Systems for European Leadership Joint Undertaking (ECSEL)**

ECSEL, a PPP in electronic components and systems, funds research, development and innovation projects for world-class expertise in electronic components and systems, thus contributing to the development of a strong and globally competitive electronics components and systems industry in the European Union.

**Fuel Cells 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)**

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 <sup>(41)</sup>

## FINANCIAL YEAR 2019

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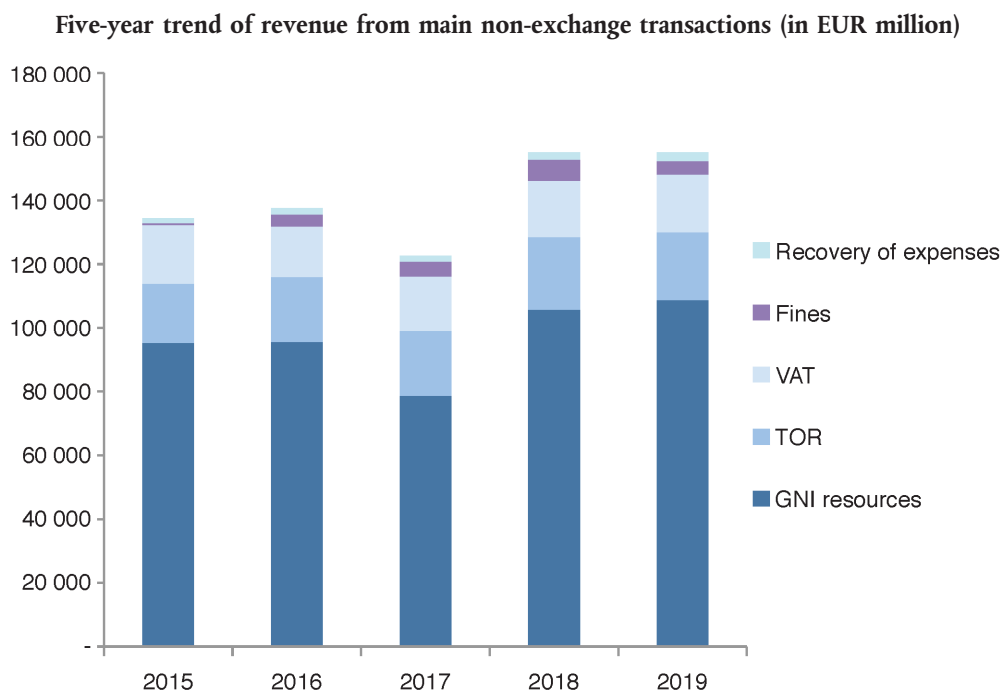
<sup>(41)</sup> It should be noted that due to the rounding of figures into millions of euros, some financial data in the tables below may appear not to add up.

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 2019

### 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.



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 2019, the consolidated revenue amounted to EUR 160,3 billion, a slight decrease of EUR 2,6 billion or 1,6 % from the previous year figure of EUR 162,9 billion, which was mainly due to an increase in GNI and VAT resources being overcompensated by a decrease in other revenue categories:

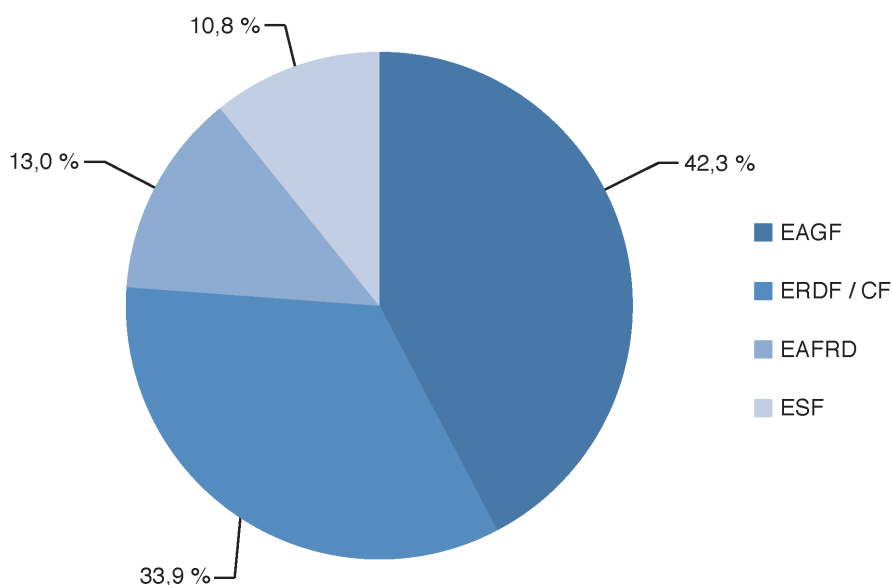
- Revenue from GNI (gross national income), the primary element of the EU's operating revenue, and VAT resources increased from EUR 123,4 billion in 2018 to EUR 126,9 billion in 2019. The increase of EUR 3,5 billion or 2,8 % was primarily caused by adjustments made for past amounts (mainly for the years 2012 to 2017) as GNI/VAT bases were updated with real data.
- The increase in recovery of expenses from EUR 2,2 billion to EUR 2,6 billion (an increase of EUR 0,4 billion or 18,2 %) further contributed to an increase in revenues.
- At the same time, revenue from fines, which amounted to EUR 6,7 billion in 2018, fell by EUR 2,4 billion or 35,8 % to EUR 4,3 billion due to the lower magnitude of the amount of fines imposed. Whereas in 2018 the three biggest fines imposed amounted to EUR 5,7 billion, the three biggest cases in 2019 amounted to EUR 3,1 billion.

The above changes were accompanied by a decrease in revenue from traditional own resources, which fell from EUR 22,8 billion in 2018 to EUR 21,2 billion in 2019 (a decrease of EUR 1,6 billion or 7,0 %) and the decrease in financial revenue, which fell from EUR 3,1 billion in 2018 to EUR 1,8 billion in 2019 (a decrease of EUR 1,3 billion or 41,9 %), due to a late payment interest revenue related to UK TOR cases which was recognised in 2018 (EUR 1,3 billion).

## 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 66,8 % of total expenses in 2019 (2018: 66,3 %) — 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 2019**



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.

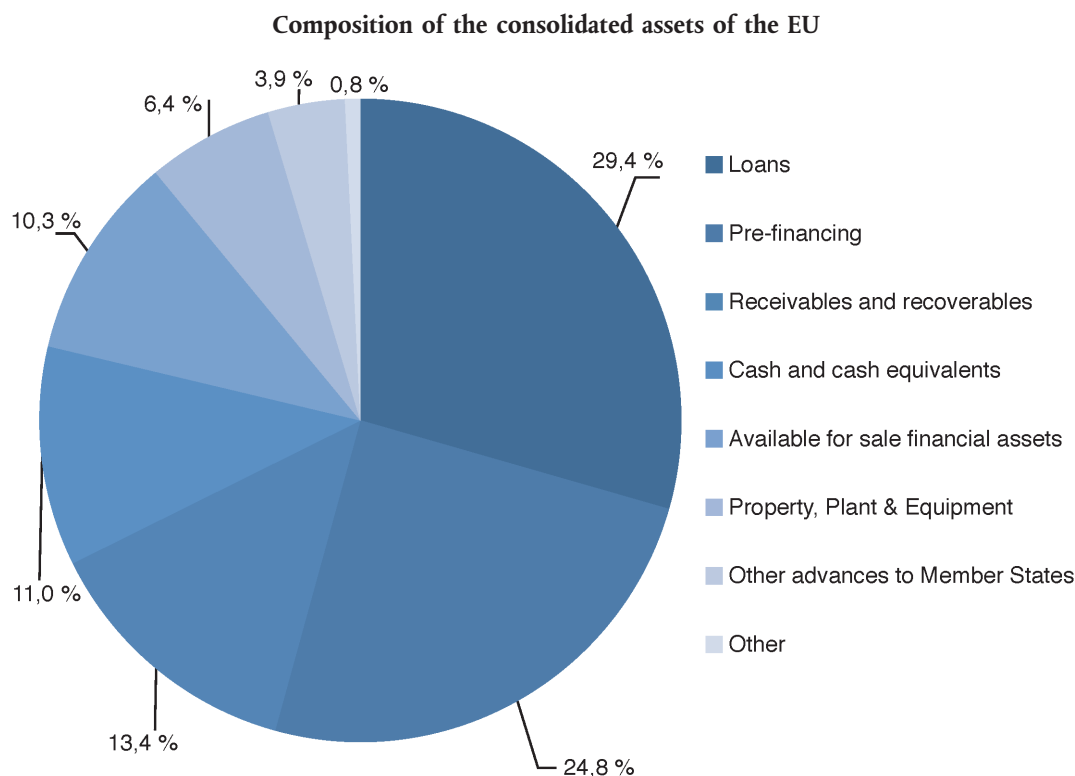
Expenses incurred under direct and indirect management made up EUR 29,0 billion or 18,7 % of total expenses and remained stable compared to the previous financial year (2018: EUR 28,5 billion or 19,1 %).

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, Members of the EU institutions and staff (see note 2.9).

Overall, expenses increased by 4,4 % or EUR 6,5 billion from EUR 149,0 billion to EUR 155,5 billion when compared with 2018, mainly resulting from expenses from programmes implemented under shared management by Member States which rose by EUR 4,8 billion or 4,7 % from EUR 101,7 billion to EUR 106,5 billion led by implementation of programmes under ERDF & Cohesion Fund as the current MFF advances.

## 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 79,6 % of the assets of the EU (2018: 78,8 %)



As at 31 December 2019 the total assets were EUR 178,9 billion, reflecting an increase of EUR 4,5 billion or 2,6 % over the previous year (2018: EUR 174,4 billion). The key changes were:

- an increase of EUR 3,0 billion (19,2 %) in available for sale financial assets reflecting the continued funding of the EFSI & EFSD guarantee funds, as well as Horizon 2020,
- an increase of EUR 1,6 billion (9,0 %) in cash and cash equivalents (see below),
- pre-financing, i.e. advances paid to beneficiaries of EU funds, remained essentially stable with a slight increase of EUR 1,1 billion (2,5 %),
- the above effects were partially compensated by a decrease of EUR 1,3 billion (2,3 %) in loans mainly due to the repayment of BOP loans by Romania (EUR 1 billion) and Latvia (EUR 0,5 billion) during 2019, the effect of which was partially offset by new MFA loans.

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 19,7 billion at year-end is made up of the following main elements:

- An amount of EUR 2,6 billion of fines imposed by the Commission for breach of competition rules, definitively cashed in 2019 and not yet included in an amending budget is included in the year-end treasury balance.
- The treasury balance also includes not yet used assigned revenue and other payment appropriations of EUR 9,7 billion of the 2019 budget.

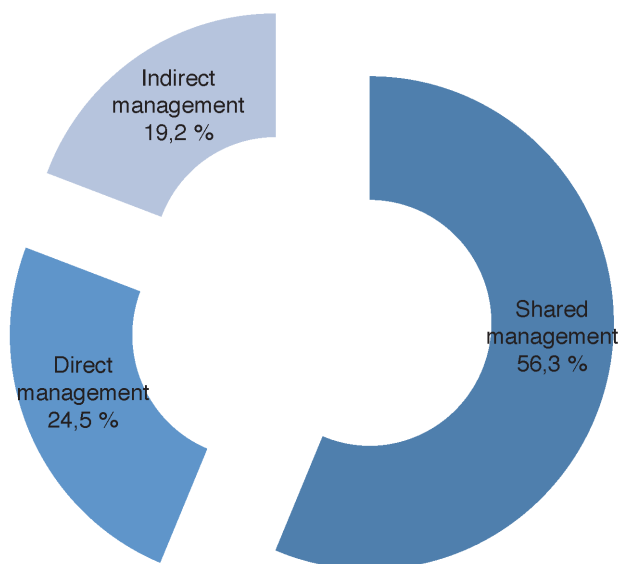
### Pre-financing

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 and these amounts remain available to the Member States until closure of the programmes. An annual pre-financing is also paid out, which must be used within the year or be recovered the following year as part of the annual closure of the accounts cycle. 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 Békou and Africa) on the EU balance sheet amounts to EUR 44,4 billion (2018: EUR 43,4 billion), almost all of which relates to Commission activities. Some 56 % 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 the shared management mode relates to ERDF & Cohesion Fund (EUR 14,4 billion), which is at a similar level to 2018 (EUR 14,6 billion).

#### FINANCIAL INSTRUMENTS

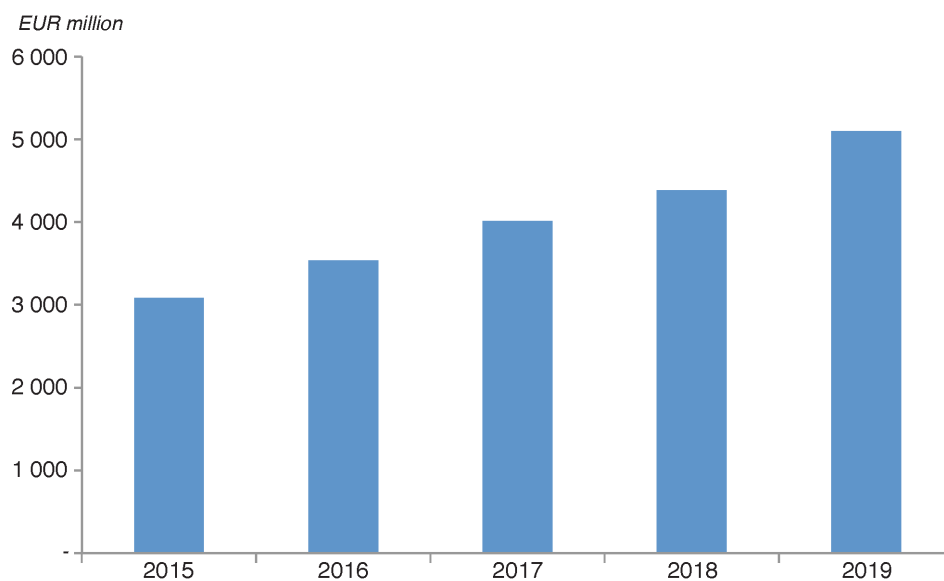
The following items are shown in accounting terms as financial instruments in the consolidated financial statements of the EU:

- 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, debt securities or investment in money market funds or pooled portfolios of assets) 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 of 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 2019:

EUR million			
Related to more than one MFF	Assets <sup>(1)</sup>	Liabilities <sup>(2)</sup>	Contingent Liabilities <sup>(3)</sup>
<b>Guarantee and risk-sharing instruments:</b>			
Guarantee Facility under the Western Balkan (EDIF)	36	(40)	—
	<b>36</b>	<b>(40)</b>	—
<b>Equity instruments:</b>			
European Fund for Southeast Europe (EFSE)	166	—	—
Green for Growth Fund to the Eastern Neighbourhood Region	71	—	—
European Progress Microfinance Fund	53	—	—
MENA Fund for Micro-, Small and Medium Enterprises (SANAD)	44	—	—
Enterprise Innovation Fund (ENIF)	17	—	—
Enterprise Expansion Fund (ENEF)	10	—	—
Microfinance Initiative for Asia Debt Fund (MIFA)	9	—	—
	<b>370</b>	—	—
<b>Total</b>	<b>406</b>	<b>(40)</b>	—

MFF 2014-2020	Assets	Liabilities	Contingent Liabilities
<b>Guarantee and risk-sharing instruments:</b>			
Horizon 2020 — InnovFin Loan & Guarantee Service for R&I	1 237	(33)	(1 091)
Horizon 2020 — InnovFin SME Guarantee	936	(557)	(361)
Connecting Europe Facility Debt Instrument (CEF DI)	708	(4)	(684)
COSME Loan Guarantee Facility	401	(758)	(2)
Private Finance for Energy Efficiency Instrument (PF4EE)	44	(2)	(8)
Cultural and Creative Sector Guarantee Facility	37	(28)	—
SEMED MSME Financial Inclusion Programme	25	—	(12)
Transferability & Convertibility (T&C) Facility	16	(1)	—
Student Loan Guarantee Facility	14	(1)	—
Eastern Partnership SME Finance facilities	13	(4)	(2)
Natural Capital Financing Facility	11	(0)	(7)
Other Guarantee and risk-sharing instruments	8	(1)	(6)
	<b>3 451</b>	<b>(1 387)</b>	<b>(2 175)</b>
<b>Equity instruments:</b>			
Horizon 2020 InnovFin Equity Facility for R&I	515	(17)	(131)
COSME — Equity Facility for Growth	86	(2)	—
Risk Capital Facility for the Southern Neighbourhood countries	24	—	—
Climate Investor One	15	—	—
Latin American Investment Facility	12	—	—
Africa Agriculture Trade and Investment Fund	11	—	—
Other Equity instruments	16	(1)	—
	<b>679</b>	<b>(20)</b>	<b>(131)</b>
<b>Mixed instruments:</b>			
Employment and Social Innovation (EaSI) Guarantee Facility and Capacity Building	81	(72)	—
EU Deep and Comprehensive Free Trade Area facilities	62	(24)	—
Facility for Energy Inclusion	37	(3)	—
ElectriFI	30	—	—
Agriculture Financing Initiative	21	—	—
	<b>232</b>	<b>(98)</b>	<b>—</b>
<b>Total</b>	<b>4 362</b>	<b>(1 505)</b>	<b>(2 306)</b>

MFF Prior to 2014	Assets	Liabilities	Contingent Liabilities
<b>Guarantee and risk-sharing instruments:</b>			
Risk Sharing Finance Facility (RSFF)	609	(58)	(110)
SME Guarantee Facility under CIP	71	(140)	—
Multi Annual Program (MAP) for Enterprises	32	(31)	—
European Progress Microfinance Guarantee Facility	4	(4)	—
	<b>716</b>	<b>(233)</b>	<b>(110)</b>
<b>Equity instruments:</b>			
High Growth and Innovative SME Facility under CIP	448	(4)	—
Multi Annual Framework Programme Equity Facility	196	—	—
European Energy Efficiency Fund	105	—	—
Global Energy Efficiency and Renewable Energy Fund	79	(4)	—
Marguerite Fund	54	—	—
European Technology Start up Facility 1998 (ETF)	3	(0)	—
	<b>885</b>	<b>(8)</b>	<b>—</b>
<b>Mixed instruments:</b>			
European Neighbourhood and Partnership Instrument (ENPI)	124	(2)	—
Instrument of economic and financial cooperation MEDA	119	(2)	—
	<b>243</b>	<b>(4)</b>	<b>—</b>
<b>Total</b>	<b>1 844</b>	<b>(244)</b>	<b>(110)</b>
<b>Overall Total</b>	<b>6 612</b>	<b>(1 790)</b>	<b>(2 416)</b>

(<sup>1</sup>) The assets presented in this table include several items of the financial statements (Available for sale financial assets of EUR 5 028 million; Cash and cash equivalents of EUR 1 485 million; Loans of EUR 73 million and other items of EUR 24 million).

(<sup>2</sup>) The liabilities presented in this table include several items of the financial statements (Provisions of EUR 1 702 million; Payables of EUR 75 million and other items in the amount of EUR 12 million).

(<sup>3</sup>) 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 given to the EIB group and other financial institutions (see note 4.1.1 of the consolidated financial statements). 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, money market funds, cash and term deposits. At 31 December 2019, the Commission holds financial assets in the:

- Guarantee Fund for external actions of EUR 2,6 billion,
- EFSI Guarantee Fund of EUR 6,7 billion, and
- EFSD Guarantee Fund of EUR 0,6 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 2019, the nominal amount of the loans granted for financial assistance under the EFSM and BOP were:

	BOP			EFSM <sup>(1)</sup>			TOTAL
	Latvia	Romania	Total	Ireland	Portugal	Total	
Total granted	3,1	5,0 <sup>(2)</sup>	8,1	22,5	26,0	48,5	56,6
Total disbursed at 31.12.2019	2,9	5,0	7,9	22,5	24,3	46,8	54,7
Total repaid at 31.12.2019	(2,7)	(5,0)	(7,7)	—	—	—	(7,7)
Outstanding amount at 31.12.2019	0,2	0	0,2	22,5	24,3	46,8	47,0

<sup>(1)</sup> Without re-financing transactions.

<sup>(2)</sup> 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.
- In 2019, no repayments of principal were scheduled. All requested interests payments were fully made on time.

### 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.
- As in the case of Ireland, there were no scheduled repayments of principal in 2019 and all the interests payments have been fully made on time.
- Portugal has formally requested that the EU waives its rights under the 'mandatory prepayment clause' of the EFSM Loan Facility Agreement, to allow Portugal to repay in advance an amount of EUR 2 billion to the European Financial Stability Facility (EFSF). An early repayment to the EFSF triggers a mandatory proportionate repayment of EFSM loans. A Commission Decision has authorised the waiver subject to some specific conditions.

### 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 main points are as follows:

- During 2019, the beneficiary Member States of BOP have reimbursed on time and in full a total amount of EUR 1,5 billion out of which EUR 1,0 billion related to a capital reimbursement from Romania and EUR 0,5 billion capital reimbursement from Latvia. In addition, both Member States paid the amount of interest due in 2019 on time.
- The outstanding amount at end 2019 is EUR 0,2 billion relating only to Latvia and scheduled for repayment in 2025. Romania has repaid all principal and interest so its BOP financial assistance programme can be closed.

### 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.

As at 31 December 2019, the total outstanding loan volume under the MFA loan programme (nominal value) thus stood at EUR 4,7 billion.

	MFA				
	Ukraine	Tunisia	Jordan	Others	Total
Total granted	3,8	0,8	0,4	0,5	5,5
Total disbursed at 31.12.2019	3,3	0,8	0,4	0,4	4,9
Total repaid at 31.12.2019	0,0	0,0	0,0	(0,2)	(0,2)
Outstanding amount at 31.12.2019	3,3	0,8	0,4	0,2	4,7

The main points are as follows:

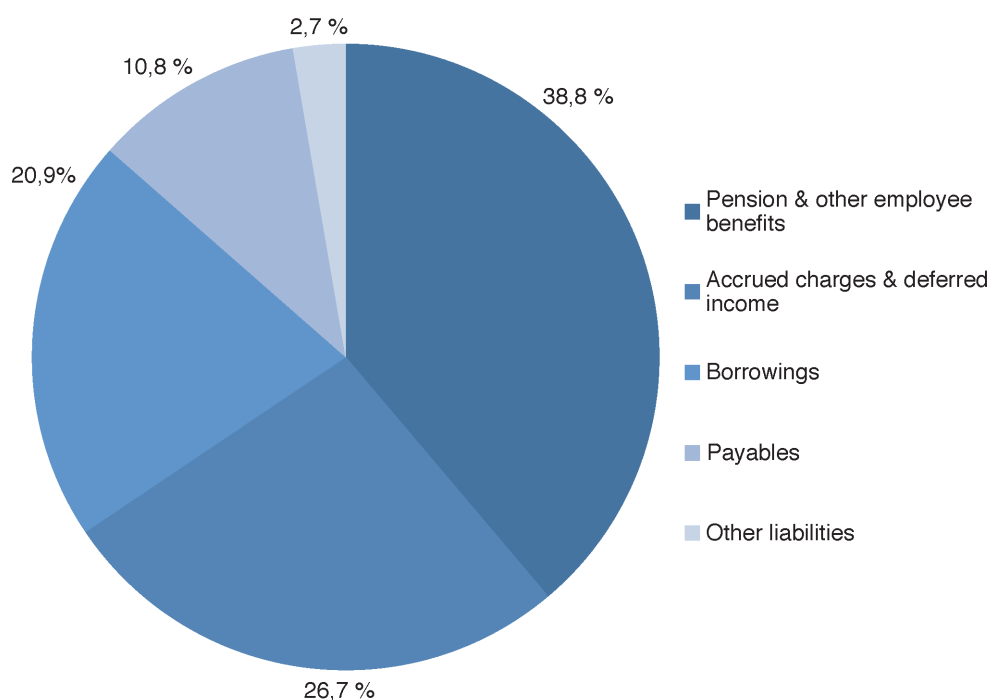
- In 2019 new loans were disbursed for a total amount of EUR 0,4 billion, being EUR 0,3 billion to Tunisia, EUR 0,1 billion to Jordan and EUR 0,02 billion to Moldova.

The largest loan beneficiary under MFA is Ukraine, which has been granted loans to the amount of EUR 3,3 billion, and another EUR 0,5 billion has been committed under a loan agreement but not yet disbursed. All payment obligations were honoured throughout the year 2019 by Ukraine.

#### 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**

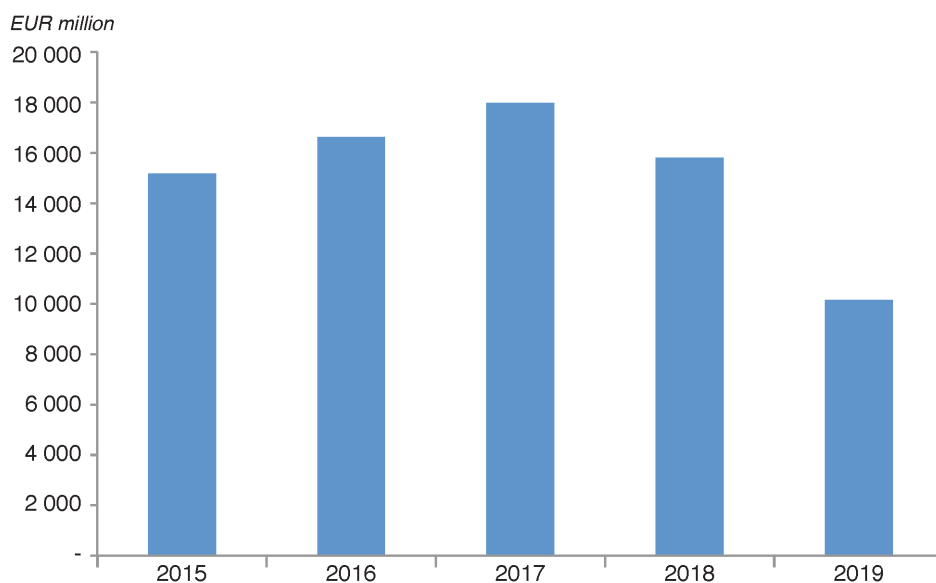


As at 31 December 2019 the total liabilities were EUR 251,5 billion, an increase of EUR 15,6 billion or 6,6 % compared to the previous year (EUR 235,9 billion).

The key changes were related to the following effects:

- Pensions and other post-employee benefits increased by EUR 17,2 billion or 21,4 %. The increase is mainly due to the actuarial loss from financial assumptions caused by the significant decrease in the discount rate which became negative for the first time;
- Borrowings decreased by EUR 1,3 billion or 2,4 %, mainly due to the repayment of BOP loans (EUR 1 billion relating to Romania and EUR 0,5 billion to Latvia), and partly offset by new MFA loans amounting to EUR 0,4 billion;
- Looking at payables (decrease of EUR 5,0 billion) and accrued charges (increase of EUR 4,0 billion) together, the overall level of liabilities remains the same. As the same level of cost claims have not been received by year-end in the field of cohesion policy (ERDF, CF and ESF), this leads to payables being lower; however accrued charges will increase, indicating that the implementation of the programmes is progressing.

### 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

Given the current global situation concerning the spread of the coronavirus disease during the first quarter of 2020, it is not possible to accurately assess its undoubted significant negative impact on the EU macro-economic environment at the time of transmission of these accounts.

The macro-economic environment of the EU 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.

Euro area and EU GDP is estimated to have grown by 1,2 % and 1,5 % in 2019, respectively. The overall inflation in the Euro area averaged 1,2 % in 2019, a sharp decline from the previous year's inflation rate of 1,7 %, which can be linked to the fall in energy prices and the lack of pass-through from robust wage growth to core inflation. The euro area labour market proved to be fairly resilient in 2019 given the background of relatively moderate economic growth. The unemployment rate has stayed close to or at 7,4 % towards the end of the year, which is the lowest rate recorded since May 2008. In December 2019, the number of unemployed persons was 4,6 % lower than one year before and 36,8 % below the April 2013 peak.

### 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 2019:

							EUR billion
	BOP			EFSM			TOTAL
	Latvia	Romania	Total	Ireland	Portugal	Total	
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
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
<b>Total</b>	<b>0,2</b>	<b>—</b>	<b>0,2</b>	<b>22,5</b>	<b>24,3</b>	<b>46,8</b>	<b>47,0</b>

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 2019, 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 and financial guarantee liabilities in the financial statements (see respectively notes **2.10** and **2.11.3** 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 2019, the total asset value of EUR 2,6 billion covers an exposure of amounts disbursed of EUR 20,2 billion.

The EFSI Guarantee Fund started its activity in 2016. Pursuant to the amended EFSI Regulation (Regulation (EU) 2017/2396 of the European Parliament and of the Council <sup>(42)</sup>) 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 total assets that make up the EFSI Guarantee Fund at 31 December 2019 is EUR 6,7 billion and that covers an exposure of disbursed amounts of EUR 17,7 billion.

Pursuant to the EFSD Regulation (Regulation (EU) 2017/1601), the EFSD Guarantee of up to EUR 1,5 billion (further increased by external contributions) is to be made available to support investments in partner countries in Africa and in the European Neighbourhood. The EU discloses the EFSD Guarantee in the notes to its consolidated financial statements (see note **4.1.1**) as a contingent liability. As at 31 December 2019, one EFSD guarantee agreement was effective, for a total cover limit of EUR 50 million, but no underlying operations were signed by the implementing partner. The EFSD Guarantee Fund has been established in order to cover potential future guarantee calls. Total contributions received into the fund as at 31 December 2019 amount to EUR 0,6 billion.

#### **2.4. NEW ENTRANTS' RESERVE (NER) 300**

The NER 300 fund originated from the sale of the Emission Trading Scheme allowances based on Directive 2003/87/EC of the European Parliament and of the Council <sup>(43)</sup> establishing a system for greenhouse gas emission allowance trading within the Union. The fund 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. Given the limited role of the Commission in the decision-making process in NER 300 programme and the fact that the funds arising from the sale of the allowances are not due to the EU Budget, the NER 300 is excluded from the EU scope of consolidation (i.e. neither the revenues from the allowances nor the expenses for the projects financed are included in the EU accounts).

In 2017, the Member States decided (Commission Decision (EU) 2017/2172 <sup>(44)</sup>) that the NER 300 revenues, which were not fully used for low-carbon energy demonstration projects through grants, should be partially channelled through financial instruments. In particular, NER 300 funds are used to provide guarantee to the EIB in relation to their loans for energy demonstration projects, in addition to the EU budget guarantee under H2020 and CEF financial instruments. Although those NER 300 funds have been pooled by the EIB together with the EU budget funds for asset management purposes, they continue to constitute an integral part of the NER 300 programme and the EU did not obtain control over them. Hence, the EU recognises only its share in those asset portfolios as available for sale financial assets (see note **2.4.1** of the consolidated financial statements).

The remaining NER 300 assets, not having been deployed for the low-carbon energy demonstration projects, shall — according to the Directive 2003/87/EC as amended in 2018 by the Directive (EU) 2018/410 <sup>(45)</sup> — be used for innovation support in low-carbon technologies and processes, in addition to a pool of allowances that are to be made available for creation of an 'Innovation Fund'. Following the Commission Delegated Regulation (EU) 2019/856 <sup>(46)</sup>, the Innovation Fund shall be managed by the Commission and the contribution from NER 300 when transferred to the EU budget will constitute external assigned revenue. Given that the Innovation Fund has not started its activities, nor have the NER 300 unused funds been transferred to the Commission in 2019, those funds have not been recognised as assets in the 2019 EU consolidated financial statements.

<sup>(42)</sup> OJ L 345, 27.12.2017, p. 34.

<sup>(43)</sup> OJ L 275, 25.10.2003, p. 32.

<sup>(44)</sup> OJ L 306, 22.11.2017, p. 24.

<sup>(45)</sup> OJ L 76, 19.3.2018, p. 3.

<sup>(46)</sup> OJ L 140, 28.5.2019, p. 6.

BUDGETARY IMPLEMENTATION REPORTS AND EXPLANATORY NOTES <sup>(47)</sup>

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<sup>(47)</sup> 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.

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## EU BUDGET RESULT

Note	EUR million	
	2019	2018
a Revenue for the financial year	163 918	159 318
b Payments against current year appropriations	(157 428)	(154 833)
c Payment appropriations carried over to year N+1	(1 615)	(1 675)
d Cancellation of unused appropriations carried over from year N-1	75	106
e Evolution of assigned revenue (B)-(A)	(1 736)	(1 114)
<i>Unused appropriations at the end of current year (A)</i>	9 144	7 408
<i>Unused appropriations at the end of previous year (B)</i>	7 408	6 295
f Exchange rate differences for the year	4	(1)
<b>Budget result</b>	<b>3 217</b>	<b>1 802</b>

The budget result of the EU is returned to the Member States in 2020 through deduction of their amounts due. It is calculated in accordance with Article 1(1) of Council Regulation (EU, Euratom) No 608/2014<sup>(48)</sup> laying down implementing measures for the system of own resources. More information can be found under Calculation of the budget result.

- a. Revenue for the financial year: refers to Table 3.1 'Summary of the implementation of EU Budget Revenue', column 8 'Total Revenue'.
- b. 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'.
- c. 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'.
- d. Cancellation of unused payment appropriations carried over from year N-1: takes into account the amount of payment appropriations carried over (automatically 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'.
- e. 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.
- f. Exchange rate differences include realised and non-realised exchange rate differences.

<sup>(48)</sup> OJ L 168, 7.6.2014, p. 29.

## STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

## Budget revenue

EUR million

	Initial budget adopted	Final adopted budget	Entitlements established	Revenue
1 Own resources	146 305	144 795	147 056	144 766
11 — Sugar levies	—	—	(1)	(1)
12 — Customs duties	21 471	21 471	23 656	21 365
13 — VAT	17 739	17 739	17 775	17 775
14 — GNI	107 095	105 585	105 700	105 700
15 — Correction of budgetary imbalances	—	—	(81)	(81)
16 — Reduction of GNI based contribution of the Netherlands and Sweden	—	—	7	7
3 Surpluses, balances and adjustments	—	1 803	1 811	1 805
4 Revenue accruing from persons working with the institutions and other union bodies	1 607	1 607	1 585	1 576
5 Revenue accruing from the administrative operation of the institutions	25	25	589	558
6 Contributions and refunds in connection with Union agreements and programmes	130	130	14 134	12 577
7 Interests on late payments and fines	115	115	18 575	2 625
8 Borrowing and lending operations	3	3	3	3
9 Miscellaneous revenue	15	15	17	8
<b>Total</b>	<b>148 199</b>	<b>148 492</b>	<b>183 771</b>	<b>163 918</b>

**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	80 527	80 627	92 794	90 536
1a: Competitiveness for growth and jobs	23 335	23 435	27 826	25 782
1b: Economic, social and territorial cohesion	57 192	57 192	64 969	64 754
2 Sustainable growth: natural resources	59 642	59 642	62 846	60 600
of which: Market related expenditure and direct payments	43 192	43 192	44 806	43 962
3 Security and citizenship	3 787	3 787	4 065	3 874
4 Global Europe	11 319	11 625	13 454	13 111
5 Administration	9 943	9 943	10 776	10 371
of which: Administrative expenditure of the institutions	4 115	4 115	4 550	4 371
6 Compensations	—	—	—	—
8 Negative reserve and deficit carried over from the previous financial year	—	—	—	—
9 Special Instruments	577	565	618	295
<b>Total</b>	<b>165 796</b>	<b>166 189</b>	<b>184 554</b>	<b>178 787</b>

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

EUR million

MFF Heading	Initial adopted budget	Final adopted budget	Total appropriations available	Payments made
1 Smart and inclusive growth	67 557	67 823	82 553	75 535
1a: Competitiveness for growth and jobs	20 522	20 261	26 044	21 748
1b: Economic, social and territorial cohesion	47 035	47 561	56 510	53 787
2 Sustainable growth: natural resources	57 400	57 837	61 252	59 521
of which: Market related expenditure and direct payments	43 116	43 113	44 933	43 885
3 Security and citizenship	3 527	3 291	3 575	3 256
4 Global Europe	9 358	8 953	10 933	10 108
5 Administration	9 945	9 942	11 694	10 381
of which: Administrative expenditure of the institutions	4 115	4 115	5 107	4 377
6 Compensations	—	—	—	—
8 Negative reserve and deficit carried over from the previous financial year	—	—	—	—
9 Special Instruments	412	647	671	295
<b>Total</b>	<b>148 199</b>	<b>148 492</b>	<b>170 679</b>	<b>159 096</b>



## NOTES TO THE BUDGETARY IMPLEMENTATION REPORTS

## 1. THE EU BUDGET FRAMEWORK

The budgetary accounts are kept in accordance with the Financial Regulation (FR). 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	43 881	43 888	307 998
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	—	—	—	—	—	—	—	—
<b>Commitment appropriations</b>	<b>121 435</b>	<b>162 959</b>	<b>154 738</b>	<b>155 631</b>	<b>159 514</b>	<b>164 123</b>	<b>168 797</b>	<b>1 087 197</b>
<b>Total payment appropriations</b>	<b>135 762</b>	<b>140 719</b>	<b>130 694</b>	<b>126 492</b>	<b>154 355</b>	<b>166 709</b>	<b>172 420</b>	<b>1 027 151</b>

The above table shows the Multiannual Financial Framework (MFF) ceilings at current prices. 2019 was the penultimate financial year covered by the MFF 2014-2020. The overall ceiling for commitment appropriations for 2019 was EUR 164 123 million, equivalent to 1,00 % of the EU GNI, whilst the corresponding ceiling for payment appropriations was EUR 166 709 million, or 1,01 % of the EU GNI valid throughout the budgetary year 2019.

New flexibility provisions have been agreed for the 2014-2020 MFF. One of the new provisions is a possibility to transfer unspent margins (up until the caps set by the regulation) 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), 2017 (EUR 16 414 million in current prices) and 2018 (EUR 210 million out of the calculated EUR 11 386 million due to the capping) was transferred to the years 2018-2020 and the ceilings of 2016-2020 were adjusted accordingly. On 15 May 2019 the Commission adopted a Communication on technical adjustment of the financial framework for 2020 in line with movements in GNI (ESA 2010) (COM(2019) 310).

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 + programme.

**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. For the Institutions other than the Commission, these costs make up the totality of their expenditure.

**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 these Member States 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:
  - Carry-overs 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 the EU's own resources (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 Regulation (EU, Euratom) No 609/2014: all amounts recovered or guaranteed.
- In the separate accounts provided for also in the above mentioned 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 quarter 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 Regulation (EU, Euratom) No 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 carry-overs and carry-overs 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

	EUR million	
	2019	2018
<b>ECONOMIC RESULT OF THE YEAR</b>	<b>4 796</b>	<b>13 918</b>
<b>Revenue</b>		
<i>Entitlements established in current year but not yet collected</i>	(6 193)	(6 220)
<i>Entitlements established in previous years and collected in current year</i>	8 656	9 331
<i>Accrued revenue (net)</i>	3 341	(4 015)
	<b>5 804</b>	<b>(904)</b>
<b>Expenses</b>		
<i>Accrued expenses (net)</i>	8 394	4 511
<i>Expenses prior year paid in current year</i>	(3 832)	(6 086)
<i>Net-effect pre-financing</i>	(10 981)	(8 634)
<i>Payment appropriations carried over to next year</i>	(3 532)	(2 941)
<i>Payments made from carry-overs &amp; cancellation of unused payment appropriations</i>	1 924	2 098
<i>Movement in provisions</i>	3 801	3 567
<i>Other</i>	(3 076)	(4 175)
	<b>(7 304)</b>	<b>(11 660)</b>
<b>Economic result Agencies and ECSC i.L.</b>	<b>(79)</b>	<b>448</b>
<b>BUDGET RESULT OF THE YEAR</b>	<b>3 217</b>	<b>1 802</b>

In accordance with the Financial Regulation, the economic result of the year is calculated on the basis of accrual accounting principles (EU Accounting Rules), while the budget result is based on modified cash accounting rules. As the economic result and the budget result cover the same underlying transactions — the exception being the other (non-budgetary) sources of revenue and expenditure of the agencies and the ECSC in Liquidation which are included in the economic result only (see note 6) — the reconciliation of the economic result of the year with the budget result of the year serves as a useful consistency check.

### **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 the reversal of accrued expenses from the 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 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.

### **Reconciling item — Economic result Agencies and ECSC in Liquidation**

The budget result of the year is a non-consolidated figure and does not include the other (non-budgetary) sources of revenue and expenditure of the consolidated agencies and the ECSC i.L. (see note 6). To reconcile the economic result of the year — a consolidated figure which includes these amounts — with the budgetary result of the year, the whole consolidated economic result of the year of the agencies and the ECSC i.L. is presented as a reconciling item.

## **2. IMPLEMENTATION OF THE 2019 EU BUDGET — COMMENTARY**

### **2.1. REVENUE**

In the initial adopted EU budget, signed by the President of the European Parliament on 12 December 2018, the amount of payment appropriations was EUR 148 199 million and the amount to be financed by own resources totalled EUR 146 305 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 2019, three amending budgets were adopted. Taking them into account, the final adopted revenue for 2019 amounted to EUR 148 492 million and the total financed by own resources was EUR 144 795 million. The main factor for the reduction of Member States' contributions in 2019 was the surplus from the previous financial year (EUR 1 803 million) slightly counterbalanced by a net increase of payment appropriations (EUR 293 million).

As far as the own resources result is concerned, the collection of traditional own resources was very close to the forecasted amounts.

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.

For the VAT and GNI balances, the rules are set out in Article 10 b of the Making Available Regulation (Regulation (EU, Euratom) No 609/2014). 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 2019, these contributions totalled EUR 12,6 billion.

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

## 2.2. EXPENDITURE

The EU budget has an important role to support the delivery of the Union's policies and priorities. Despite its limited amount, representing around 2 % of all public spending in the Union, it complements national budgets and has a clear focus on investment and additionality. It is a key tool among the wide set of European-level policy and regulatory instruments, to implement policy priorities which all EU members have agreed upon, translated into a Multiannual Financial Framework containing the different programmes and maximum expenditure ceilings.

The EU budget for 2019, adopted on 12 December 2018, confirms that the EU is directing money to where the needs are. In 2019, and in line with the European Commission proposal of May 2018, the biggest part of the EU budget went to stimulate the creation of jobs, especially for young people, and to boost growth, strategic investments and convergence. The EU has also continued supporting the efforts to effectively deal with the migration challenge, both inside and outside the EU.

2019 was the sixth year of the current 2014-2020 Multiannual Financial Framework (MFF). The implementation of almost all programmes was at cruising speed except new programmes or actions for which the legislative process finished recently.

In line with the annual evolution foreseen in the MFF, appropriations proposed in the draft budget were set at EUR 165,6 billion (3,1 % higher when compared to the 2018 budget) in commitments, and EUR 148,7 billion (2,7 % higher) in payments, corresponding to 1,00 % and 0,90 % of EU gross national income (GNI), respectively.

All headings reached high levels of implementation in 2019. The 2019 implementation for all types of appropriations (budget, carry-overs from previous year and assigned revenue) was 97 % for commitments and 93 % for payments. Implementation rates excluding assigned revenue show full implementation in 2019 (99,4 % in commitments and 98,4 % in payments).

Outstanding commitments (RAL, committed amounts not yet paid for) stood at EUR 297,7 billion at the end of 2019. An increase from the 2018 level had been expected, given the difference between budgeted commitment and payment appropriations (EUR 17,7 billion) in the adopted budget and taking into account the fact that an increase in outstanding commitments constitutes a normal evolution, as commitment appropriations increase every year as foreseen in the Multiannual Financial Framework. The final increase reached EUR 16,5 billion.

### 3. IMPLEMENTATION OF EU BUDGET REVENUE

#### 3.1. SUMMARY OF THE IMPLEMENTATION OF EU BUDGET REVENUE

EUR million

Title	Income appropriations		Entitlements established			Revenue			Receipts as % of budget	Outstanding
	Initial adopted budget	Final adopted budget	Current year	Carried over	Total	On entitlements of current year	On entitlements carried over	Total		
	1	2	3	4	5=3+4	6	7	8=6+7		
1 Own resources	146 305	144 795	147 013	44	147 056	144 754	12	144 766	100 %	2 291
3 Surpluses, balances and adjustments	—	1 803	1 811	—	1 811	1 805	—	1 805	100 %	7
4 Revenue accruing from persons working with the institutions and other union bodies	1 607	1 607	1 576	10	1 585	1 566	10	1 576	98 %	10
5 Revenue accruing from the administrative operation of the institutions	25	25	570	19	589	546	12	558	2 229 %	31
6 Contributions and refunds in connection with Union agreements and programmes	130	130	13 564	569	14 134	12 279	298	12 577	9 674 %	1 557
7 Interests on late payments and fines	115	115	5 456	13 119	18 575	2 355	271	2 625	2 283 %	15 949
8 Borrowing and lending operations	3	3	3	—	3	3	—	3	110 %	—
9 Miscellaneous revenue	15	15	8	9	17	7	1	8	52 %	9
<b>Total</b>	<b>148 199</b>	<b>148 492</b>	<b>170 001</b>	<b>13 770</b>	<b>183 771</b>	<b>163 314</b>	<b>604</b>	<b>163 918</b>	<b>110 %</b>	<b>19 853</b>



## 4. IMPLEMENTATION OF EU BUDGET EXPENDITURE

## 4.1. MFF: BREAKDOWN &amp; CHANGES IN COMMITMENT &amp; PAYMENT APPROPRIATIONS

EUR million

MFF Heading	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
1 Smart and inclusive growth	80 527	100	80 627	0	12 166	92 794	67 557	266	67 823	131	14 600	82 553
1a: Competitiveness for growth and jobs	23 335	100	23 435	0	4 390	27 826	20 522	(260)	20 261	118	5 664	26 044
1b: Economic, social and territorial cohesion	57 192	—	57 192	—	7 777	64 969	47 035	526	47 561	13	8 935	56 510
2 Sustainable growth: natural resources	59 642	—	59 642	460	2 745	62 846	57 400	437	57 837	672	2 743	61 252
of which: Market related expenditure and direct payments	43 192	—	43 192	460	1 155	44 806	43 116	(3)	43 113	665	1 155	44 933
3 Security and citizenship	3 787	0	3 787	—	279	4 065	3 527	(237)	3 291	9	276	3 575
4 Global Europe	11 319	306	11 625	34	1 795	13 454	9 358	(406)	8 953	64	1 916	10 933
5 Administration	9 943	0	9 943	1	832	10 776	9 945	(2)	9 942	916	836	11 694
of which: Administrative expenditure of the institutions	4 115	—	4 115		435	4 550	4 115	—	4 115	554	437	5 107
6 Compensations	—	—	—	—	—	—	—	—	—	—	—	—
8 Negative reserve and deficit carried over from the previous financial year	—	—	—	—	—	—	—	—	—	—	—	—
9 Special Instruments	577	(12)	565	30	24	618	412	236	647	0	24	671
<b>Total</b>	<b>165 796</b>	<b>394</b>	<b>166 189</b>	<b>525</b>	<b>17 840</b>	<b>184 554</b>	<b>148 199</b>	<b>294</b>	<b>148 492</b>	<b>1 792</b>	<b>20 394</b>	<b>170 679</b>

#### 4.2. MFF: IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

EUR million

MFF Heading	Total appropri. available	Commitments made					Appropriat. carried over to 2020			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	92 794	80 540	0	9 996	90 536	98 %	2 074	36	2 110	52	—	97	149
1a: Competitiveness for growth and jobs	27 826	23 406	0	2 376	25 782	93 %	2 013	3	2 016	27	—	1	28
1b: Economic, social and territorial cohesion	64 969	57 134	—	7 620	64 754	100 %	60	33	93	25	—	96	121
2 Sustainable growth: natural resources	62 846	59 161	438	1 001	60 600	96 %	1 330	467	1 797	14	21	414	449
of which: Market related expenditure and direct payments	44 806	42 718	438	807	43 962	98 %	348	467	815	8	21	—	29
3 Security and citizenship	4 065	3 737	—	137	3 874	95 %	142	—	142	50	—	0	50
4 Global Europe	13 454	11 622	34	1 454	13 111	97 %	340	1	341	2	—	0	2
5 Administration	10 776	9 797	1	574	10 371	96 %	255	—	255	146	0	3	149
of which: Administrative expenditure of the institutions	4 550	4 033		338	4 371	96 %	94	0	94	82	0	3	85
6 Compensations	—	—	—	—	—	—	—	—	—	—	—	—	—
8 Negative reserve and deficit carried over from the previous financial year	—	—	—	—	—	—	—	—	—	—	—	—	—
9 Special Instruments	618	295	—	—	295	48 %	8	94	102	175	30	16	221
Total	184 554	165 153	473	13 161	178 787	97 %	4 149	598	4 747	438	51	530	1 019

#### 4.3. MFF: IMPLEMENTATION OF PAYMENT APPROPRIATIONS

EUR million

MFF Heading	Total appropri. available	Payments made					Appropriations carried over to 2020				Appropriations lapsing			
		from final adopted budget	from carry- overs	from as- signed revenue	Total	%	automat. carry- overs	carry- overs by decis.	assigned revenue	Total	from final adopted budget	from carry- overs	from as- signed revenue	Total
	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 Smart and inclusive growth	82 553	67 637	113	7 785	75 535	91 %	151	3	6 813	6 967	32	18	1	52
1a: Competitiveness for growth and jobs	26 044	20 090	102	1 555	21 748	84 %	138	3	4 108	4 249	30	16	1	48
1b: Economic, social and territorial cohesion	56 510	47 547	10	6 230	53 787	95 %	13	—	2 705	2 718	2	2	0	4
2 Sustainable growth: natural resources	61 252	57 163	637	1 721	59 521	97 %	198	467	1 023	1 687	9	35	—	44
of which: Market related expenditure and direct payments	44 933	42 449	631	806	43 885	98 %	190	467	349	1 006	7	34	—	42
3 Security and citizenship	3 575	3 153	7	96	3 256	91 %	9	—	180	188	129	2	0	131
4 Global Europe	10 933	8 908	60	1 140	10 108	92 %	39	—	772	811	6	4	4	14
5 Administration	11 694	9 048	850	482	10 381	89 %	748	0	349	1 098	146	66	4	216
of which: Administrative expenditure of the institutions	5 107	3 571	515	291	4 377	86 %	463	0	143	605	82	39	3	124
6 Compensations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8 Negative reserve and deficit carried over from the previous financial year	—	—	—	—	—	—	0	—	—	—	—	—	—	—
9 Special Instruments	671	295	0	—	295	44 %	1	—	8	9	352	0	16	368
<b>Total</b>	<b>170 679</b>	<b>146 203</b>	<b>1 667</b>	<b>11 225</b>	<b>159 096</b>	<b>93 %</b>	<b>1 145</b>	<b>470</b>	<b>9 144</b>	<b>10 759</b>	<b>675</b>	<b>125</b>	<b>25</b>	<b>825</b>

#### 4.4. MFF: MOVEMENTS IN OUTSTANDING COMMITMENTS (RAL)

EUR million

MFF Heading	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. out- standing at year-end	Commitm. made during the year	Payments	Cancellation of commitm. which cannot be carried over	Commitm. out- standing at year-end	
	1	2	3	4=1+2+3	5	6	7	8=5+6+7	
1 Smart and inclusive growth	206 991	(1 360)	(66 413)	139 217	90 536	(9 122)	(4)	81 410	220 627
1a: Competitiveness for growth and jobs	37 006	(738)	(13 367)	22 901	25 782	(8 380)	(4)	17 397	40 298
1b: Economic, social and territorial cohesion	169 985	(622)	(53 046)	116 317	64 754	(742)	(0)	64 012	180 329
2 Sustainable growth: natural resources	40 047	(253)	(15 133)	24 661	60 600	(44 387)	(0)	16 213	40 874
of which: Market related expenditure and direct payments	359	(6)	(235)	117	43 962	(43 650)	—	313	430
3 Security and citizenship	5 834	(269)	(1 934)	3 632	3 874	(1 323)	—	2 551	6 183
4 Global Europe	27 352	(1 200)	(6 918)	19 234	13 111	(3 190)	(0)	9 920	29 154
5 Administration	961	(97)	(859)	5	10 371	(9 522)	(1)	849	854
of which: Administrative expenditure of the institutions	587	(69)	(515)	2	4 371	(3 861)	0	510	511
6 Compensations	—	—	—	—	—	—	—	—	—
8 Negative reserve and deficit carried over from the previous financial year	—	—	—	—	—	—	—	—	—
9 Special Instruments	0	(0)	(0)	—	295	(295)	—	1	1
<b>Total</b>	<b>281 185</b>	<b>(3 179)</b>	<b>(91 257)</b>	<b>186 749</b>	<b>178 787</b>	<b>(67 838)</b>	<b>(5)</b>	<b>110 944</b>	<b>297 693</b>

## 4.5. MFF: OUTSTANDING COMMITMENTS BY YEAR OF ORIGIN

EUR million									
MFF Heading	< 2013	2013	2014	2015	2016	2017	2018	2019	Total
1 Smart and inclusive growth	1 428	3 640	2 139	4 683	12 476	45 924	68 924	81 414	220 627
1a: Competitiveness for growth and jobs	472	921	1 175	1 608	3 133	5 427	10 160	17 402	40 298
1b: Economic, social and territorial cohesion	956	2 719	964	3 075	9 343	40 496	58 763	64 012	180 329
2 Sustainable growth: natural resources	68	130	285	1 316	2 685	7 603	12 575	16 213	40 874
of which: Market related expenditure and direct payments	—	—	—	1	3	37	76	313	430
3 Security and citizenship	33	18	20	53	433	1 223	1 851	2 552	6 183
4 Global Europe	909	958	1 010	1 851	3 253	4 973	6 231	9 970	29 154
5 Administration	—	—	0	—	0	1	2	851	854
of which: Administrative expenditure of the institutions	0	0	0	0	0	0	0	511	511
9 Special Instruments	—	—	—	—	—	—	0	1	1
Total	2 438	4 746	3 453	7 904	18 846	59 723	89 583	110 999	297 693

The set-up of the new Commission involved an internal re-organisation of services. Re-allocating the related transactions resulted in a shift of outstanding amount between years. The overall amount of outstanding commitments remains unchanged.

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

EUR million

Programme	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
1 European Fund Strategic Investments (EFSI)	187	—	187	—	190	377	1 022	1	1 023	—	190	1 213
European satellite navigation (EGNOS/Galileo)	691	—	691	—	128	819	923	70	993	2	253	1 248
International Thermonuclear Reactor (ITER)	407	2	409	—	49	458	617	(58)	559	0	49	608
European Earth Observation Programme (Copernicus)	861	—	861	—	21	882	602	1	603	2	14	619
European Solidarity Corps (ESC)	143	—	143	0	8	151	120	(12)	108	7	8	123
European Defence Industrial Development Programme (EDIDP)	245	—	245	—	—	245	147	(145)	2	—	—	2
Nuclear Safety and Decommissioning	144	—	144	—	—	144	158	(1)	157	—	—	157
Horizon 2020	12 312	80	12 392	—	2 652	15 043	10 972	(160)	10 812	73	3 767	14 652
Euratom Research and Training Programme	374	0	374	—	115	488	370	(3)	367	19	153	539
Competitiveness enterprises and SMEs (COSME)	367	0	367	—	47	414	252	25	277	3	86	365

Programme	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
Education, Training and Sport (Erasmus+)	2 766	20	2 786	—	484	3 271	2 563	46	2 609	7	601	3 217
Employment and Social Innovation (EaSI)	136	—	136	—	51	187	118	10	129	1	50	180
Customs, Fiscalis and Anti-Fraud	135	—	135	—	11	146	134	1	135	0	10	145
CEF — Energy	949	—	949	—	44	993	327	(1)	326	1	3	331
CEF — Transport	2 640	—	2 640	—	82	2 722	1 223	92	1 314	1	18	1 334
CEF — Information & Communications Technology (ICT)	175	—	175	—	5	180	152	(33)	118	0	4	123
Energy projects for economic recovery (EERP)	—	—	—	—	0	0	61	(61)	—	—	35	35
Decentralised agencies	383	(4)	379	—	27	406	382	(2)	379	—	27	406
Other actions and programmes	194	(2)	193	—	473	665	165	(1)	164	1	391	556
Pilot projects and preparatory actions	97	(0)	97	—	1	98	100	(32)	68	—	1	69
Specific competences of the Commission	128	4	133	—	4	137	115	3	118	—	4	122
Regional convergence (Less developed regions)	27 875	9	27 885	—	3 654	31 539	24 042	206	24 248	—	4 304	28 551

Programme	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
Transition regions	5 849	5	5 854	—	806	6 660	4 370	(271)	4 099	—	1 118	5 217
Competitiveness (More developed regions)	8 649	27	8 676	—	1 151	9 827	7 442	28	7 470	—	1 382	8 852
Outermost and sparsely populated regions	231	—	231	—	22	253	176	38	215	—	28	242
Cohesion fund	9 754	—	9 754	—	1 801	11 555	7 706	400	8 107	—	1 695	9 801
European territorial cooperation	1 973	—	1 973	—	235	2 208	1 191	256	1 447	—	256	1 703
Technical assistance	240	—	240	—	2	242	213	(25)	187	12	2	202
European Aid to the Most Deprived (FEAD)	568	—	568	—	23	591	401	11	412	0	94	506
Youth Employment initiative	350	(41)	309	—	81	390	632	(109)	523	—	56	579
Connecting Europe Facility (CEF)	1 700	—	1 700	—	1	1 701	852	(8)	843	—	2	845
Pilot projects and preparatory actions	4	—	4	—	0	4	11	(0)	11	—	0	11
<b>Total MFF Heading 1</b>	<b>80 527</b>	<b>100</b>	<b>80 627</b>	<b>0</b>	<b>12 166</b>	<b>92 794</b>	<b>67 557</b>	<b>266</b>	<b>67 823</b>	<b>131</b>	<b>14 600</b>	<b>82 553</b>
2 European Agricultural Guarantee Fund (EAGF)	43 192	—	43 192	460	1 155	44 806	43 116	(3)	43 113	665	1 155	44 933



Programme	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
Agricultural Fund Rural Development (EAFRD)	14 727	—	14 727	—	1 356	16 083	13 148	362	13 510	2	1 356	14 868
European Maritime and Fisheries Fund (EMFF)	942	—	942	—	218	1 160	571	81	652	1	218	871
Fisheries Partnership Agreements (SFPAs) and Fisheries Management Organisations (RFMOs)	148	—	148	—	—	148	142	0	142	—	—	142
Environment and climate action (LIFE)	558	1	559	—	7	567	342	13	354	4	6	365
Decentralised agencies	61	—	61	—	8	70	61	(2)	59	—	8	68
Other actions and measures	—	—	—	—	—	—	—	—	—	—	—	—
Pilot projects and preparatory actions	14	(1)	12	—	0	12	20	(14)	6	—	0	6
Specific Actions	—	—	—	—	—	—	—	0	0	—	—	0
<b>Total MFF Heading 2</b>	<b>59 642</b>	<b>—</b>	<b>59 642</b>	<b>460</b>	<b>2 745</b>	<b>62 846</b>	<b>57 400</b>	<b>437</b>	<b>57 837</b>	<b>672</b>	<b>2 743</b>	<b>61 252</b>
3 Asylum, Migration and Integration Fund (AMF)	1 121	70	1 191	—	17	1 208	953	21	974	1	17	992
Consumer	29	—	29	—	1	30	24	3	27	1	1	28
Creative Europe	245	—	245	—	14	258	195	7	202	1	14	217

Programme	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
Emergency Support within the Union (IES)	0	—	0	—	0	0	70	(10)	60	0	0	60
Internal Security Fund	533	(0)	533	—	148	681	664	(162)	502	1	146	649
IT systems	0	(0)	—	—	—	—	—	0	0	—	0	0
Justice	45	(0)	45	—	1	45	38	9	47	1	1	48
Rights, Equality and Citizenship	66	—	66	—	2	67	58	4	62	0	2	64
Union Civil protection Mechanism	150	(45)	105	—	4	109	82	(13)	69	—	3	72
Europe for Citizens	29	—	29	—	0	29	29	(4)	25	0	0	25
Food and feed	290	—	290	—	4	294	239	2	242	1	5	247
Health	68	—	68	—	3	71	61	3	64	1	2	67
Decentralised agencies	1 090	(25)	1 066	—	85	1 151	998	(87)	911	—	85	996
Pilot projects and preparatory actions	15	—	15	—	0	15	18	(10)	8	—	0	8
Specific Actions	106	—	106	—	0	106	100	(0)	99	1	0	101
<b>Total MFF Heading 3</b>	<b>3 787</b>	<b>0</b>	<b>3 787</b>	<b>—</b>	<b>279</b>	<b>4 065</b>	<b>3 527</b>	<b>(237)</b>	<b>3 291</b>	<b>9</b>	<b>276</b>	<b>3 575</b>

Programme	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
4 Pre-accession assistance (IPA II)	2 423	(29)	2 394	—	739	3 133	1 708	(325)	1 382	5	562	1 950
Macro-financial Assistance (MFA)	27	(27)	0	—	—	0	27	(17)	10	—	—	10
Guarantee Fund for External Actions	—	—	—	—	110	110	—	—	—	—	110	110
Union Civil Protection Mechanism	24	(11)	13	—	1	13	21	(10)	11	—	1	11
EU Aid Volunteers initiative (EUAV)	20	(1)	19	—	0	19	16	(3)	13	—	0	13
Fund for Sustainable Development (EFSD)	25	—	25	—	129	154	25	—	25	25	429	479
European Neighbourhood Instrument (ENI)	2 677	61	2 738	—	41	2 779	2 060	1	2 061	4	41	2 106
Development Cooperation Instrument (DCI)	3 190	15	3 205	—	83	3 287	2 796	(219)	2 578	16	123	2 716
Partnership Instrument (PI)	154	(5)	149	—	10	159	100	36	136	0	9	145
Democracy and Human Rights (EIDHR)	197	(18)	179	—	2	181	159	3	163	3	2	167
Stability and Peace (IcSP)	377	0	377	—	11	388	321	(3)	319	3	9	331
Humanitarian aid	1 652	315	1 966	34	424	2 425	1 603	137	1 740	6	371	2 117
Common Foreign and Security Policy (CFSP)	335	8	343	—	41	384	306	3	309	0	53	362

Programme	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
Nuclear Safety Cooperation (INSC)	34	—	34	—	0	34	41	(6)	36	1	0	36
Decentralised agencies	20	—	20	—	0	21	20	—	20	—	0	21
Other actions and programmes	84	(3)	81	—	205	286	73	4	77	0	206	282
Pilot projects and preparatory actions	6	(4)	2	—	0	2	8	(1)	7	—	1	7
Specific Actions	75	5	80	—	0	81	74	(6)	68	—	0	68
<b>Total MFF Heading 4</b>	<b>11 319</b>	<b>306</b>	<b>11 625</b>	<b>34</b>	<b>1 795</b>	<b>13 454</b>	<b>9 358</b>	<b>(406)</b>	<b>8 953</b>	<b>64</b>	<b>1 916</b>	<b>10 933</b>
5 Pensions	2 004	(2)	2 002	—	0	2 002	2 004	(2)	2 002	—	0	2 002
European schools	191	(11)	181	—	12	193	191	(11)	181	2	12	195
Decentralised agencies	—	—	—	—	—	—	—	—	—	—	—	—
Pilot projects and preparatory actions	4	—	4	—	0	4	6	(2)	4	1	0	6
Commission administrative expenditure	3 629	12	3 641	1	385	4 027	3 629	11	3 640	359	386	4 385
Administrative expenditure of Other Institutions	4 115	—	4 115	0	435	4 550	4 115	—	4 115	554	437	5 107
<b>Total MFF Heading 5</b>	<b>9 943</b>	<b>(0)</b>	<b>9 943</b>	<b>1</b>	<b>832</b>	<b>10 776</b>	<b>9 945</b>	<b>(2)</b>	<b>9 942</b>	<b>916</b>	<b>836</b>	<b>11 694</b>

Programme	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
6 Compensations	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total MFF Heading 6</b>	—	—	—	—	—	—	—	—	—	—	—	—
8 Negative reserve	—	—	—	—	—	—	—	—	—	—	—	—
Deficit carried over	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total MFF Heading 8</b>	—	—	—	—	—	—	—	—	—	—	—	—
9 Emergency Aid Reserve (EAR)	352	(306)	46	—	—	46	352	—	352	—	—	352
European Globalisation Adjustment Fund (EGF)	176	—	176	—	24	199	10	(9)	1	0	24	25
European Union Solidarity Fund (EUSF)	50	294	344	30	—	373	50	245	295	—	—	295
<b>Total MFF Heading 9</b>	<b>577</b>	<b>(12)</b>	<b>565</b>	<b>30</b>	<b>24</b>	<b>618</b>	<b>412</b>	<b>236</b>	<b>647</b>	<b>0</b>	<b>24</b>	<b>671</b>
<b>Total</b>	<b>165 796</b>	<b>394</b>	<b>166 189</b>	<b>525</b>	<b>17 840</b>	<b>184 554</b>	<b>148 199</b>	<b>294</b>	<b>148 492</b>	<b>1 792</b>	<b>20 394</b>	<b>170 679</b>

## 4.7. DETAILED MFF: IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

EUR million

Programme	Total appropri. available	Commitments made					Appropriat. carried over to 2020			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 European Fund Strategic Investments (EFSI)	377	187	—	190	377	100 %	—	—	—	0	—	—	0
European satellite navigation (EGNOS/Galileo)	819	691	—	82	773	94 %	46	—	46	0	—	—	0
International Thermonuclear Reactor (ITER)	458	409	—	17	426	93 %	32	—	32	0	—	—	0
European Earth Observation Programme (Copernicus)	882	861	—	21	882	100 %	0	—	0	—	—	—	—
European Solidarity Corps (ESC)	151	143	0	4	148	98 %	3	—	3	—	—	—	—
European Defence Industrial Development Programme (EDIDP)	245	245	—	—	245	100 %	—	—	—	—	—	—	—
Nuclear Safety and Decommissioning	144	144	—	—	144	100 %	—	—	—	0	—	—	0
Horizon 2020	15 043	12 391	—	1 417	13 808	92 %	1 234	—	1 234	0	—	1	1
Euratom Research and Training Programme	488	371	—	51	422	86 %	64	3	67	0	—	0	0
Competitiveness enterprises and SMEs (COSME)	414	367	—	31	398	96 %	15	—	15	0	—	0	0
Education, Training and Sport (Erasmus+)	3 271	2 786	—	273	3 060	94 %	211	—	211	—	—	—	—

Programme	Total appropri. available	Commitments made					Appropriat. carried over to 2020			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
Employment and Social Inno- vation (EaSI)	187	135	—	25	159	85 %	26	—	26	2	—	0	2
Customs, Fiscalis and Anti- Fraud	146	135	—	8	143	98 %	3	—	3	0	—	—	0
CEF — Energy	993	949	—	44	992	100 %	1	—	1	0	—	—	0
CEF — Transport	2 722	2 639	—	77	2 716	100 %	4	—	4	1	—	—	1
CEF — Information & Commu- nications Technology (ICT)	180	171	—	4	175	98 %	0	—	0	4	—	0	4
Energy projects for economic recovery (EERP)	0	—	—	—	—	—	0	—	0	—	—	—	—
Decentralised agencies	406	360	—	16	376	93 %	10	—	10	19	—	0	19
Other actions and programmes	665	193	—	112	304	46 %	361	—	361	0	—	0	0
Pilot projects and preparatory actions	98	97	—	1	98	100 %	0	—	0	0	—	—	0
Specific competences of the Commission	137	132	—	2	134	98 %	2	—	2	1	—	0	1
Regional convergence (Less de- veloped regions)	31 539	27 877	—	3 567	31 444	100 %	43	—	43	8	—	43	51
Transition regions	6 660	5 851	—	806	6 657	100 %	0	—	0	3	—	—	3
Competitiveness (More devel- oped regions)	9 827	8 674	—	1 130	9 804	100 %	8	—	8	1	—	14	15
Outermost and sparsely popu- lated regions	253	231	—	22	253	100 %	—	—	—	—	—	—	—

EUR million

Programme	Total appropri. available	Commitments made					Appropriat. carried over to 2020			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
Cohesion fund	11 555	9 752	—	1 775	11 527	100 %	(0)	2	1	—	—	26	26
European territorial cooperation	2 208	1 973	—	216	2 189	99 %	7	—	7	0	—	12	12
Technical assistance	242	228	—	0	228	94 %	1	—	1	12	—	1	13
European Aid to the Most Deprived (FEAD)	591	567	—	23	590	100 %	—	—	—	1	—	0	1
Youth Employment initiative	390	277	—	81	358	92 %	—	32	32	—	—	—	—
Connecting Europe Facility (CEF)	1 701	1 700	—	—	1 700	100 %	1	—	1	—	—	—	—
Pilot projects and preparatory actions	4	4	—	—	4	97 %	0	—	0	—	—	—	—
<b>Total MFF Heading 1</b>	<b>92 794</b>	<b>80 540</b>	<b>0</b>	<b>9 996</b>	<b>90 536</b>	<b>98 %</b>	<b>2 074</b>	<b>36</b>	<b>2 110</b>	<b>52</b>	<b>—</b>	<b>97</b>	<b>149</b>
2 European Agricultural Guarantee Fund (EAGF)	44 806	42 718	438	807	43 962	98 %	348	467	815	8	21	—	29
Agricultural Fund Rural Development (EAFRD)	16 083	14 725	—	40	14 765	92 %	903	—	903	2	—	413	415
European Maritime and Fisheries Fund (EMFF)	1 160	940	—	142	1 082	93 %	75	—	75	2	—	1	3
Fisheries Partnership Agreements (SFPAs) and Fisheries Management Organisations (RFMOs)	148	148	—	—	148	100 %	—	—	—	—	—	—	—



EUR million

Programme	Total appropri. available	Commitments made					Appropriat. carried over to 2020			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
Environment and climate action (LIFE)	567	559	—	5	564	100 %	2	—	2	0	—	0	0
Decentralised agencies	70	59	—	7	67	95 %	1	—	1	2	—	—	2
Other actions and measures	—	—	—	—	—	—	—	—	—	—	—	—	—
Pilot projects and preparatory actions	12	12	—	—	12	100 %	0	—	0	0	—	—	0
Specific Actions	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total MFF Heading 2</b>	<b>62 846</b>	<b>59 161</b>	<b>438</b>	<b>1 001</b>	<b>60 600</b>	<b>96 %</b>	<b>1 330</b>	<b>467</b>	<b>1 797</b>	<b>14</b>	<b>21</b>	<b>414</b>	<b>449</b>
3 Asylum, Migration and Integration Fund (AMF)	1 208	1 184	—	9	1 192	99 %	9	—	9	7	—	—	7
Consumer	30	29	—	1	30	100 %	0	—	0	0	—	0	0
Creative Europe	258	245	—	10	255	99 %	4	—	4	0	—	—	0
Emergency Support within the Union (IES)	0	0	—	—	0	38 %	0	—	0	0	—	0	0
Internal Security Fund	681	533	—	64	597	88 %	84	—	84	0	—	—	0
IT systems	—	—	—	—	—	—	—	—	—	—	—	—	—
Justice	45	45	—	0	45	99 %	0	—	0	0	—	0	0
Rights, Equality and Citizenship	67	66	—	1	67	99 %	1	—	1	0	—	0	0
Union Civil protection Mechanism	109	70	—	3	73	67 %	1	—	1	35	—	0	35
Europe for Citizens	29	29	—	0	29	99 %	0	—	0	0	—	—	0

Programme	Total appropri. available	Commitments made					Appropriat. carried over to 2020			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
Food and feed	294	290	—	3	292	99 %	2	—	2	0	—	0	0
Health	71	68	—	2	71	100 %	0	—	0	0	—	0	0
Decentralised agencies	1 151	1 059	—	44	1 102	96 %	41	—	41	7	—	0	7
Pilot projects and preparatory actions	15	15	—	—	15	99 %	0	—	0	0	—	0	0
Specific Actions	106	106	—	0	106	100 %	0	—	0	0	—	—	0
<b>Total MFF Heading 3</b>	<b>4 065</b>	<b>3 737</b>	<b>—</b>	<b>137</b>	<b>3 874</b>	<b>95 %</b>	<b>142</b>	<b>—</b>	<b>142</b>	<b>50</b>	<b>—</b>	<b>0</b>	<b>50</b>
4 Pre-accession assistance (IPA II)	3 133	2 393	—	601	2 994	96 %	138	—	138	1	—	0	1
Macro-financial Assistance (MFA)	0	0	—	—	0	97 %	—	—	—	0	—	—	0
Guarantee Fund for External Actions	110	—	—	103	103	94 %	7	—	7	—	—	—	—
Union Civil Protection Mechanism	13	13	—	0	13	99 %	0	—	0	—	—	0	0
EU Aid Volunteers initiative (EUAV)	19	19	—	0	19	100 %	0	—	0	0	—	—	0
Fund for Sustainable Development (EFSD)	154	25	—	70	95	61 %	60	—	60	—	—	—	—
European Neighbourhood Instrument (ENI)	2 779	2 738	—	31	2 769	100 %	10	—	10	0	—	—	0
Development Cooperation Instrument (DCI)	3 287	3 204	—	58	3 262	99 %	25	—	25	0	—	0	0
Partnership Instrument (PI)	159	149	—	7	156	98 %	3	—	3	0	—	—	0

Programme	Total appropri. available	Commitments made					Appropriat. carried over to 2020			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
Democracy and Human Rights (EIDHR)	181	179	—	1	179	99 %	1	—	1	0	—	—	0
Stability and Peace (IcSP)	388	377	—	10	387	100 %	1	—	1	0	—	—	0
Humanitarian aid	2 425	1 966	34	412	2 412	99 %	13	—	13	—	—	—	—
Common Foreign and Security Policy (CFSP)	384	343	—	17	360	94 %	24	—	24	0	—	—	0
Nuclear Safety Cooperation (INSC)	34	34	—	—	34	100 %	0	—	0	0	—	—	0
Decentralised agencies	21	20	—	0	21	100 %	0	—	0	—	—	—	—
Other actions and programmes	286	81	—	145	226	79 %	60	—	60	0	—	0	0
Pilot projects and preparatory actions	2	1	—	—	1	47 %	0	1	1	—	—	0	0
Specific Actions	81	80	—	0	81	100 %	0	—	0	—	—	—	—
<b>Total MFF Heading 4</b>	<b>13 454</b>	<b>11 622</b>	<b>34</b>	<b>1 454</b>	<b>13 111</b>	<b>97 %</b>	<b>340</b>	<b>1</b>	<b>341</b>	<b>2</b>	<b>—</b>	<b>0</b>	<b>2</b>
5 Pensions	2 002	1 990	—	0	1 990	99 %	0	—	0	12	—	—	12
European schools	193	181	—	10	191	99 %	2	—	2	0	—	—	0
Decentralised agencies	—	—	—	—	—	—	—	—	—	—	—	—	—
Pilot projects and preparatory actions	4	4	—	—	4	100 %	—	—	—	—	—	0	0
Commission administrative expenditure	4 027	3 589	1	225	3 816	95 %	159	—	159	51	0	0	52

Programme	Total apprpr. available	Commitments made					Appropriat. carried over to 2020			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
Administrative expenditure of Other Institutions	4 550	4 033	0	338	4 371	96 %	94	0	94	82	0	3	85
<b>Total MFF Heading 5</b>	<b>10 776</b>	<b>9 797</b>	<b>1</b>	<b>574</b>	<b>10 371</b>	<b>96 %</b>	<b>255</b>	<b>—</b>	<b>255</b>	<b>146</b>	<b>0</b>	<b>3</b>	<b>149</b>
6   Compensations	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total MFF Heading 6</b>	—	—	—	—	—	—	—	—	—	—	—	—	—
8   Negative reserve	—	—	—	—	—	—	—	—	—	—	—	—	—
Deficit carried over	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total MFF Heading 8</b>	—	—	—	—	—	—	—	—	—	—	—	—	—
9   Emergency Aid Reserve (EAR)	46	—	—	—	—	—	—	46	46	—	—	—	—
European Globalisation Adjust- ment Fund (EGF)	199	1	—	—	1	0 %	8	—	8	175	—	16	191
European Union Solidarity Fund (EUSF)	373	295	—	—	295	79 %	—	49	49	—	30	—	30
<b>Total MFF Heading 9</b>	<b>618</b>	<b>295</b>	<b>—</b>	<b>—</b>	<b>295</b>	<b>48 %</b>	<b>8</b>	<b>94</b>	<b>102</b>	<b>175</b>	<b>30</b>	<b>16</b>	<b>221</b>
<b>Total</b>	<b>184 554</b>	<b>165 153</b>	<b>473</b>	<b>13 161</b>	<b>178 787</b>	<b>97 %</b>	<b>4 149</b>	<b>598</b>	<b>4 747</b>	<b>438</b>	<b>51</b>	<b>530</b>	<b>1 019</b>

#### 4.8. DETAILED MFF: IMPLEMENTATION OF PAYMENT APPROPRIATIONS

EUR million

Programme		Total appropri. available	Payments made				Appropriations carried over to 2020				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 budge	from carry- overs	from assigned revenue	Total
		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 Strategic Investments (EFSI)	1 213	1 023	—	163	1 186	98 %	0	—	27	27	0	—	—	0
	European satellite navigation (EGNOS/Galileo)	1 248	991	2	48	1 041	83 %	2	—	205	207	0	0	—	0
	International Thermonuclear Reactor (ITER)	608	558	0	17	575	95 %	1	—	32	32	0	0	—	0
	European Earth Observation Programme (Copernicus)	619	601	2	14	617	100 %	2	—	0	2	(0)	0	—	0
	European Solidarity Corps (ESC)	123	105	4	0	109	89 %	3	—	7	10	0	4	0	4
	European Defence Industrial Development Programme (EDIDP)	2	0	—	—	0	7 %	2	—	—	2	0	—	—	0
	Nuclear Safety and Decommissioning	157	157	—	—	157	100 %	—	—	—	—	0	—	—	0
	Horizon 2020	14 652	10 731	65	782	11 578	79 %	81	—	2 983	3 065	0	8	1	10
	Euratom Research and Training Programme	539	331	17	42	390	72 %	33	3	111	146	0	2	0	2
	Competitiveness enterprises and SMEs (COSME)	365	274	3	53	330	90 %	2	—	33	36	0	0	0	0
	Education, Training and Sport (Erasmus+)	3 217	2 602	7	248	2 857	89 %	7	—	353	360	0	0	0	1
	Employment and Social Innovation (EaSI)	180	126	0	3	129	72 %	1	—	47	48	2	1	0	3

Programme	Total appropri. available	Payments made					Appropriations carried over to 2020				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 budge	from carry- overs	from assigned revenue	Total
	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, Fiscalis and Anti-Fraud	145	133	0	4	137	95 %	0	—	6	6	2	0	—	2
CEF — Energy	331	325	1	3	330	100 %	1	—	1	1	0	0	—	0
CEF — Transport	1 334	1 312	1	14	1 327	100 %	2	—	4	6	0	0	—	1
CEF — Information & Communications Technology (ICT)	123	118	0	4	122	99 %	0	—	0	1	0	0	0	0
Energy projects for economic recovery (EERP)	35	—	—	35	35	99 %	0	—	0	0	—	—	—	—
Decentralised agencies	406	361	—	16	377	93 %	0	—	10	10	19	—	0	19
Other actions and programmes	556	162	1	106	268	48 %	1	—	285	287	1	0	0	1
Pilot projects and preparatory actions	69	64	—	1	65	94 %	0	—	0	0	4	—	—	4
Specific competences of the Commission	122	116	—	3	119	97 %	0	—	1	1	2	—	0	2
Regional convergence (Less developed regions)	28 551	24 248	—	3 281	27 529	96 %	0	—	1 023	1 023	—	—	—	—
Transition regions	5 217	4 099	—	1 053	5 151	99 %	0	—	66	66	—	—	—	—
Competitiveness (More developed regions)	8 852	7 470	—	982	8 452	95 %	0	—	400	400	—	—	—	—
Outermost and sparsely populated regions	242	215	—	9	223	92 %	0	—	19	19	—	—	—	—
Cohesion fund	9 801	8 107	—	686	8 793	90 %	0	—	1 008	1 008	—	—	—	—
European territorial cooperation	1 703	1 447	—	99	1 546	91 %	0	—	157	157	—	—	—	—

EUR million

Programme		Total appropri. available	Payments made				Appropriations carried over to 2020				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 budge	from carry- overs	from assigned revenue	Total
			1	2	3	4	5=2+3+4	6=5/1	7	8	9	10=7+8 +9	11	12	13
Technical assistance		202	173	10	1	184	91 %	13	—	1	14	1	2	0	4
European Aid to the Most Deprived (FEAD)		506	412	0	92	504	100 %	0	—	2	2	0	0	0	0
Youth Employment initiative		579	523	—	26	549	95 %	0	—	30	30	—	—	—	—
Connecting Europe Facility (CEF)		845	843	—	2	845	100 %	—	—	0	0	—	—	—	—
Pilot projects and preparatory actions		11	11	—	0	11	96 %	0	—	0	0	0	—	—	0
Total MFF Heading 1		82 553	67 637	113	7 785	75 535	91 %	151	3	6 813	6 967	32	18	1	52
2	European Agricultural Guarantee Fund (EAGF)	44 933	42 449	631	806	43 885	98 %	190	467	349	1 006	7	34	—	42
	Agricultural Fund Rural Development (EAFRD)	14 868	13 505	2	705	14 213	96 %	2	—	650	652	2	0	—	2
	European Maritime and Fisheries Fund (EMFF)	871	651	1	197	848	97 %	1	—	21	22	0	0	—	0
	Fisheries Partnership Agreements (SFPAs) and Fisheries Management Organisations (RFMOs)	142	142	—	—	142	100 %	0	—	—	—	—	—	—	—
	Environment and climate action (LIFE)	365	350	4	5	359	99 %	4	—	1	5	0	0	—	0
	Decentralised agencies	68	59	—	7	67	98 %	0	—	1	1	0	—	—	0
	Other actions and measures	—	—	—	—	—	—	0	—	—	—	—	—	—	—

Programme		Total appropri. available	Payments made				Appropriations carried over to 2020				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 budge	from carry- overs	from assigned revenue	Total
		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		6	6	—	—	6	100 %	0	—	0	0	—	—	—	—
Specific Actions		0	0	—	—	0	100 %	0	—	—	—	0	—	—	0
Total MFF Heading 2		61 252	57 163	637	1 721	59 521	97 %	198	467	1 023	1 687	9	35	—	44
3	Asylum, Migration and Integration Fund (AMF)	992	878	1	8	886	89 %	1	—	9	11	95	1	—	95
	Consumer	28	26	0	1	27	97 %	1	—	0	1	0	0	0	0
	Creative Europe	217	200	1	8	209	96 %	2	—	6	8	0	0	0	0
	Emergency Support within the Union (IES)	60	60	0	0	60	100 %	0	—	0	0	0	0	—	0
	Internal Security Fund	649	500	1	27	529	81 %	1	—	118	120	0	0	(0)	0
	IT systems	0	0	—	0	0	100 %	0	—	—	—	—	—	—	—
	Justice	48	46	0	0	47	96 %	0	—	1	1	0	0	0	1
	Rights, Equality and Citizenship	64	61	0	1	62	98 %	0	—	1	1	0	0	0	0
	Union Civil protection Mechanism	72	42	—	2	44	61 %	0	—	1	1	27	—	0	27
	Europe for Citizens	25	25	0	0	25	98 %	0	—	0	0	0	—	—	0
	Food and feed	247	241	1	4	246	99 %	1	—	1	1	0	0	0	0
	Health	67	63	1	2	65	97 %	1	—	1	2	0	0	0	0
	Decentralised agencies	996	905	—	44	949	95 %	0	—	41	41	6	—	0	6



EUR million

Programme	Total appropri. available	Payments made					Appropriations carried over to 2020				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 budge	from carry- overs	from assigned revenue	Total
	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	7	—	—	7	84 %	0	—	0	0	1	—	0	1
Specific Actions	101	99	1	0	100	99 %	1	—	0	1	0	0	—	0
<b>Total MFF Heading 3</b>	<b>3 575</b>	<b>3 153</b>	<b>7</b>	<b>96</b>	<b>3 256</b>	<b>91 %</b>	<b>9</b>	<b>—</b>	<b>180</b>	<b>188</b>	<b>129</b>	<b>2</b>	<b>0</b>	<b>131</b>
4 Pre-accession assistance (IPA II)	1 950	1 375	5	202	1 583	81 %	6	—	360	366	1	1	0	2
Macro-financial Assistance (MFA)	10	10	—	—	10	100 %	0	—	—	—	—	—	—	—
Guarantee Fund for External Actions	110	—	—	103	103	94 %	—	—	7	7	—	—	—	—
Union Civil Protection Mechan- ism	11	9	—	1	9	82 %	0	—	—	—	2	—	—	2
EU Aid Volunteers initiative (EUAV)	13	13	—	0	13	100 %	—	—	0	0	—	—	—	—
Fund for Sustainable Develop- ment (EFSD)	479	25	25	275	325	68 %	—	—	154	154	—	—	—	—
European Neighbourhood In- strument (ENI)	2 106	2 055	4	22	2 080	99 %	6	—	19	25	0	0	—	1
Development Cooperation In- strument (DCI)	2 716	2 564	14	48	2 627	97 %	13	—	73	86	0	2	1	3
Partnership Instrument (PI)	145	134	0	4	138	95 %	0	—	3	3	1	0	2	3
Democracy and Human Rights (EIDHR)	167	159	3	0	162	97 %	3	—	1	4	1	1	0	2
Stability and Peace (IcSP)	331	315	3	7	324	98 %	4	—	2	6	0	1	0	1

Programme	Total appropri. available	Payments made					Appropriations carried over to 2020				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 budge	from carry- overs	from assigned revenue	Total
	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
Humanitarian aid	2 117	1 734	5	324	2 064	97 %	6	—	47	53	0	0	—	0
Common Foreign and Security Policy (CFSP)	362	308	0	31	340	94 %	0	—	22	22	0	—	—	0
Nuclear Safety Cooperation (INSC)	36	35	0	—	36	98 %	1	—	0	1	0	0	—	0
Decentralised agencies	21	20	—	0	21	100 %	0	—	0	0	0	—	—	0
Other actions and programmes	282	76	0	123	199	71 %	0	—	83	83	0	0	—	0
Pilot projects and preparatory actions	7	7	—	—	7	93 %	0	—	0	0	0	—	1	1
Specific Actions	68	68	—	0	68	100 %	0	—	0	0	0	—	0	0
<b>Total MFF Heading 4</b>	<b>10 933</b>	<b>8 908</b>	<b>60</b>	<b>1 140</b>	<b>10 108</b>	<b>92 %</b>	<b>39</b>	<b>—</b>	<b>772</b>	<b>811</b>	<b>6</b>	<b>4</b>	<b>4</b>	<b>14</b>
5 Pensions	2 002	1 990	—	—	1 990	99 %	0	—	0	0	12	—	—	12
European schools	195	181	2	10	192	99 %	0	—	3	3	0	—	—	0
Decentralised agencies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Pilot projects and preparatory actions	6	4	1	0	4	77 %	0	0	—	0	0	1	—	1
Commission administrative ex- penditure	4 385	3 303	332	182	3 817	87 %	285	—	204	489	52	26	1	79
Administrative expenditure of Other Institutions	5 107	3 571	515	291	4 377	86 %	463	0	143	605	82	39	3	124
<b>Total MFF Heading 5</b>	<b>11 694</b>	<b>9 048</b>	<b>850</b>	<b>482</b>	<b>10 381</b>	<b>89 %</b>	<b>748</b>	<b>0</b>	<b>349</b>	<b>1 098</b>	<b>146</b>	<b>66</b>	<b>4</b>	<b>216</b>

Programme	Total appropri. available	Payments made					Appropriations carried over to 2020				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 budge	from carry- overs	from assigned revenue	Total
	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
6   Compensations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
<b>Total MFF Heading 6</b>	—	—	—	—	—	—	—	—	—	—	—	—	—	—
8   Negative reserve	—	—	—	—	—	—	0	—	—	—	—	—	—	—
Deficit carried over	—	—	—	—	—	—	0	—	—	—	—	—	—	—
<b>Total MFF Heading 8</b>	—	—	—	—	—	—	<b>0</b>	—	—	—	—	—	—	—
9   Emergency Aid Reserve (EAR)	352	—	—	—	—	—	0	—	—	—	352	—	—	352
European Globalisation Adjust- ment Fund (EGF)	25	0	0	—	0	1 %	1	—	8	9	0	0	16	16
European Union Solidarity Fund (EUSF)	295	295	—	—	295	100 %	0	—	—	—	1	—	—	1
<b>Total MFF Heading 9</b>	<b>671</b>	<b>295</b>	<b>0</b>	—	<b>295</b>	<b>44 %</b>	<b>1</b>	—	<b>8</b>	<b>9</b>	<b>352</b>	<b>0</b>	<b>16</b>	<b>368</b>
<b>Total</b>	<b>170 679</b>	<b>146 203</b>	<b>1 667</b>	<b>11 225</b>	<b>159 096</b>	<b>93 %</b>	<b>1 145</b>	<b>470</b>	<b>9 144</b>	<b>10 759</b>	<b>675</b>	<b>125</b>	<b>25</b>	<b>825</b>

#### 4.9. DETAILED MFF: MOVEMENTS IN OUTSTANDING COMMITMENTS (RAL)

EUR million									
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	
1 European Fund Strategic Investments (EFSI)	2 714	(0)	(1 015)	1 698	377	(171)	—	206	1 905
European satellite navigation (EGNOS/Galileo)	1 224	(0)	(724)	500	773	(316)	—	456	957
International Thermonuclear Reactor (ITER)	1 454	(0)	(519)	935	426	(56)	(0)	370	1 305
European Earth Observation Programme (Copernicus)	243	(1)	(230)	12	882	(387)	—	495	507
European Solidarity Corps (ESC)	17	(0)	(6)	10	148	(103)	—	45	55
European Defence Industrial Development Programme (EDIDP)	—	—	—	—	245	(0)	—	245	245
Nuclear Safety and Decommissioning	596	(0)	(128)	468	144	(29)	—	115	583
Horizon 2020	20 541	(412)	(7 640)	12 490	13 808	(3 938)	(4)	9 866	22 356
Euratom Research and Training Programme	275	(11)	(145)	119	422	(245)	(0)	176	295
Competitiveness enterprises and SMEs (COSME)	943	(19)	(296)	628	398	(33)	—	365	993
Education, Training and Sport (Erasmus +)	855	(62)	(387)	406	3 060	(2 469)	—	591	997
Employment and Social Innovation (EaSI)	222	(22)	(95)	105	159	(34)	—	125	230
Customs, Fiscalis and Anti-Fraud	175	(6)	(98)	71	143	(39)	—	103	175
CEF — Energy	2 072	(14)	(320)	1 738	992	(9)	—	983	2 721

EUR million

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	
CEF — Transport	4 241	(75)	(1 277)	2 890	2 716	(51)	—	2 666	5 556
CEF — Information & Communications Technology (ICT)	448	(12)	(116)	321	175	(7)	—	169	490
Energy projects for economic recovery (EERP)	254	(48)	(35)	172	—	—	—	—	172
Decentralised agencies	52	—	(36)	15	376	(341)	—	36	51
Other actions and programmes	404	(30)	(173)	200	304	(95)	—	210	410
Pilot projects and preparatory actions	107	(8)	(48)	51	98	(17)	—	81	131
Specific competences of the Commis- sion	169	(18)	(80)	72	134	(39)	—	95	166
Regional convergence (Less developed regions)	85 194	(494)	(27 428)	57 272	31 444	(101)	—	31 343	88 615
Transition regions	18 502	(24)	(5 139)	13 338	6 657	(12)	—	6 645	19 984
Competitiveness (More developed re- gions)	26 523	(52)	(8 380)	18 092	9 804	(72)	—	9 732	27 824
Outermost and sparsely populated re- gions	588	—	(205)	384	253	(18)	—	234	618
Cohesion fund	25 851	(3)	(8 404)	17 444	11 527	(389)	—	11 138	28 582
European territorial cooperation	4 502	(2)	(1 536)	2 964	2 189	(10)	—	2 178	5 142
Technical assistance	251	(21)	(96)	134	228	(89)	(0)	139	273
European Aid to the Most Deprived (FEAD)	1 304	(1)	(483)	820	590	(21)	—	569	1 390
Youth Employment initiative	1 655	(13)	(527)	1 114	358	(22)	—	337	1 450

EUR million

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	
Connecting Europe Facility (CEF)	5 595	(11)	(838)	4 745	1 700	(7)	—	1 694	6 439
Pilot projects and preparatory actions	20	(1)	(10)	8	4	(0)	—	3	12
<b>Total MFF Heading 1</b>	<b>206 991</b>	<b>(1 360)</b>	<b>(66 413)</b>	<b>139 217</b>	<b>90 536</b>	<b>(9 122)</b>	<b>(4)</b>	<b>81 410</b>	<b>220 627</b>
2 European Agricultural Guarantee Fund (EAGF)	359	(6)	(235)	117	43 962	(43 650)	—	313	430
Agricultural Fund Rural Development (EAFRD)	34 594	(38)	(13 714)	20 842	14 765	(499)	—	14 266	35 108
European Maritime and Fisheries Fund (EMFF)	3 280	(73)	(826)	2 382	1 082	(22)	(0)	1 059	3 441
Fisheries Partnership Agreements (SFPAs) and Fisheries Management Organisations (RFMOs)	15	(2)	(6)	8	148	(136)	—	12	19
Environment and climate action (LIFE)	1 768	(131)	(342)	1 294	564	(17)	—	548	1 841
Decentralised agencies	3	(0)	(3)	—	67	(64)	—	3	3
Other actions and measures	—	—	—	—	—	—	—	—	—
Pilot projects and preparatory actions	28	(3)	(6)	19	12	(0)	—	12	31
Specific Actions	0	(0)	(0)	—	—	—	—	—	—
<b>Total MFF Heading 2</b>	<b>40 047</b>	<b>(253)</b>	<b>(15 133)</b>	<b>24 661</b>	<b>60 600</b>	<b>(44 387)</b>	<b>(0)</b>	<b>16 213</b>	<b>40 874</b>
3 Asylum, Migration and Integration Fund (AMF)	2 662	(98)	(750)	1 814	1 192	(136)	—	1 057	2 870
Consumer	40	(1)	(18)	22	30	(10)	—	20	43
Creative Europe	219	(8)	(96)	115	255	(113)	—	141	256

EUR million

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	
Emergency Support within the Union (IES)	62	(0)	(60)	2	0	(0)	—	0	2
Internal Security Fund	1 746	(103)	(525)	1 118	597	(4)	—	593	1 711
IT systems	46	(36)	(0)	10	—	—	—	—	10
Justice	90	(2)	(30)	58	45	(16)	—	29	87
Rights, Equality and Citizenship	105	(1)	(45)	59	67	(18)	—	49	108
Union Civil protection Mechanism	43	(3)	(17)	22	73	(27)	—	45	67
Europe for Citizens	21	(1)	(11)	9	29	(14)	—	15	24
Food and feed	319	(9)	(178)	132	292	(68)	—	225	357
Health	133	(1)	(51)	82	71	(14)	—	56	138
Decentralised agencies	242	(0)	(85)	157	1 102	(864)	—	238	395
Pilot projects and preparatory actions	24	(3)	(7)	14	15	(1)	—	14	29
Specific Actions	82	(2)	(63)	17	106	(37)	—	69	86
<b>Total MFF Heading 3</b>	<b>5 834</b>	<b>(269)</b>	<b>(1 934)</b>	<b>3 632</b>	<b>3 874</b>	<b>(1 323)</b>	<b>—</b>	<b>2 551</b>	<b>6 183</b>
4 Pre-accession assistance (IPA II)	7 425	(355)	(1 414)	5 656	2 994	(169)	—	2 826	8 481
Macro-financial Assistance (MFA)	45	(0)	(10)	35	0	—	—	0	35
Guarantee Fund for External Actions	—	—	—	—	103	(103)	—	—	—
Union Civil Protection Mechanism	15	(2)	(4)	9	13	(5)	—	8	17
EU Aid Volunteers initiative (EUAV)	22	(0)	(3)	19	19	(10)	—	9	28
Fund for Sustainable Development (EFSD)	325	—	(241)	84	95	(84)	—	10	95

EUR million

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	
European Neighbourhood Instrument (ENI)	7 833	(526)	(1 713)	5 594	2 769	(367)	—	2 401	7 995
Development Cooperation Instrument (DCI)	8 755	(187)	(2 298)	6 269	3 262	(329)	—	2 933	9 203
Partnership Instrument (PI)	386	(3)	(118)	264	156	(21)	—	135	400
Democracy and Human Rights (EIDHR)	358	(8)	(115)	235	179	(47)	—	133	367
Stability and Peace (IcSP)	627	(13)	(206)	408	387	(118)	(0)	268	676
Humanitarian aid	893	(36)	(552)	305	2 412	(1 511)	(0)	901	1 205
Common Foreign and Security Policy (CFSP)	266	(49)	(130)	88	360	(210)	—	150	238
Nuclear Safety Cooperation (INSC)	107	(3)	(24)	80	34	(12)	—	22	102
Decentralised agencies	—	—	—	—	21	(21)	—	0	0
Other actions and programmes	152	(8)	(38)	105	226	(161)	—	65	171
Pilot projects and preparatory actions	16	(3)	(6)	6	1	(0)	—	1	7
Specific Actions	126	(4)	(46)	76	81	(21)	—	59	135
<b>Total MFF Heading 4</b>	<b>27 352</b>	<b>(1 200)</b>	<b>(6 918)</b>	<b>19 234</b>	<b>13 111</b>	<b>(3 190)</b>	<b>(0)</b>	<b>9 920</b>	<b>29 154</b>
5 Pensions	—	—	—	—	1 990	(1 990)	(0)	—	—
European schools	2	—	(2)	—	191	(190)	—	0	0
Decentralised agencies	—	—	—	—	—	—	—	—	—
Pilot projects and preparatory actions	6	—	(4)	2	4	(0)	—	4	6



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	
Commission administrative expenditure	366	(28)	(337)	0	3 816	(3 480)	(1)	335	335
Administrative expenditure of Other Institutions	587	(69)	(515)	2	4 371	(3 861)	0	510	511
<b>Total MFF Heading 5</b>	<b>961</b>	<b>(97)</b>	<b>(859)</b>	<b>5</b>	<b>10 371</b>	<b>(9 522)</b>	<b>(1)</b>	<b>849</b>	<b>854</b>
6 Compensations	—	—	—	—	—	—	—	—	—
<b>Total MFF Heading 6</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
8 Negative reserve	—	—	—	—	—	—	—	—	—
Deficit carried over	—	—	—	—	—	—	—	—	—
<b>Total MFF Heading 8</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
9 Emergency Aid Reserve (EAR)	—	—	—	—	—	—	—	—	—
European Globalisation Adjustment Fund (EGF)	0	(0)	(0)	—	1	(0)	—	1	1
European Union Solidarity Fund (EUSF)	—	—	—	—	295	(295)	—	—	—
<b>Total MFF Heading 9</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>—</b>	<b>295</b>	<b>(295)</b>	<b>—</b>	<b>1</b>	<b>1</b>
<b>Total</b>	<b>281 185</b>	<b>(3 179)</b>	<b>(91 257)</b>	<b>186 749</b>	<b>178 787</b>	<b>(67 838)</b>	<b>(5)</b>	<b>110 944</b>	<b>297 693</b>

## 4.10. DETAILED MFF: OUTSTANDING COMMITMENTS BY YEAR OF ORIGIN

		EUR million							
Programme	< 2013	2013	2014	2015	2016	2017	2018	2019	Total
1 European Fund Strategic Investments (EFSI)	—	—	—	—	4	4	1 691	206	1 905
European satellite navigation (EGNOS/Galileo)	0	—	—	30	11	121	338	456	957
International Thermonuclear Reactor (ITER)	—	348	—	—	—	266	321	370	1 305
European Earth Observation Programme (Copernicus)	—	—	—	0	3	3	6	495	507
European Solidarity Corps (ESC)	—	—	—	—	—	—	10	45	55
European Defence Industrial Development Programme (EDIDP)	—	—	—	—	—	—	—	245	245
Nuclear Safety and Decommissioning	—	35	41	77	103	105	107	115	583
Horizon 2020	271	385	823	1 187	1 988	3 219	4 615	9 866	22 356
Euratom Research and Training Programme	8	1	2	19	9	30	51	176	295
Competitiveness enterprises and SMEs (COSME)	5	137	4	13	84	153	231	365	993
Education, Training and Sport (Erasmus+)	0	0	1	20	41	106	237	591	997
Employment and Social Innovation (EaSI)	—	0	1	7	6	27	64	125	230
Customs, Fiscalis and Anti-Fraud	—	—	0	1	7	12	52	103	175
CEF — Energy	2	—	183	182	256	513	601	983	2 721
CEF — Transport	2	3	91	41	487	724	1 543	2 666	5 556
CEF — Information & Communications Technology (ICT)	0	—	20	12	110	60	115	172	490
Energy projects for economic recovery (EERP)	172	—	—	—	—	—	—	—	172
Decentralised agencies	—	—	—	—	—	15	0	36	51

[illegible]

EUR million									
Programme	< 2013	2013	2014	2015	2016	2017	2018	2019	Total
Pilot projects and preparatory actions	—	0	1	0	2	3	13	12	31
Specific Actions	—	—	—	—	—	—	—	—	—
<b>Total MFF Heading 2</b>	<b>68</b>	<b>130</b>	<b>285</b>	<b>1 316</b>	<b>2 685</b>	<b>7 603</b>	<b>12 575</b>	<b>16 213</b>	<b>40 874</b>
3 Asylum, Migration and Integration Fund (AMF)	3	1	1	23	267	724	796	1 057	2 870
Consumer	0	0	1	1	1	7	12	20	43
Creative Europe	—	1	0	1	9	20	85	141	256
Emergency Support within the Union (IES)	—	—	—	—	2	0	0	0	2
Internal Security Fund	15	7	3	6	101	337	651	593	1 711
IT systems	—	—	—	—	0	—	10	—	10
Justice	2	4	3	5	12	15	16	29	87
Rights, Equality and Citizenship	7	2	3	4	9	13	21	49	108
Union Civil protection Mechanism	—	—	1	1	2	5	14	45	67
Europe for Citizens	0	0	0	0	0	2	7	15	24
Food and feed	1	2	3	5	14	34	73	225	357
Health	4	2	3	5	13	23	31	56	138
Decentralised agencies	—	—	—	0	—	42	115	238	395
Pilot projects and preparatory actions	0	0	1	2	2	1	7	14	29
Specific Actions	0	—	0	0	1	2	14	69	86
<b>Total MFF Heading 3</b>	<b>33</b>	<b>18</b>	<b>20</b>	<b>53</b>	<b>433</b>	<b>1 223</b>	<b>1 851</b>	<b>2 552</b>	<b>6 183</b>
4 Pre-accession assistance (IPA II)	179	356	219	646	1 096	1 518	1 642	2 826	8 481
Macro-financial Assistance (MFA)	—	—	—	—	—	30	5	0	35
Guarantee Fund for External Actions	—	—	—	—	—	—	—	—	—
Union Civil Protection Mechanism	—	—	2	2	1	2	3	8	17
EU Aid Volunteers initiative (EUAV)	—	—	6	3	1	4	4	9	28

EUR million

Programme	< 2013	2013	2014	2015	2016	2017	2018	2019	Total
Fund for Sustainable Development (EFSD)	—	—	—	—	—	—	84	10	95
European Neighbourhood Instrument (ENI)	455	266	345	452	981	1 302	1 770	2 424	7 995
Development Cooperation Instrument (DCI)	247	303	339	608	962	1 738	2 049	2 956	9 203
Partnership Instrument (PI)	5	9	21	23	46	62	98	135	400
Democracy and Human Rights (EIDHR)	4	5	14	23	31	56	98	137	367
Stability and Peace (IcSP)	10	13	23	36	57	97	172	268	676
Humanitarian aid	—	—	8	10	18	75	194	901	1 205
Common Foreign and Security Policy (CFSP)	1	—	18	18	5	29	17	150	238
Nuclear Safety Cooperation (INSC)	3	5	7	11	13	14	27	22	102
Decentralised agencies	—	—	—	—	—	—	(0)	0	0
Other actions and programmes	4	0	7	15	28	21	30	65	171
Pilot projects and preparatory actions	1	—	0	2	0	2	1	1	7
Specific Actions	0	1	1	3	11	22	37	59	135
<b>Total MFF Heading 4</b>	<b>909</b>	<b>958</b>	<b>1 010</b>	<b>1 851</b>	<b>3 253</b>	<b>4 973</b>	<b>6 231</b>	<b>9 970</b>	<b>29 154</b>
5 Pensions	—	—	—	—	—	—	—	—	—
European schools	—	—	—	—	—	—	0	0	0
Decentralised agencies	—	—	—	—	—	—	—	—	—
Pilot projects and preparatory actions	—	—	—	—	0	1	2	4	6
Commission administrative expenditure	—	—	0	—	0	0	0	335	335
Administrative expenditure of Other Institutions	0	0	0	0	0	0	0	511	511
<b>Total MFF Heading 5</b>	<b>—</b>	<b>—</b>	<b>0</b>	<b>—</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>851</b>	<b>854</b>

EUR million

Programme	< 2013	2013	2014	2015	2016	2017	2018	2019	Total
6 Compensations	—	—	—	—	—	—	—	—	—
<b>Total MFF Heading 6</b>	—	—	—	—	—	—	—	—	—
8 Negative reserve	—	—	—	—	—	—	—	—	—
Deficit carried over	—	—	—	—	—	—	—	—	—
<b>Total MFF Heading 8</b>	—	—	—	—	—	—	—	—	—
9 Emergency Aid Reserve (EAR)	—	—	—	—	—	—	—	—	—
European Globalisation Adjustment Fund (EGF)	—	—	—	—	—	—	—	1	1
European Union Solidarity Fund (EUSF)	—	—	—	—	—	—	—	—	—
<b>Total MFF Heading 9</b>	—	—	—	—	—	—	—	<b>1</b>	<b>1</b>
<b>Total</b>	<b>2 438</b>	<b>4 746</b>	<b>3 453</b>	<b>7 904</b>	<b>18 846</b>	<b>59 723</b>	<b>89 583</b>	<b>110 999</b>	<b>297 693</b>

The set-up of the new Commission involved an internal re-organisation of services. Re-allocating the related transactions resulted in a shift of outstanding amount between years. The overall amount of outstanding commitments remains unchanged.

## 5. IMPLEMENTATION OF THE BUDGET BY INSTITUTION

### 5.1. IMPLEMENTATION OF BUDGET REVENUE

EUR million

Institution	Income appropriations		Entitlements established			Revenue			Receipts as % of budget	Outstanding
	Initial adopted budget	Final adopted budget	Current year	Carried over	Total	On entitem. of current year	On entitem. carried over	Total		
	1	2	3	4	5=3+4	6	7	8=6+7		
European Parliament	171	171	207	22	228	201	6	208	121 %	21
European Council and Council	55	55	73	1	75	72	1	73	132 %	2
Commission	147 824	148 117	169 322	13 747	183 069	162 644	596	163 240	110 %	19 829
Court of Justice	56	56	55	0	55	55	0	55	98 %	0
Court of Auditors	22	22	22	—	22	22	0	22	103 %	0
Economic and Social Committee	12	12	17	0	17	17	0	17	134 %	0
Committee of the Regions	10	10	12	0	12	12	0	12	121 %	0
Ombudsman	1	1	1	0	1	1	0	1	90 %	—
European Data Protection Supervisor	1	1	1	0	1	1	0	1	87 %	—
European External Action Service	46	46	290	1	290	288	1	289	623 %	2
<b>Total</b>	<b>148 199</b>	<b>148 492</b>	<b>170 001</b>	<b>13 770</b>	<b>183 771</b>	<b>163 314</b>	<b>604</b>	<b>163 918</b>	<b>110 %</b>	<b>19 853</b>

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 are not consolidated within the EU budget and are not included in the EU budget reports. The Commission subsidy paid to the agencies however is part of the EU budget. In this budgetary part of the annual accounts, only the subsidy paid from the Commission budget to the Agencies is taken into consideration.

Concerning the EEAS, it should be noted that, in addition to its own budget, it also receives contributions from the Commission of EUR 152,7 million (2018: EUR 141,7 million) and the EDF and the Trust Funds of EUR 63,1 million (2018: EUR 70,1 million). These contributions cover 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) 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 ap- propriat. available	Commitments made					Appropriations carried over to 2020			Appropriations lapsing			
		from final adopted budget	from carry-overs	from assigned revenue	Total	%	from 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
European Parliament	2 083	1 973	0	60	2 033	98 %	23	0	23	24	0	2	26
European Council and Council	621	537	0	25	562	91 %	14	0	14	45	0	0	45
Commission	180 004	161 120	473	12 823	174 416	97 %	4 055	598	4 653	356	51	527	934
Court of Justice	431	424	0	1	425	99 %	1	0	1	6	0	0	6
Court of Auditors	147	144	0	0	144	98 %	0	0	0	3	0	0	3
Economic and Social Committee	143	136	0	4	140	98 %	0	0	0	3	0	0	3
Committee of Regions	101	98	0	2	100	99 %	1	0	1	0	0	0	0
Ombudsman	11	11	0	0	11	92 %	0	0	0	1	0	0	1
European Data Protection Supervisor	17	15	0	0	15	92 %	0	0	0	1	0	—	1
European External Action Ser- vice	996	694	0	246	940	94 %	55	0	55	0	0	0	1
<b>Total</b>	<b>184 554</b>	<b>165 153</b>	<b>473</b>	<b>13 161</b>	<b>178 787</b>	<b>97 %</b>	<b>4 149</b>	<b>598</b>	<b>4 747</b>	<b>438</b>	<b>51</b>	<b>530</b>	<b>1 019</b>



## 5.3. IMPLEMENTATION OF PAYMENT APPROPRIATIONS

EUR million

Institution	Total approp. available	Payments made					Appropriations carried over to 2020				Appropriations lapsing			
		from final adopted budget	from carry- overs	from assigned revenue	Total	%	automatic carry- overs	carry- overs by decision	from assigned revenue	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	10=7+8+9	11	12	13	14=11+12 +13
European Parliament	2 382	1 699	284	52	2 035	85 %	274	0	31	305	24	15	2	41
European Council and Council	682	484	53	24	562	82 %	53	0	15	67	45	7	0	53
Commission	165 573	142 633	1 152	10 934	154 719	93 %	682	470	9 001	10 154	592	86	22	700
Court of Justice	452	399	18	1	418	93 %	25	0	1	25	6	3	0	8
Court of Auditors	155	138	7	0	144	93 %	7	0	0	7	3	1	0	3
Economic and Social Committee	151	128	7	3	138	91 %	8	0	1	9	3	2	0	4
Committee of Regions	110	88	8	1	97	88 %	11	0	2	13	0	1	0	1
Ombudsman	12	10	0	0	11	90 %	0	0	0	0	1	0	0	1
European Data Protection Supervisor	19	13	2	0	15	81 %	2	0	0	2	1	0	—	2
European External Action Ser- vice	1 143	610	135	210	956	84 %	84	0	93	177	0	10	0	11
Total	170 679	146 203	1 667	11 225	159 096	93 %	1 145	470	9 144	10 759	675	125	25	825

## 6. IMPLEMENTATION OF THE AGENCIES' BUDGET

The agencies' revenue and expenditure, as shown in the reports 6.1 and 6.2 below, are not consolidated as such within the EU budget. In this budgetary part of the annual accounts, only the subsidy paid from the Commission budget to the Agencies is taken into consideration.

The EU budget implementation reports do indeed include the subsidy paid from the EU budget to the agencies as commitment and payment appropriations, when applicable.

The agencies' reports below show an overview of the Agencies, both decentralised (also known as traditional agencies) and executive agencies, and of their revenue (6.1) and expenditure (6.2).

Other sources of revenue and their related expenditure are not added into the EU budget accounts. Each agency presents its own set of annual accounts.

### 6.1. BUDGET REVENUE

<i>EUR million</i>			
Agency	Funding MFF sub-heading	Final adopted budget	Revenue received
Agency for Operational Management of Large-Scale IT Systems	3	138	140
Agency for the Cooperation of Energy Regulators	1a	16	16
Body of European Regulators for Electronic Communications	1a	6	6
Community Plant Variety Office	N/A	18	18
Consumers, Health, Agriculture and Food Executive Agency	3	11	11
Education, Audiovisual and Culture Executive Agency	1a, 3, 4	51	51
European Agency for Safety and Health at Work	1a	16	16
European Asylum Support Office	3	103	103
European Banking Authority	1a	45	46
European Border and Coast Guard Agency	3	333	350
European Centre for Disease Prevention and Control	3	59	59
European Centre for the Development of Vocational Training	1a	19	19
European Chemicals Agency	1a, 2	116	112
European Environment Agency	2	52	52
European Fisheries Control Agency	2	17	17
European Food Safety Authority	3	80	80
European Global Navigation Satellite Systems (GNSS) Agency	1a	36	768
European Institute for Gender Equality	3	8	8
European Institute of Innovation and Technology	1a	416	416
European Insurance and Occupational Pensions Authority	1a	27	27
European Maritime Safety Agency	1a	79	97

EUR million			
Agency	Funding MFF sub-heading	Final adopted budget	Revenue received
European Medicines Agency	3	347	340
European Monitoring Centre for Drugs and Drug Addiction	3	16	18
European Research Council	1a	52	52
European Securities and Markets Authority	1a	45	47
European Training Foundation	4	21	21
European Union Agency for Criminal Justice Cooperation	3	39	40
European Union Agency for Cybersecurity	1a	16	17
European Union Agency for Law Enforcement Cooperation	3	138	143
European Union Agency for Law Enforcement Training	3	9	17
European Union Agency for Railways	1a	28	29
European Union Aviation Safety Agency	1a	196	171
European Union Fundamental Rights Agency	3	22	23
European Union Intellectual Property Office	N/A	252	259
Executive Agency for Small and Medium-sized Enterprises	1a	49	49
Foundation for Improvement of Living and Working Conditions	1a	21	22
Fusion for Energy Joint Undertaking	1a	576	729
Innovation and Networks Executive Agency	1a	29	29
Research Executive Agency	5	76	76
Translation Centre for the Bodies of the European Union	5	47	37
<b>Total</b>		<b>3 626</b>	<b>4 533</b>

EUR million		
Type of revenue	Final adopted budget	Amounts received
Commission subsidy	1 459	1 471
Fee income	726	732
Other income	1 441	2 331
<b>Total</b>	<b>3 626</b>	<b>4 533</b>

## 6.2. COMMITMENT AND PAYMENT APPROPRIATIONS BY AGENCY

EUR million

Agency	Commitment appropriations		Payment appropriations	
	Total approp. available	Commit. made	Total approp. available	Payments made
Agency for Operational Management of Large-Scale IT Systems	355	178	219	133
Agency for the Cooperation of Energy Regulators	16	16	19	16
Body of European Regulators for Electronic Communications	6	6	6	5
Community Plant Variety Office	20	19	19	16
Consumers, Health, Agriculture and Food Executive Agency	11	11	13	11
Education, Audiovisual and Culture Executive Agency	51	51	56	49
European Agency for Safety and Health at Work	16	15	21	17
European Asylum Support Office	109	94	118	96
European Banking Authority	48	45	54	46
European Border and Coast Guard Agency	357	346	446	318
European Centre for Disease Prevention and Control	59	59	70	58
European Centre for the Development of Vocational Training	18	18	20	19
European Chemicals Agency	115	112	130	110
European Environment Agency	73	60	92	59
European Fisheries Control Agency	17	17	20	17
European Food Safety Authority	81	81	88	79
European Global Navigation Satellite Systems (GNSS) Agency	1 164	325	1 211	560
European Institute for Gender Equality	8	8	10	8
European Institute of Innovation and Technology	558	481	425	415
European Insurance and Occupational Pensions Authority	27	27	31	27
European Maritime Safety Agency	111	105	121	98
European Medicines Agency	375	362	412	345
European Monitoring Centre for Drugs and Drug Addiction	18	17	19	17

EUR million

Agency	Commitment appropriations		Payment appropriations	
	Total approp. available	Commit. made	Total approp. available	Payments made
European Research Council	52	52	54	51
European Securities and Markets Authority	48	47	53	47
European Training Foundation	21	21	21	20
European Union Agency for Criminal Justice Cooperation	39	39	44	40
European Union Agency for Cybersecurity	17	16	18	13
European Union Agency for Law Enforcement Cooperation	155	150	169	144
European Union Agency for Law Enforcement Training	17	12	21	14
European Union Agency for Railways	30	30	32	29
European Union Aviation Safety Agency	256	189	267	163
European Union Fundamental Rights Agency	24	23	29	23
European Union Intellectual Property Office	455	249	477	240
Executive Agency for Small and Medium-sized Enterprises	49	48	52	47
Foundation for Improvement of Living and Working Conditions	23	22	26	21
Fusion for Energy Joint Undertaking	730	728	761	739
Innovation and Networks Executive Agency	29	29	30	29
Research Executive Agency	76	76	82	75
Translation Centre for the Bodies of the European Union	46	43	49	42
<b>Total</b>	<b>5 678</b>	<b>4 225</b>	<b>5 806</b>	<b>4 253</b>

EUR million

Type of expenditure	Commitment appropriations		Payment appropriations	
	Total approp. available	Commit. made	Total approp. available	Payments made
Staff	1 269	1 251	1 288	1 246
Administrative	430	414	502	387
Operational	3 979	2 561	4 016	2 621
<b>Total</b>	<b>5 678</b>	<b>4 225</b>	<b>5 806</b>	<b>4 253</b>

## 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'.

**Outstanding commitments**

As the *Reste à Liquider* (RAL), they represent 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.

**Own resources**

Represent the main funding for the EU institutions and bodies and are defined in the own resources 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)**

As the *Outstanding commitments*, it 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 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
AMIF	Asylum, Migration and Integration Fund
AOD	Authorising Officers by Delegation
ATM	Air Traffic Management
BOP	Balance of Payments
BUFI Fund	Budget Fines Fund
CAP	Common Agricultural Policy
CCS LGF	Cultural and Creative Sector Guarantee Facility
CEF	Connecting Europe Facility
CEF DI	Connecting Europe Facility Debt Instrument
CF	Cohesion Fund
CIP	Competitiveness and Innovation Framework Programme
COM	European Commission
COSME	Competitiveness of Enterprises and Small and Medium-sized Enterprises
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPR	Common Provisions Regulation
D&WM	Decommissioning and Waste Management
EAFRD	European Agricultural Fund for Rural Development
EAGF	European Agricultural Guarantee Fund
EAR	European Union Accounting Rule
EaSI	Employment and Social Innovation
EBRD	European Bank for Reconstruction and Development
ECA	European Court of Auditors
ECB	European Central Bank
ECOFIN	Economic and Financial Affairs Council
ECSC i.L.	European Coal and Steel Community in Liquidation
EDF	European Development Fund
EDIF	Guarantee Facility under the Western Balkan
EEA	European Economic Area
EEAS	European External Action Service
EFSD	European Fund for Sustainable Development
EFSE	European Fund for Southeast Europe

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EFSF	European Financial Stability Facility
EFSD	European Fund for Strategic Investments
EFSD	European Financial Stabilisation Mechanism
EFTA	European Free Trade Association
EGNOS	European Geostationary Navigation Overlay System
EIB	European Investment Bank
EIF	European Investment Fund
ElectriFI	Electrification Financing Initiative
ELM	External Lending Mandate
EMFF	European Maritime and Fisheries Fund
EMU	Economic and Monetary Union
ENEF	Enterprise Expansion Fund
ENIF	Enterprise Innovation Fund
ENPI	European Neighbourhood and Partnership Instrument
EP	European Parliament
ERDF	European Regional Development Fund
ERI	EIB Resilience Initiative
ESA	European Space Agency
ESF	European Social Fund
ESIF	European Structural and Investment Funds
ESM	European Stability Mechanism
ETF	European Technology Start up Facility 1998
EU	European Union
EUMETSAT	European Organisation for the Exploitation of Meteorological Satellites
Euratom	European Atomic Energy Community
FIFO	First-in, First-out
FP7	7th Research Framework Programme for Research and Technological Development
FR	EU Financial Regulation
FSDA	Financial Statement Discussion and Analysis
GDP	Gross Domestic Product
GNI	Gross National Income
GNSS	Global Navigation Satellite Systems

H2020	Horizon 2020
IIW	Infrastructure and Innovation Window
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
ITER	International Thermonuclear Experimental Reactor
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
ORD	Own Resources Decision
PBI	Project Bond Initiative
PF4EE	Private Finance for Energy Efficiency Instrument
PGF	Participants Guarantee Fund
PPP	Public-Private Partnership
PSEO	Pension Scheme of European Officials
RAL	'Reste à Liquider' (Outstanding Commitments)
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
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

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