



EUROPEAN COMMISSION
Executive Agency for Small and Medium-size Enterprises (EASME)

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

Financial Year 2020

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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 2020 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 2020 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 2020 operating budget (hereafter referred to as administrative budget) of the Agency was adopted by Steering Committee on 17 December 2019 and it amounted to EUR 51 527 150. 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 49 240 804. The budget was amended four times.

In June 2020, the first amendment (reduction of EUR 1 436 346) took place after the evaluation of the impact linked to the COVID-19 pandemic and containment measures due to reduction of the following expenses: training, missions, external audits and communication, information and linguistics services.

The second amendment of the budget (reduction of EUR 850 000) was carried out again in September 2020 due to following reasons mostly linked to the impact of the COVID-19 pandemic containment measures: (1) reduction of training budget; (2) recalculation of budget allocated to furniture, technical installations and associated expenses; (3) decrease of the following expenses: missions, external audits, communication activities, programme related IT expenses.

In October 2020, the third amendment took place in order to cover slightly higher amount requested for specific audit contract.

In December the fourth amendment was necessary in order to meet its obligations until the end of the year and, in order to optimise the consumption of available 2020 funds. Once more, the Agency (1) recalculated the salaries based on the real expenditures incurred for the entire year 2020, taking into account the latest updates of the recruitment plan, the impact of the 2020 reclassification exercise and the indexation. In addition, there was a decrease of (2) expenses relating to support services and trainees however the (3) budget for medical services was increased to anticipate the impact of COVID-19 pandemic and (4) mobility and social expenses were increased based on new estimations of OIB relating to crèche costs and estimations of the reimbursements to the staff for costs incurred for home office equipment.

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)	Budget amendment No 2 (EUR)	Budget amendment No 3 (EUR) [transfers]	Budget amendment No 4 (EUR) [transfers]	Final budget (EUR)
1111	Temporary Agents - Remunerations	10 600 000	(170 000)	-	-	(250 000)	10 180 000
1112	Temporary Agents - Allowances	2 632 000	(47 000)	-	-	-	2 585 000
1121	Contract Agents - Remuneration	18 362 000	188 000	-	-	50 000	18 600 000
1122	Contract Agents - Allowances	5 041 000	29 000	-	-	-	5 070 000
1141	Support services & trainees	1 062 000	(15 000)	15 000	-	(140 000)	922 000
1211	Recruitment expenses	35 000	(15 000)	(10 000)	-	-	10 000
1221	Individual entitlements of staff	518 000	32 000	11 000	-	-	561 000
1231	Training	710 000	(270 000)	(70 000)	-	10 000	380 000
1241	Medical Service	125 000	-	-	-	50 000	175 000
1242	Mobility & social expenses for the Staff	947 500	(23 000)	-	-	280 000	1 204 500
1251	Representation expenses, Events and Internal meetings	56 400	(8 500)	(10 000)	-	-	37 900
Title 1	Staff expenditure	40 088 900	(299 500)	(64 000)	-	-	39 725 400
2111	Rental of building and associated expenses	5 465 500	(17 346)	-	-	-	5 448 154
2211	ICT Purchases, Hard - and Software & Maintenances	350 000	(95 000)	-	-	(100 000)	155 000
2212	ICT Services	1 805 000	50 000	-	-	130 000	1 985 000
2311	Furniture, Technical Installations and associated expenses	150 000	-	(100 000)	-	-	50 000
2312	Office Supplies, documentation & correspondence	58 000	(9 000)	(5 000)	-	-	44 000
2313	Charges, insurances & other operating expenses	40 000	60 000	12 000	-	-	112 000
Title 2	Infrastructure and operating expenditure	7 868 500	(11 346)	(93 000)	-	30 000	7 794 154
3111	Experts and external meetings	150 750	15 000	(58 600)	-	(30 000)	77 150
3112	Missions: Programme Management	812 000	(402 000)	(337 900)	-	-	72 100
3113	External Audits	1 100 000	(600 000)	(74 000)	30 000	-	456 000
3114	Communication, Information and Linguistic services	887 000	(228 500)	(132 500)	-	-	526 000
3115	Seminars & specific Training	-	-	-	-	-	-
3116	Programme related IT expenses	620 000	90 000	(90 000)	(30 000)	-	590 000
Title 3	Programme support expenditure	3 569 750	(1 125 500)	(693 000)	-	(30 000)	1 721 250
Total budget		51 527 150	(1 436 346)	(850 000)	-	-	49 240 804

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List of budget amendments adopted by the Steering Committee:

	Date	Main subject - description	Impact on Commitment & Payment Appropriations (EUR)
1	June 2020	Revision of all expenditure	Title 1 (299 500) Title 2 (11 346) Title 3 (1 125 500)
2	September 2020	Revision of all expenditure	Title 1 (64 000) Title 2 (93 000) Title 3 (693 000)
3	October 2020	Revision of programme supporting expenditure	Movement only within the title 3
4	December 2020	Revision of all expenditure	Title 2 30 000 Title 3 (30 000)

1.2. Budget implementation

1.2.1. 2020 appropriations (C1)

The execution of commitment appropriations amounts to EUR 48 376 713 and the execution of payment appropriations amounts to EUR 45 318 038.

Budget title	Budget 2020		Commitments made in 2020 (EUR)	Payments made in 2020 (EUR)
	Amount (EUR)	% by title		
Title: 1 Staff expenditure	39 725 400	81%	39 425 942	38 773 351
Title: 2 Infrastructure and operating expenses	7 794 154	16%	7 331 885	5 978 878
Title: 3 Programme support expenditure	1 721 250	3%	1 618 886	565 809
Total	49 240 804	100%	48 376 713	45 318 038

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

Programme	Budget 2019 (EUR)	Budget 2020 (EUR)
COSME	9 908 597	9 916 195
H2021	30 391 893	30 679 526
LIFE	5 073 734	5 543 517
EMFF	3 223 441	3 101 566
Total	48 597 665	49 240 804

The implementation of the final budget appropriations, fund source C1, is at a level of 98% for commitments (2019: 99 %) and 92% for payments (2019: 90 %).

In 2020, the difference between commitments and payments amounts to EUR 3 058 675 (last column of the below table). The Agency carried forward this amount to 2021 as it corresponds to legal commitments contracted in 2020 but not yet paid on 31 December 2020 (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	39 725 400	39 425 942	99%	38 773 351	98%	299 458	652 591
Chapter 11	- Remunerations, allowances & charges	37 357 000	37 088 039	99%	36 940 539	99%	268 961	147 500
1111	Temporary Agents - Remunerations	10 180 000	10 106 081	99%	10 106 081	99%	73 919	-
1112	Temporary Agents - Allowances	2 585 000	2 528 444	98%	2 528 444	98%	56 556	-
1121	Contract Agents - Remuneration	18 600 000	18 542 560	100%	18 542 560	100%	57 440	-
1122	Contract Agents - Allowances	5 070 000	5 039 866	99%	5 039 866	99%	30 134	-
1141	Support services & trainees	922 000	871 088	94%	723 588	78%	50 912	147 500
Chapter 12	- Professional development & social expenditure	2 368 400	2 337 903	99%	1 832 812	77%	30 497	505 091
1211	Recruitment expenses	10 000	1 292	13%	1 292	13%	8 708	-
1221	Individual entitlements of staff	561 000	561 000	100%	502 963	90%	-	58 037
1231	Training	380 000	380 000	100%	321 695	85%	-	58 305
1241	Medical Service	175 000	175 000	100%	69 294	40%	-	105 706
1242	Mobility & social expenses for the Staff	1 204 500	1 202 487	100%	919 444	76%	2 013	283 043
1251	Representation expenses, Events and Internal meetings	37 900	18 123	48%	18 123	48%	19 777	-
Title: 2	Infrastructure and operating expenses	7 794 154	7 331 885	94%	5 978 878	77%	462 269	1 353 007
Chapter 21	- Building expenditure	5 448 154	5 163 406	95%	4 218 206	77%	284 748	945 200
2111	Rental of building and associated expenses	5 448 154	5 163 406	95%	4 218 206	77%	284 748	945 200
Chapter 22	- ICT expenses	2 140 000	1 989 036	93%	1 681 074	79%	150 964	307 962
2211	ICT Purchases, Hard - and Software & Maintenances	155 000	98 125	63%	61 748	40%	56 875	36 376
2212	ICT Services	1 985 000	1 890 911	95%	1 619 325	82%	94 089	271 586
Chapter 23	- Movable property and current operating expenditure	206 000	179 443	87%	79 598	39%	26 557	99 845
2311	Furniture, Technical Installations and associated expenses	50 000	39 779	80%	17 203	34%	10 221	22 576
2312	Office Supplies, documentation & correspondence	44 000	40 905	93%	26 436	60%	3 095	14 469
2313	Charges, insurances & other operating expenses	112 000	98 759	88%	35 959	32%	13 241	62 800
Title: 3	Programme support expenditure	1 721 250	1 618 886	94%	565 809	33%	102 364	1 053 077
Chapter 31	- Programme management expenditure	1 721 250	1 618 886	94%	565 809	33%	102 364	1 053 077
3111	Experts and external meetings	77 150	51 786	67%	51 786	67%	25 364	-
3112	Missions: Programme Management	72 100	42 049	58%	42 049	58%	30 051	-
3113	External Audits	456 000	454 282	100%	28 694	6%	1 718	425 588
3114	Communication, Information and Linguistic services	526 000	488 100	93%	85 202	16%	37 900	402 898
3116	Programme related IT expenses	590 000	582 669	99%	358 078	61%	7 331	224 591
Total		49 240 804	48 376 713	98%	45 318 038	92%	864 091	3 058 675

The breakdown of the administrative budget by type of expenditure (see above table) shows that total staff expenditure (title 1) accounts for about 76% of total commitments, i.e. EUR 36 940 539.

In regard to chapter 11 - throughout the year 2020, 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.

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The table below provide an overview of the staffing evolution in 2020:

	Staff on 31/12/2019	Staff on 31/12/2020	Foreseen by 31/12/2020	% establishment plan 2020
Seconded Officials	31	27	34	79%
Temporary Agents	76	81	92	88%
Contract Agents	365	375	385	97%
Total	472	483	511	95%

The Agency continued to grow in 2020 and counted 483 staff by the end of the year. This amounts to 95% of 511 staff anticipated in the establishment plan for 2020 and represents a growth of 2.3% reached within 12 months compared to 482 by the end of 2019.

EASME launched 77 selection procedures for various profiles. 11 were external procedures to establish reserve lists (4 were for temporary agent posts and 7 were for contract agent posts), and for the first time 2 procedures were launched in the framework of the inter-agency market for temporary agents.

The turnover rate in 2020 was 5.24% (5.41% consequently in 2018 and 2019). 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 2020;
- ✓ 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 2020 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 2020, EUR 7 331 885 (15% of the total budget) were committed to infrastructure and operating expenses (title 2).

The majority of expenses (70%) 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 27% 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 3% 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 4% of the total budget:

- ✓ 34% covered programme related IT expenses (budget line 3116) and related to specific contracts to further develop the IT tools (H2021);
- ✓ 31% 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% 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;
- ✓ 5% covered finance experts, meetings with NCP's (National Contact Points) and several kick-off meetings and catering during meetings with external contractors (budget line 3111);
- ✓ about 5% was consumed to cover missions expenses (budget line 3112).

Carry-forward to 2021

The main appropriations to be carried forward to 2021 (EUR 3 058 675 - 6% of the total budget) are the following:

- Building charges: EUR 945 200 balance payments for the SLA's with OIB and DG HR;
- External audits: EUR 425 588 for 7 contracts that are still on-going;
- Communication: EUR 402 898 mainly for social media communication experts (intra-muros) and consultants for COMSME communication;
- ICT services: EUR 271 586 amount necessary for the payment of the IT consultants for the 4th quarter 2020, for system administration services for EASME IT infrastructure and other IT projects;
- Mobility and social expenses for the staff: EUR 283 043 balance payments for trainings organised by DG HR and other trainings;
- Programme related IT expenses EUR 224 591 for development of e-order framework contract and for expenses related to e-grants.

1.2.2. 2019 appropriations carried-forward to 2020 (C8)

The carry-forward of the appropriations from 2019 to 2020 amounted to EUR 4 477 760. Out of this amount, EUR 3 053 884 was paid which represents 68% of the total commitments carried-forward (2019: 88%). The difference between commitments carried-forward from 2019 to 2020 and payments on those commitments totals EUR 1 423 877 (2019: EUR 404 117) and will be reimbursed to the Commission in 2021.

	Payments appropriations carried-forward from 2019 (RAL C8) (EUR)	% by title	Amounts paid (EUR)	Total unused payment appropriations carried-forward from 2019 (EUR)
Title: 1 Staff expenditure	733 656	16%	330 671	-
Title: 2 Infrastructure and operating expenses	2 054 224	46%	1 302 379	-
Title: 3 Programme support expenditure	1 689 880	38%	1 420 834	-
Total	4 477 760	100%	3 053 884	-

The main amounts that were unduly carried forward (EUR 1 423 877) and therefore had to be de-committed are the following:

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- EUR 625 638 for rent;
- EUR 266 608 for trainings;
- EUR 162 674 for communication;
- EUR 74 204 for ICT services;
- EUR 66 246 for support services;
- EUR 56 956 for missions.

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	733 656	330 671	45%	402 986	-
	Chapter 11 – Remunerations, allowances & charges	152 730	86 484	57%	66 246	-
1141	Support services & trainees	152 730	86 484	57%	66 246	-
	Chapter 12 – Professional development & social expenditure	580 926	244 187	42%	336 739	-
1221	Recruitment expenses	3 511	1 644	47%	1 867	-
1221	Individual entitlements of staff	64 273	18 057	28%	46 216	-
1231	Training	387 114	120 507	31%	266 607	-
1241	Medical Service	19 561	19 561	100%	-	-
1242	Mobility & social expenses for the Staff	92 470	75 748	82%	16 722	-
1251	Representation expenses, Events and Internal meetings	13 997	8 670	62%	5 327	-
Title: 2	Infrastructure and operating expenses	2 054 224	1 302 379	63%	751 845	-
	Chapter 21 – Building expenditure	1 262 150	636 512	50%	625 638	-
2111	Rental of building and associated expenses	1 262 150	636 512	50%	625 638	-
	Chapter 22 – ICT expenses	609 654	502 194	82%	107 460	-
2211	ICT Purchases, Hard - and Software & Maintenances	174 693	141 437	81%	33 256	-
2212	ICT Services	434 961	360 757	83%	74 204	-
	Chapter 23 – Movable property and current operating expenditure	182 420	163 673	90%	18 747	-
2311	Furniture, Technical Installations and associated expenses	125 895	120 019	95%	5 876	-
2312	Office Supplies, documentation & correspondence	35 050	29 904	85%	5 146	-
2313	Charges, insurances & other operating expenses	21 475	13 750	64%	7 725	-
Title: 3	Programme support expenditure	1 689 880	1 420 834	84%	269 046	-
	Chapter 31 – Programme management expenditure	1 689 880	1 420 834	84%	269 046	-
3111	Experts and external meetings	40 670	23 353	57%	17 317	-
3112	Missions: Programme Management	192 296	135 340	70%	56 956	-
3113	External Audits	509 052	478 932	94%	30 120	-
3114	Communication, Information and Linguistic services	575 084	412 410	72%	162 674	-
3116	Programme related IT expenses	372 778	370 799	99%	1 979	-
Total		4 477 760	3 053 884	68%	1 423 877	-

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	51 527 150	(2 286 346)	49 240 804	49 240 804	49 240 804
Other income	-	-	-	19 243	19 243
TOTAL	51 527 150	(2 286 346)	49 240 804	49 260 047	49 260 047

To cover its administrative costs for 2020, the Agency receives a subsidy from the EU budget. This subsidy of EUR 49 240 804 was paid in five instalments by the DG GROW.

The received other revenues consist recovery of rent related expenses paid by the Agency in 2019.

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> . <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</i> . 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.