GLOSSARY

A

ABAC (Accrual Based Accounting)	The Commission's accounting system, which since 2005 has been enriched by accrual accounting rules. Apart from the cash-based budget accounts, the Commission produces accrual-based accounts. Accrual accounting recognises revenue when earned, rather than when collected, and expenses when incurred rather than when paid. This contrasts with cash basis budgetary accounting that recognises transactions and other events only when cash is received or paid.
Accounting	The act of recording and reporting financial transactions.
Adopted budget	The draft budget proposed by the European Commission becomes the adopted budget as soon as the European Parliament and the Council approve it and it is signed by the president of the European Parliament.
Agency	A body governed by European public law and having its own legal personality. There are two types of agency: • An executive agency, to which the Commission entrusts, under its own control and responsibility, certain tasks relating to the management EU programmes; • A decentralised agency, which is subject to the external control of the Court of Auditors and to the annual discharge from the European Parliament.
Amending budget	An instrument adopted during the budget year to amend some aspects of the budget in course of implementation.
Amending letter	A budgetary act amending the draft budget proposed by the Commission (for the forthcoming year). It can only be done before the start of conciliation between the European Parliament and the Council.
Amount at risk	The level of error expressed as an absolute amount, in value. In order to measure whether the EU budget is effectively protected, the Commission departments estimate and report on the "level of error" indicator and their related amounts at risk at different stages during the cycle (payment, reporting and closure).
Annual Activity Report (AAR) *(See also: AMPR)*	The management report from each of the (50) Authorising Officers by Delegation to the Commission College. Annual Activity Reports are a key component of the accountability chain within the Commission and constitute the basis on which the Commission takes overall political responsibility for its decisions as well as for the coordinating, executive and management functions it exercises.
Annual Management and Performance Report (AMPR)	Yearly report providing a comprehensive overview of the performance, management and protection of the EU budget for the previous financial year. The Commission, by adopting this report, takes overall political responsibility for the management of the EU budget.
Annuality	The budgetary principle according to which expenditure and revenue are programmed and authorised for one year, starting on 1 January and ending on 31 December.
Appropriations	Amount of commitments/payments that can be committed/paid after receipt of contributions.
Assigned revenue External/Internal	Dedicated revenue received to finance specific items of expenditure such as financial contributions from third countries to programmes financed by the Union (external) or revenue from third parties in respect of goods, services or work supplied at their request (internal).

GLOSSARY

A	**Audit**	A formal examination of an organisation's or individual's accounts or financial situation. The EU is subject to both an external and an internal audit to provide complete, accurate and readily available information on budgetary and policy implementation: External audit: audit performed by the European Court of Auditors (ECA), the Union's independent external auditor. The ECA checks if the budget of the European Union has been implemented correctly, and that EU funds have been raised and spent legally and in accordance with the principles of sound financial management. Internal audit: audit performed by a body's staff rather than an independent certified public accountant. The internal auditor is designated by the institution, which it must advise on how to deal with risks; it issues independent opinions on the performance and quality of management and control systems, and recommends improvements.
	Authorising officer	The officer responsible in each institution for authorising revenue and expenditure operations in accordance with the principles of sound financial management and for ensuring that the requirements of legality and regularity are complied with.
B	**Basic act**	Act of secondary law (regulation, directive or decision) laying down the objectives and conditions for budget implementation.
	Beneficiary	Legal entity (private or public) receiving funds.
	Budget	Annual financial plan, drawn up according to budgetary principles, that provides forecasts and authorises, for each financial year, an estimate of future costs and revenue and expenditures and their detailed description and justification, the latter included in budgetary remarks.
	Budgetary authority	The Institutions with decision making powers on budgetary matters, i.e. the European Parliament and the EU Council of Ministers.
	Budgetary guarantee	A written commitment, financially backed by the Union budget, to assume responsibility for all or part of a third party's debt or obligation or for the successful performance by that third party of its obligations if an event occurs which triggers such guarantee, such as a loan default.
	Budget implementation	Consumption of the budget through expenditure and revenue operations.
	Budget line/ Budget title/ Budget chapter/Budget article / Budget item	Identifier of a given expenditure from the EU budget. The EU budget is structured around titles (two digits: TT), chapters (four digits: TT.CC), articles (six digits: TT.CC.AA) and items (eight digits: TT.CC.AA.PP). If you know the exact budget line number, you can search by entering the 2, 4, 6 or 8-digit code (including the dots).
	Budgetary commitment	A reservation of appropriations to cover for subsequent expenses.
C	**Carryover**	Exception to the principle of annuality allowing for appropriations that could not be used in a given budget year to be exceptionally carried over, under very strict conditions, for use during the following year.
	Ceiling	Limits of expenditure or revenue fixed by law or by agreement , such as in the own resources decision or in the multiannual financial framework. The latter defines an annual ceiling for each expenditure heading in commitment appropriations and an annual global ceiling for payment appropriations.
	Committed Amount	Amount reserved through a Commission decision or contract conclusion for future legal obligations (contracts, grant agreements/decisions).
	Commitment appropriations	Total cost of legal obligations (contracts, grant agreements/decisions) that could be signed in the current financial year.
	Conciliation	Negotiation period of maximum 21 calendar days to find a compromise in case the positions of the Council and the Parliament on the draft EU budget differ. The European Commission participates and takes initiatives to reconcile the diverging positions.

GLOSSARY

D

De-commitment *(see cancellation of appropriations)*
Cancellation of appropriations that may no longer be used.

Direct Management
One of the three forms of implementation of the EU budget, based on direct management (selecting contractors, awarding grants, transferring funds, monitoring activities, etc.) of a fund or programme by the European Commission (centralised direct management) or one of its agencies (centralised indirect management).

Discharge
Decision by which the European Parliament closes an annual budget exercise, based on a recommendation from the Council and a declaration of assurance from the Court of Auditors. It covers the accounts of all the Union's revenue and expenditure, the resulting balance, and assets and liabilities, as shown in the balance sheet.

Draft amending budget
A proposal made by the Commission to amend certain aspects of the adopted budget of a year, in the course of its implementation.

Draft budget
The proposal of the European Commission for an annual financial plan drawn up according to budgetary principles. The Commission integrates in this document the administrative expenditure requested from all EU institutions, consolidates the document and submits it to the European Parliament and the Council no later than 1 September.

E

Earmarked revenue
Revenue earmarked for a specific purpose, such as income from foundations, subsidies, gifts and bequests, including the earmarked revenue specific to each institution (Article 21 of the financial regulation).

End of year transfer
The "end of year transfer" concerns differentiated payment appropriations. It is intended to ensure that, insofar as possible, the outstanding invoices related to funds in shared management can be honoured, by making full use of available payment appropriations at the end of the budgetary year. While the sources can come from any part of the budget lines, they can only be used to cover pending payments in shared management (in particular agriculture and cohesion policy).

European Development Fund (EDF)
The main instrument for EU aid for development cooperation in the African, Caribbean and Pacific (ACP) countries and the overseas countries and territories (OCTs). It is governed by its own Financial Regulation and managed outside the General Budget. It is funded from direct contributions from EU countries at negotiated rates that differ from those for the General Budget.

Evaluations
Tools to provide a reliable and objective assessment of how efficient and effective interventions financed from or guaranteed by the EU budget have been or are expected to be (in the case of ex ante evaluation). Commission services assess to what extent they have reached their policy objectives, and how they could improve their performance in the future.

Ex-ante conditionalities
Requirements to be fulfilled by the Member States in order to receive funding. They can be thematic (linked to specific investment or Union priorities) or general (not linked to specific investment or Union priorities). The failure to fulfil ex-ante conditionalities shall constitute grounds for suspending interim payments by the Commission to the priorities of the programme concerned that are affected.

Expenditure allocated
EU expenditure that it is possible to allocate to individual Member States. Non-allocated expenditure concerns notably expenditure paid to beneficiaries in third countries. Allocation of expenditure by country is necessary in order to calculate budgetary balances.

F

Financial instruments
Measures of financial support provided from the budget in order to address one or more specific policy objectives of the Union through a risk-sharing mechanism. Such instruments may take the form of equity or quasi-equity investments, loans or guarantees, or other risk-sharing instruments, and may, where appropriate, be combined with other forms of financial support or with funds under shared management or from the European Development Fund.

GLOSSARY

F	**Financial Regulation**	The regulation laying down the rules for the establishment and implementation of the general budget of the European Union. It is adopted through the ordinary legislative procedure after consulting the European Court of Auditors.
	Flexibility instrument	Instrument allowing the financing for a given financial year of clearly identified expenditure which could not be financed within the limits of the MFF ceilings available for one or more headings. Established in the interinstitutional agreement of 17 May 2006, the flexibility instrument permits the budgetisation of EUR 600 million per year (2011 prices). The portion of this amount that was not used during a year may be used in the following three years.
	Frontloading	Incurring or paying off expenditure (for example) early on in a given period; focusing efforts, costs or expenditure at the beginning of a project.
G	**Grants**	Direct financial contributions, by way of donation, from the budget in order to finance either an action intended to help achieve an objective part of an EU policy or the functioning of a body which pursues an aim of general European interest or has an objective forming part of an EU policy.
	Gross domestic product (GDP) at market prices	Final result of the production activity of resident producer units. It corresponds to the economy's total output of goods and services, less intermediate consumption, plus taxes less subsidies on products.
	Gross national income (GNI)	Gross domestic product (GDP) minus primary income payable by resident units to non-resident units plus primary income receivable by resident units from the rest of the world. GNI has widely replaced gross national product (GNP) as an indicator of income. In the area of the EU budget this change took effect as from the year 2002.
H	**Headings**	In the Multiannual Financial Framework, the groups of EU activities in broad categories of expenditure. The Multiannual Financial Framework for the period 2014-2020 is composed of six broad expenditure categories, or headings.
I	**Implementing rules**	Until 2018, the detailed rules for the implementation of the Financial Regulation. They were set out in a Commission Regulation adopted after consulting all institutions and could not alter the Financial Regulation upon which they depend. They no longer exist, as the new Financial Regulation contains all those rules..
	Indirect Management	One of the three forms of implementation of the EU budget, based on entrustment by the Commission of one or more third parties (e.g. third countries, international organisations, EIB Group) for various reasons (e.g. expertise of the third party, nurturing cooperation, enhancing cost-efficiency, etc.).
	Interinstitutional Agreement (IIA)	Agreement on budgetary discipline and sound financial management between the European Institutions: the IIA is adopted by common agreement of the European Parliament, the Council, and the Commission. It contains the table of the financial framework, as well as the rules to implement it.
	Irregularities	Any infringement of a provision of European law resulting from an act or omission by an economic operator, which has, or would have, the effect of prejudicing the general budget of the Communities or budgets managed by them, either by reducing or losing revenue accruing from own resources collected directly on behalf of the Union, or by an unjustified item of expenditure.
J	**Joint Undertakings (JUs)**	A legal EU body established under the Treaty on the Functioning of the EU. The term can be used to describe any collaborative structure proposed for the "efficient execution of Union research, technological development and demonstration programmes".
L	**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 that is represented by an appropriation.

L

Legal base / basis	A law based on an article in the Treaty giving competence to the European Union for a specific policy area and setting out the conditions for fulfilling that competence including budget implementation. Certain Treaty articles authorise the Commission to undertake certain actions, which imply spending, without there being a further legal act.
Level of error (and residual error rate)	The best estimation by the authorising officer, taking into account all relevant information available and using professional judgement, of the expenditure or revenue found to be in breach of applicable regulatory and contractual provisions at the time the financial operations were authorised. The level of error is measured at various moments in time: • At the time of payment, when no corrective measures have been yet implemented; • At the time of reporting, when some corrective measures have been implemented but others will be implemented in successive years • At the time of closure, when all corrective measures will have been implemented.

M

Mid-term review / revision of the Multiannual Financial Framework	The mid-term review/revision procedure of the MFF that allows the EU to reassess its political and budgetary priorities, taking into account the economic situation and updated macroeconomic projections.
Multiannual Financial Framework (MFF)	The long-term EU budget that establishes the spending priorities and maximum amounts that the EU may spend in particular areas over a fixed period of several years. The expenditure ceilings in the MFF Regulation are not equivalent to those in the EU budget, which are always lower. The MFF also includes income sources for the EU budget and correction mechanisms for the period in question (currently 2014-20).

N

N+3 (rule)	Budgetary commitments relating to the operational programmes are made per annual tranches. The N+3 rule foresees that a commitment made at year N has to be covered by the same amount of pre-financing and interim payment claims before 31 December N+3 (for example, a commitment made in 2014 has to be fully covered by pre-financing and payment claims before 31 December 2017). The amount not covered is de-committed, which means that the Member State loses the funding. The purpose of the rule is to ensure financial discipline in managing the EU funds by obliging the Member States to implement the projects in a dynamic manner and to avoid problems at the very end of the cycle.
Name of beneficiary	The name given by the beneficiary in documents submitted to the Commission. Since this is a legal name it may differ from the name known to the general public. Moreover, certain organisations are registered in different countries (for example in the case of cooperation with national subsidiaries), possibly with variations in their name, each of which is a different beneficiary in the eyes of the Commission. In addition, there should be no information published for beneficiaries of public procurement contracts lower than EUR 15 000.
Net balance	The difference between an EU country's contribution to the EU budget and the amount of EU funding it receives. This does not take into account other financial, economic and political benefits, e.g. participation in the internal market, whereby companies can operate anywhere in the EU.

O

Operating balances	The difference between what a country receives from and pays into the EU budget. There are many possible methods of calculating budgetary balances. In its Financial report, the Commission uses a method based on the same principles as the calculation of the correction of budgetary imbalances granted to the United Kingdom (the UK correction).
Outturn	The difference between income received and amounts paid, including adjustments for carry-overs, cancellations and exchange rate differences. It can be positive (surplus), negative (deficit) or zero (perfect balance between revenue and expenditure).
Own resources	The revenue flowing automatically to the European Union budget, pursuant to the Treaties and implementing legislation, without the need for any subsequent decision by national authorities. • Traditional own resources • Own resources based on value added tax (VAT) • Own resources based on GNI

GLOSSARY

P	**Payment**	A cash disbursement to honour legal obligations.
	Payment appropriations	Appropriations covering expenditure due in the current year, arising from legal commitments entered in the current year and/or earlier years.
	Payment claim	Payment application submitted by a Member State, which constitutes the grounds for an interim payment reimbursing the corresponding EU contribution to the expenditure incurred on the ground.
	Public procurement rules	Provisions in the Public Procurement Directive and in the Financial Regulation governing, respectively, the award of contracts by national public administrations (EU countries must transpose these into national law) and the award of contracts by the Union institutions and bodies.
R	**Recoveries**	Entitlements vis-à-vis the Union's debtors. The actual recovery of amounts due may take different forms: voluntary payment by the debtor, offsetting of mutual debts, a financial guarantee or enforcement action.
	Reste à Liquider (RAL)	All outstanding commitments which remain to be paid. Applicable for differentiated appropriations where commitments made in one year can be followed by payments when required in subsequent years during the lifetime of the project or contract. RAL = commitments – payments made on the commitments – de-commitments.
	Revenue	Income from all sources that finances the budget. Almost all revenue into the EU budget is in the form of own resources. The budget also receives other revenue, such as contributions from third countries for participating in EU programmes, the unused balance from the previous year, taxes paid by EU staff, competition fines, interest on late payments, etc. Some parts of 'other revenue' are earmarked for specific expenditure items, others are registered as general revenue.
S	**Shared Management**	One of the three forms of implementation of the EU budget, based on management of an EU fund or programme delegated to EU Member States. This applies to the vast majority of EU funded projects.
	Sound financial management	Principle according to which budget appropriations must be used according to the principles of economy, efficiency and effectiveness.
	Special Instruments	Instruments to allow the Union to react to specified unforeseen circumstances or to allow the financing of clearly identified expenditure which cannot be financed within the limits of the ceilings available for one or more headings. Their mobilisation is subject to a decision of the budgetary authority, acting on a transfer proposal from the "reserve" title to the line concerned.
	Statement of assurance (DAS)	The European Court of Auditors provides the European Parliament and the Council each year with a statement of assurance (DAS - from "Déclaration d'Assurance", in French) as to the reliability of the accounts of all revenue and expenditure of the Union and the legality and regularity of the underlying transactions. The statement of assurance shall be published in the Official Journal of the EU (Article 287 TFUE).
	Surplus	Positive difference between revenue and expenditure (see outturn) which has to be returned to the Member States.
T	**"Top ups"**	Additional financial means for defined categories of expenditures supporting a previously agreed budget.
	Transfer	Relocation of appropriations from one budget line to another, in the course of the financial year. It is an exception to the budgetary principle of specification expressly authorised by the Treaty on the Functioning of the European Union under the conditions laid down in the Financial Regulation.

T	**Trust fund**	Fund established for a specific purpose with financial contributions from the EU budget and one or more donors and administered by an administrative agent, the Trustee.
U	**UK correction**	The rebate to be granted to the UK to reduce its contribution to the EU budget. It was agreed at the Fontainebleau European Council in France on 25 and 26 June 1984 by the then 10 Member States (Germany, Belgium, Denmark, France, Greece, Ireland, Italy, Luxembourg, the Netherlands and the UK).
V	**VAT (value-added tax)**	An indirect tax, expressed as a percentage applied to the selling price of most goods and services. VAT is broadly harmonised in the European Union but Member States may fix their own rates of tax, within parameters set at EU level, and also enjoy a limited option to tax or not to tax certain goods and services.