



REPORT ON THE BUDGETARY AND FINANCIAL MANAGEMENT OF THE EXECUTIVE AGENCY FOR SMALL AND MEDIUM-SIZED ENTERPRISES (EASME)

Financial Year 2019

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This report on the budgetary and financial management of the Executive Agency for Small and Medium-sized Enterprises (EASME) (hereafter the Agency) for the financial year 2019 has been prepared in accordance with Articles 51 to 57 of the Standard Financial Regulation for the Executive Agencies.

1. OVERVIEW OF THE BUDGET

1.1. Initial budget, amending budgets and final budget

In 2019 the Agency continued to manage parts of the following Programmes:

- COSME;
- Horizon 2020;
- LIFE 2014-2020;
- the European Maritime and Fisheries Fund (EMFF);
- the legacy of the 2007-2013 CIP Programme, which has a continuation under Horizon 2020 (IEE II, Eco-innovation) or COSME (EEN, portals and helpdesks).

The first 2019 operating budget (hereafter referred to as administrative budget) of the Agency was adopted by Steering Committee on 19 December 2018 and it amounted to EUR 48 700 665. The figures of the budget were based on the tasks and the resources planned in the Commission implementing decision¹ establishing the Agency and the financial statement and the subsidy requested on the General budget amounted to EUR 48 597 665. The budget was amended five times.

In August 2019, the first amendment (transfer within title 1) took place due to following reasons: (1) requests of additional interim support introduced by several units and slight increase of trainees costs; (2) increase of expenses to cover higher number of reimbursement requests linked to recruitment procedures.

The second amendment of the budget was carried out in October 2019 due to following reasons: (1) reduction of the SUMMA contribution that was initially foreseen to be supported by EASME; (2) recalculation of staff costs due to revision based on the real values for the salaries and allowances for each person employed during the first 9 months of 2019; (3) increase of the following expenses: rental of the building, programme related IT expenses, mobility & social expenses and communication; (4) decrease of the following expenses: external audits, training, medical services.

In November 2019, the third amendment took place in order to cover slightly higher amount requested for specific audit contract.

In December 2 additional amendments took place. The fourth amendment was carried out due to recalculation of staff costs due to revision based on the real values for the salaries and allowances for each person employed during the first 11 months of 2019.

The fifth amendment was necessary in order to meet its obligations until the end of the year and, in order to optimise the consumption of available 2019 funds. Once more, the Agency recalculated the salaries based on the real expenditures incurred for the entire year 2019, taking into account the latest updates of the recruitment plan, the impact of the 2019 reclassification exercise and the indexation. In addition, there was an increase of cost relating to the rental of the building based on the final calculation provided by OIB for the regularisation related to the services provided in 2018 and the latest update of the works expected to be carried out in early 2020.

¹ COMMISSION IMPLEMENTING DECISION 25.12.2013 establishing the "Executive Agency for Small and Medium-sized Enterprises" and repealing Decisions 2004/20/EC and 2007/372/EC and as amended by COMMISSION DECISION C(2014)6944 of 02.10.2014.

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The below summary table explains how the budget was defined from the initial to the final budget:

Budget line	Description	Initial budget (EUR)	Budget amendment No 1 (EUR) [transfers]	Budget amendment No 2 (EUR)	Budget amendment No 3 (EUR) [transfers]	Budget amendment No 4 (EUR) [transfers]	Budget amendment No 5 (EUR) [transfers]	Final budget (EUR)
1111	Temporary Agents - Remunerations	10 700 000	(55 431)	(882 569)	-	-	(128 000)	9 634 000
1112	Temporary Agents - Allowances	2 580 000	-	(207 000)	-	-	(15 000)	2 358 000
1121	Contract Agents - Remuneration	17 060 000	-	(22 000)	-	(35 000)	(147 750)	16 855 250
1122	Contract Agents - Allowances	4 710 000	-	(25 000)	-	35 000	-	4 720 000
1141	Support services & trainees	910 000	55 431	50 000	-	-	-	1 015 431
1211	Recruitment expenses	15 000	10 000	10 000	-	-	-	35 000
1221	Individual entitlements of staff	480 000	-	(19 000)	-	-	44 000	505 000
1231	Training	750 000	-	(30 000)	-	-	-	720 000
1241	Medical Service	148 000	(10 000)	(48 000)	-	-	-	90 000
1242	Mobility & social expenses for the Staff	767 170	-	95 330	-	-	20 000	882 500
1251	Representation expenses, Events and Internal meetings	52 500	-	-	-	-	-	52 500
Title 1	Staff expenditure	38 172 670	-	(1 078 239)	-	-	(226 750)	36 867 681
2111	Rental of building and associated expenses	5 042 500	-	755 000	-	-	160 000	5 957 500
2211	ICT Purchases, Hard - and Software & Maintenances	463 000	-	-	-	-	(50 000)	413 000
2212	ICT Services	1 893 000	-	47 000	-	-	23 000	1 963 000
2311	Furniture, Technical Installations and associated expenses	155 000	-	25 000	-	-	90 000	270 000
2312	Office Supplies, documentation & correspondence	70 000	-	(10 000)	-	-	-	60 000
2313	Charges, insurances & other operating expenses	60 000	-	(20 000)	-	-	3 750	43 750
Title 2	Infrastructure and operating expenditure	7 683 500	-	797 000	-	-	226 750	8 707 250
3111	Experts and external meetings	127 500	-	1 920	-	-	-	129 420
3112	Missions: Programme Management	747 995	-	14 319	-	-	-	762 314
3113	External Audits	620 000	-	(75 000)	3 076	-	-	548 076
3114	Communication, Information and Linguistic services	949 000	-	77 000	(3 076)	-	-	1 022 924
3115	Seminars & specific Training	-	-	-	-	-	-	-
3116	Programme related IT expenses	400 000	-	160 000	-	-	-	560 000
Title 3	Programme support expenditure	2 844 495	-	178 239	-	-	-	3 022 734
Total budget		48 700 665	-	(103 000)	-	-	-	48 597 665

List of budget amendments adopted by the Steering Committee:

	Date	Main subject - description	Impact on Commitment & Payment Appropriations (EUR)
1	August 2019	Revision of staff expenditure	Movement only within the titles
2	October 2019	Revision of all expenditure	Title 1 (1 078 239) Title 2 797 000 Title 3 178 239
3	November 2019	Revision of all expenditure	Movement only within the titles
4	December 2019	Revision of programme supporting expenditure	Movement only within the titles
5	December 2109	Revision of staff, infrastructure and operating expenditure	Title 1 (226 750) Title 2 226 750

1.2. Budget implementation

1.2.1. 2019 appropriations (C1)

The execution of commitment appropriations amounts to EUR 48 344 345 and the execution of payment appropriations amounts to EUR 43 866 585.

Budget title	Budget 2019		Commitments made in 2019 (EUR)	Payments made in 2019 (EUR)
	Amount (EUR)	% by title		
Title: 1 Staff expenditure	36 867 681	76%	36 775 698	36 042 042
Title: 2 Infrastructure and operating expenses	8 707 250	18%	8 619 320	6 565 096
Title: 3 Programme support expenditure	3 022 734	6%	2 949 327	1 259 447
Total	48 597 665	100%	48 344 345	43 866 585

The split of the administrative budget per programme delegated to the Agency is shown in the table below²:

Programme	Budget 2018 (EUR)	Budget 2019 (EUR)
COSME	9 500 072	9 908 597
H2020	27 319 558	30 391 893
LIFE	3 869 000	5 073 734
EMFF	3 047 000	3 223 441
Total	43 735 630	48 597 665

The implementation of the final budget appropriations, fund source C1, is at a level of 99% for commitments (2018: 100 %) and 90% for payments (2018: 92 %).

In 2019, the difference between commitments and payments amounts to EUR 4 477 760 (last column of the below table). The Agency carried forward this amount to 2020 as it corresponds to legal commitments contracted in 2019 but not yet paid on 31 December 2019 (mainly payments related to rent, communication, external audits and ICT services).

² Initial foreseen 'ex ante'-budget, not actual costs paid by parent DGs 'ex post'.

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Budget line	Description	Appropriation (1) (EUR)	Committed (2) (EUR)	% Committed (2/1)	Paid (3) (EUR)	% Paid (3/1)	Balance Commitment (1-2) (EUR)	Balance Payment (2-3) (EUR)
Title: 1 Staff expenditure		36 867 681	36 775 698	100%	36 042 042	98%	91 983	733 656
Chapter 11 – Remunerations, allowances & charges		34 582 681	34 508 198	100%	34 355 468	99%	74 483	152 730
1111	Temporary Agents - Remunerations	9 634 000	9 615 124	100%	9 615 125	100%	18 875	-
1112	Temporary Agents - Allowances	2 358 000	2 337 637	99%	2 337 637	99%	20 363	-
1121	Contract Agents - Remuneration	16 855 250	16 836 511	100%	16 836 511	100%	18 739	-
1122	Contract Agents - Allowances	4 720 000	4 703 494	100%	4 703 494	100%	16 506	-
1141	Support services & trainees	1 015 431	1 015 431	100%	862 701	85%	-	152 730
Chapter 12 – Professional development & social expenditure		2 285 000	2 267 500	99%	1 686 574	74%	17 500	580 926
1211	Recruitment expenses	35 000	35 000	100%	31 489	90%	-	3 511
1221	Individual entitlements of staff	505 000	505 000	100%	440 728	87%	-	64 273
1231	Training	720 000	720 000	100%	332 886	46%	-	387 114
1241	Medical Service	90 000	90 000	100%	70 439	78%	-	19 561
1242	Mobility & social expenses for the Staff	882 500	882 500	100%	790 030	90%	-	92 470
1251	Representation expenses, Events and Internal meetings	52 500	35 000	67%	21 003	40%	17 500	13 997
Title: 2 Infrastructure and operating expenses		8 707 250	8 619 320	99%	6 565 096	75%	87 930	2 054 224
Chapter 21 – Building expenditure		5 957 500	5 957 500	100%	4 695 350	79%	-	1 262 150
2111	Rental of building and associated expenses	5 957 500	5 957 500	100%	4 695 350	79%	-	1 262 150
Chapter 22 – ICT expenses		2 376 000	2 339 142	98%	1 729 487	73%	36 858	609 654
2211	ICT Purchases, Hard - and Software & Maintenances	413 000	402 119	97%	227 426	55%	10 881	174 693
2212	ICT Services	1 963 000	1 937 023	99%	1 502 062	77%	25 977	434 961
Chapter 23 – Movable property and current operating expenditure		373 750	322 678	86%	140 258	38%	51 072	182 420
2311	Furniture, Technical Installations and associated expenses	270 000	218 928	81%	93 033	34%	51 072	125 895
2312	Office Supplies, documentation & correspondence	60 000	60 000	100%	24 950	42%	-	35 050
2313	Charges, insurances & other operating expenses	43 750	43 750	100%	22 275	51%	-	21 475
Title: 3 Programme support expenditure		3 022 734	2 949 327	98%	1 259 447	42%	73 407	1 689 880
Chapter 31 – Programme management expenditure		3 022 734	2 949 327	98%	1 259 447	42%	73 407	1 689 880
3111	Experts and external meetings	129 420	127 420	98%	86 750	67%	2 000	40 670
3112	Missions: Programme Management	762 314	762 314	100%	570 018	75%	-	192 296
3113	External Audits	548 076	548 076	100%	39 024	7%	-	509 052
3114	Communication, Information and Linguistic services	1 022 924	953 370	93%	378 286	37%	69 554	575 084
3116	Programme related IT expenses	560 000	558 147	100%	185 369	33%	1 853	372 778
Total		48 597 665	48 344 345	99%	43 866 585	90%	253 320	4 477 760

The breakdown of the administrative budget by type of expenditure (see above table) shows that total staff expenditure (title 1) accounts for about 74% of total commitments, i.e. EUR 36 042 042.

In regard to chapter 11 - throughout the year 2019, salaries were calculated by PMO with which the Agency has had a Service Level Agreement (SLA) since 2005. On this basis, the Agency processes and authorises the related payments to staff. Training costs are mostly covered by the SLA with DG HR.

The table below provide an overview of the staffing evolution in 2019:

	Staff on 31/12/2018	Staff on 31/12/2019	Foreseen by 31/12/2019	% establishment plan 2019
Seconded Officials	30	31	33	94%
Temporary Agents	76	76	87	87%
Contract Agents	347	365	374	98%
Total	453	472	494	96%

The Agency continued to grow in 2019 and counted 472 staff by the end of the year. This amounts to 96% of 494 staff anticipated in the establishment plan for 2019 and represents a growth of 4.2% reached within 12 months compared to 453 by the end of 2018.

EASME launched 76 selection procedures for various profiles. Twenty-five were external procedures to establish reserve lists (nine were for temporary agent posts and sixteen were for contract agent posts), thirty-four procedures were launched in the framework of the internal mobility and two in the framework of inter-agency mobility.

The turnover rate in 2019 was 5.41% (the same level as in 2018) which represented a decrease in comparison to a 6.58% turnover rate in 2017. Most staff departures were due to employment opportunities within different European institutions.

As for professional development & social expenditure (chapter 12), the specific budget lines cover the following activities:

- ✓ Recruitment expenses (budget line 1211) covered the reimbursement of travel expenses incurred during the selection and recruitment procedures of new candidates in 2019;
- ✓ Individual entitlements of staff (budget line 1221) covered the cost of the calculation of staff mission expenses and the establishment of individual rights for all staff members. The services are provided to the Agency by PMO according to a service level agreement (SLA);
- ✓ Trainings (budget line 1231) ordered in 2019 covered the following: Commission trainings managed under the SLA signed with DG HR, other external trainings and teambuilding activities;
- ✓ Medical services (budget line 1241) provided by DG HR based on the SLA;
- ✓ Mobility and social expenses for the staff (budget line 1242) covered school transport costs and services linked to the "Centre de la Petite Enfance" (OIB).
- ✓ Representation expenses, events and internal meetings covered representation costs and mainly other expenses related to the organisation of internal meetings.

In 2019, EUR 8 707 250 (18% of the total budget) were committed to infrastructure and operating expenses (title 2).

The majority of expenses (68%) related to building expenditure (chapter 21), which included rental costs for the space occupied in the Covent Garden building and charges related to it provided by OIB (charges for water/heating/cooling/electricity as well as maintenance of some common technical installations) and DG HR (security and access control services on the building foreseen in an SLA).

ICT expenses (chapter 22) represent 28% of title 2 and concern mainly:

- ✓ ICT purchases, hardware, software and maintenance;
- ✓ ICT services: provisions of IT systems and the ITIC helpdesk based on SLA with DG BUDG and DGIT and consultants costs.

The movable property and current operating expenditure (chapter 23) represents only 4% of the title

2 and relates to purchases of furniture, technical installations and associated expenses, office supplies and other operating expenses.

As for title 3 – programme support expenditure, which represented 6% of the total budget:

- ✓ 33% related to communication, information and linguistic services (budget line 3114) and covered expenses relating to communication activities of the Agency on different programmes, as well as horizontal communication, translation and interpretation costs;
- ✓ 25% to cover missions expenses (budget line 3112);
- ✓ Remaining 19%, covered programme related IT expenses (budget line 3116) and related to specific contracts to further develop the IT tools (H2020);
- ✓ 18% represented external audits (budget line 3113): specific contracts for ex-post audits on the legacy performed by external contractors, on the costs and expenses reported by beneficiaries of a community financial contribution (grant). The management of the grants is covered by the operational budget of the Agency;
- ✓ about 5% was consumed to finance experts,, meetings with NCP's (National Contact Points) and several kick-off meetings and catering during meetings with external contractors (budget line 3111).

Carry-forward to 2020

The main appropriations to be carried forward to 2019 (EUR 4 477 760 - 9% of the total budget) are the following:

- Building charges: EUR 1 262 150 balance payments for the SLA's with OIB and DG HR;
- Communication: EUR 575 084 mainly for purchase of services in the field of digital communication, organisation of events at EASME premises, organisation and logistical support for the H2020 secure, clean and energy efficient info day;
- External audits: EUR 509 052 for 7 contracts that are still on-going;
- ICT services: EUR 434 961 amount necessary for the payment of the IT consultants for the 4th quarter 2019, for system administration services for EASME IT infrastructure and other IT projects;
- Training costs: EUR 387 114 balance payments for trainings organised by DG HR and other trainings;
- Programme related IT expenses EUR 372 778 for development of e-order framework contract and for expenses related to e-grants.

1.2.2. 2018 appropriations carried-forward to 2019 (C8)

The carry-forward of the appropriations from 2018 to 2019 amounted to EUR 3 482 306. Out of this amount, EUR 3 078 190 was paid which represents 88% of the total commitments carried-forward (2018: 82%). The difference between commitments carried-forward from 2018 to 2019 and payments on those commitments totals EUR 404 117 (2018: EUR 997.558) and will be reimbursed to the Commission in 2020.

	Payments appropriations carried-forward from 2018 (RAL C8) (EUR)	% by title	Amounts paid (EUR)	Total unused payment appropriations carried-forward from 2018 (EUR)
Title: 1 Staff expenditure	509 423	15%	402 044	107 379
Title: 2 Infrastructure and operating expenses	1 390 817	40%	1 240 207	150 610
Title: 3 Programme support expenditure	1 582 067	45%	1 435 939	146 128
Total	3 482 307		3 078 190	404 117

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The main amounts that were unduly carried forward (EUR 404 117) and therefore had to be de-committed are the following:

- EUR 105 915 for ICT services (SLA DIGIT);
- EUR 55 830 for communication;
- EUR 53 416 for external audits;
- EUR 50 000 for medical services;
- EUR 28 848 in experts and external meetings.

The details are presented in the table below:

Budget line	Description	Appropriation (1)	Paid (2)	% Paid (2/1)	Balance Commitment (1-2)	Balance carried-forward
Title: 1 Staff expenditure		509 423	402 044	79%	107 379	-
Chapter 11 – Remunerations, allowances & charges		118 704	106 813	90%	11 891	-
1141	Support services & trainees	118 704	106 813	90%	11 891	-
Chapter 12 – Professional development & social expenditure		390 719	295 231	76%	95 488	-
1221	Recruitment expenses	55	-	0%	55	-
1221	Individual entitlements of staff	30 412	25 379	83%	5 033	-
1231	Training	132 948	114 823	86%	18 125	-
1241	Medical Service	50 000	-	0%	50 000	-
1242	Mobility & social expenses for the Staff	146 362	132 731	91%	13 631	-
1251	Representation expenses, Events and Internal meetings	30 942	22 298	72%	8 644	-
Title: 2 Infrastructure and operating expenses		1 390 817	1 240 207	89%	150 610	-
Chapter 21 – Building expenditure		745 053	742 874	100%	2 179	-
2111	Rental of building and associated expenses	745 053	742 874	100%	2 179	-
Chapter 22 – ICT expenses		446 070	326 344	73%	119 726	-
2211	ICT Purchases, Hard - and Software & Maintenances	135 319	121 508	90%	13 811	-
2212	ICT Services	310 751	204 836	66%	105 915	-
Chapter 23 – Movable property and current operating expenditure		199 694	170 989	86%	28 705	-
2311	Furniture, Technical Installations and associated expenses	144 844	142 968	99%	1 876	-
2312	Office Supplies, documentation & correspondence	25 439	14 223	56%	11 216	-
2313	Charges, insurances & other operating expenses	29 411	13 798	47%	15 613	-
Title: 3 Programme support expenditure		1 582 067	1 435 939	91%	146 128	-
Chapter 31 – Programme management expenditure		1 582 067	1 435 939	91%	146 128	-
3111	Experts and external meetings	44 607	15 759	35%	28 848	-
3112	Missions: Programme Management	87 617	79 583	91%	8 034	-
3113	External Audits	511 718	458 302	90%	53 416	-
3114	Communication, Information and Linguistic services	684 674	628 844	92%	55 830	-
3116	Programme related IT expenses	253 451	253 451	100%	-	-
Total		3 482 307	3 078 190	88%	404 117	-

2. REVENUE

In accordance with Article 5 of the Standard Financial Regulation for the Executive Agencies, the revenue of the agency shall comprise a grant awarded by the Communities and any other revenue, including assigned revenue within the meaning of Article 15 thereof.

Type of revenue	Draft budget	Amendments	Final budget	Entitlements established	Revenue received
Commission subsidy	48 700 665	(103 000)	48 597 665	48 597 665	48 597 665
Other income	-	-	-	2 231	-
TOTAL	48 700 665	(103 000)	48 597 665	48 599 896	48 597 665

To cover its administrative costs for 2019, the Agency receives a subsidy from the EU budget. This subsidy of EUR 48 597 665 was paid in three instalments by the DG GROW.

The received other revenues consist recovery of rent related expenses paid by the Agency in 2018.

3. GLOSSARY ON TERMS, ABBREVIATIONS AND ACRONYMS USED IN THE REPORT

Term	Definition
ABAC	This is the name given to 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 which recognise revenue when earned, rather than when collected. Expenses are recognised 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, including the creation of the transaction, its recognition, processing, and summarisation in the financial statements.
Administrative appropriations	Administrative appropriations cover the running costs of the Institutions and entities (staff, buildings, office equipment).
Adjustment	Amending budget or transfer of funds from one budget item to another.
Adopted budget	Draft budget becomes the adopted budget as soon as it is approved by the Budgetary Authority. Cf. Budget.
Agencies	EU bodies having a distinct legal personality, and to whom budget implementing powers may be delegated under strict conditions. They are subject to a distinct discharge from the discharge authority.
Amending budget	Decision adopted during the budget year to amend (increase, decrease, transfer) aspects of the adopted budget of that year.
Annuality	The budgetary principle according to which expenditure and revenue is programmed and authorised for one year, starting on 1 January and ending on 31 December.
Appropriations	Budget funding. The budget forecasts both commitments (legal pledges to provide finance, provided that certain conditions are fulfilled) and payments (cash or bank transfers to the beneficiaries). Appropriations for commitments and payments often differ — differentiated appropriations — because multiannual 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.
Appropriations	Dedicated revenue received to finance specific items of expenditure. Main sources of external assigned revenue are <i>financial contributions from third countries to programmes financed by the Union</i> . Main sources of internal assigned revenue is revenue from third parties in respect of goods, services or work supplied at their request; (c) revenue arising from the repayment of amounts wrongly paid and revenue from the sale of publications and films, including those on an electronic medium. The complete list of items constituting assigned revenue is given in the Financial Regulation Art. 21(2).
Authorising Officer	The AO is 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.
C1	Current Appropriations = Initial Budget + Amending Budget + Transfers
C2/C3	Appropriations non automatically carried over – carried over on Decision of the College
C4	Appropriations non automatically carried over – carried over on Decision of the College
C5	Appropriations arising from Internal Assigned Revenue cashed in the previous year and carried over to the current one
C8	Appropriations automatically carried forward from previous year to current year
IC1	Universal revenue voted in the budget
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.
Budget result	The difference between income received and amounts paid, including adjustments for carry-overs, cancellations and exchange rate differences. The resulting amount will have to be reimbursed to the funding authority as provided in the Financial Regulation for Agencies.
Budget implementation	Consumption of the budget through expenditure and revenue operations.

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Budget item / Budget line / Budget position	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 item) provide a formal description of the nomenclature.
Budgetary authority	Institutions with decisional powers on budgetary matters: the European Parliament and the Council of Ministers.
Budgetary commitment	A budgetary commitment is a reservation of appropriations to cover for subsequent expenses.
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 appropriations	Commitment appropriations cover the total cost of legal obligations (contracts, grant agreements/decisions) that could be signed in the current financial year. Art. 7 FR: <i>Commitment appropriations cover the total cost in the current financial year of legal obligations (contracts, grant agreements/decisions) entered into for operations extending over more than one year.</i>
De-commitment	Cancellation of a reservation of appropriations.
Differentiated appropriations	Differentiated appropriations are used to finance multiannual operations; they cover, for the current financial year, the total cost of the legal obligations entered into for operations whose implementation extends over more than one financial year. Art. 7 FR: <i>Differentiated appropriations are entered for multiannual operations. They consist of commitment appropriations and payment appropriations.</i>
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. (Cf. Assigned revenue)
Economic result	Impact on the balance sheet of expenditure and revenue based on accrual accounting rules.
Entitlements established	Entitlements are recovery orders that the European Union must establish for collecting income.
Exchange rate difference	The difference resulting from currency exchange rates applied to the transactions concerning countries outside the euro area, or from the revaluation of assets and liabilities in foreign currency at the closure.
Expenditure	Term used to describe spending the budget from all types of funds sources.
Financial regulation (FR)	Adopted through the ordinary legislative procedure after consulting the European Court of Auditors, this regulation lays down the rules for the establishment and implementation of the general budget of the European Union. (OJ L 298, 26.10.2012, p. 1)
Funds Source	Type of appropriations (e.g.: C1, C2, etc.)
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.
Implementation	Cf. Budget implementation
Income	Cf. Revenue
Joint Undertakings (JUs)	A legal EU-body established under the TFEU. The term can be used to describe any collaborative structure proposed for the " <i>efficient execution of Union research, technological development and demonstration programmes</i> ".
Lapsing appropriations	Unused appropriations to be cancelled at the end of the financial year. <i>Lapsing</i> means the cancellation of all or part of the authorisation to make expenditures and/or incur liabilities, which is represented by an appropriation.
Legal base (basic act)	The legal base or basis is, as a general rule, a law based on an article in the Treaty giving competence to the Community 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.
Legal commitment	A legal commitment establishes a legal obligation towards third parties.
Non-differentiated appropriations	Non-differentiated appropriations are for operations of an annual nature. (Art. 9 FR). In the EU-Budget, non-differentiated appropriations apply to administrative expenditure, for agricultural market support and direct payments.

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Operational appropriations	Operational appropriations finance the different policies, mainly in the form of grants or procurement.
Outstanding commitment	Legal commitments having not fully given rise to liquidation by payments. Cf. RAL.
Outturn	Cf. Budget result
Payment	A payment is a cash disbursement to honour legal obligations.
Payment appropriations	Payment appropriations cover expenditure due in the current year, arising from legal commitments entered in the current year and/or earlier years (Art. 7 FR).
RAL	Sum of outstanding commitments. Outstanding commitments (or RAL, from the French ' <i>reste à liquider</i> ') are defined as the amount of appropriations committed that have not yet been paid. They stem directly from the existence of multiannual programmes and the dissociation between commitment and payment appropriations. (Cf. <i>Outstanding commitments</i>)
Recovery	The recovery order is the procedure by which the Authorising officer (AO) registers an entitlement by the Commission in order to retrieve the amount which is due. The entitlement is the right that the Commission has to claim the sum which is due by a debtor, usually a beneficiary.
Result	Cf. Outturn
Revenue	Term used to describe income from all sources financing the budget.
Rules of application	Detailed rules for the implementation of the financial regulation. They are set out in a Commission regulation adopted after consulting all institutions and cannot alter the financial regulation upon which they depend.
Surplus	Positive difference between revenue and expenditure (see Budget result) which has to be returned to the funding authority as provided in the Financial Regulation.
Transfer	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. 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 authorization.