Council of the
European Union

Brussels, 27 June 2022
(OR. en)

10696/22

FIN 713

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	24 June 2022
To:	General Secretariat of the Council
No. Cion doc.:	COM(2022) 323 final
Subject:	Communication from the Commission to the European Parliament, the Council and the Court of Auditors - Consolidated annual accounts of the European Union for the financial year 2021

Delegations will find attached document COM(2022) 323 final.

Encl.: COM(2022) 323 final

EUROPEAN
COMMISSION

Brussels, 23.6.2022
COM(2022) 323 final

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

CONSOLIDATED ANNUAL ACCOUNTS OF THE EUROPEAN UNION FOR THE FINANCIAL YEAR 2021

CONTENTS

FOREWORD 2
FINANCIAL HIGHLIGHTS OF THE YEAR 3
NOTE ACCOMPANYING THE CONSOLIDATED ACCOUNTS 35
CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES 36
BALANCE SHEET 38
STATEMENT OF FINANCIAL PERFORMANCE 39
CASHFLOW STATEMENT 40
STATEMENT OF CHANGES IN NET ASSETS 41
NOTES TO THE FINANCIAL STATEMENTS 42
BUDGETARY IMPLEMENTATION REPORTS AND EXPLANATORY NOTES 141
GLOSSARY 204
LIST OF ABBREVIATIONS 208

FOREWORD

In 2021, Europe defied the ongoing pandemic. Solidarity was key to contain the Covid-19 challenge and to mitigate its economic and social impact. The European budget mobilised all available means to support citizens, businesses and Member States whilst making Europe fit for the future: greener, more digital and more resilient.

The European Union launched the dedicated **recovery instrument NextGenerationEU** to support Europe's recovery and to tackle current and future challenges. With extraordinary amounts of funding raised on the financial markets as from June 2021 the EU budget proved one more time to be an important tool the Union has at its disposal to tackle crisis situations and provide clear added value to people's lives.

In addition the SURE programme (**Support to mitigate Unemployment Risks in an Emergency**), continued to support Member States both to maintain people in work and help jobs affected by the pandemic.

On top of tackling the crisis with rapid responses and ongoing adjustments to the political and financial situation, the European Union kept its promise and **delivered on its policy objectives**. Therefore, it has made best use of the 2021 budget – the first of the current multiannual financial framework, with budget implementation amounting to EUR 268.3 billion in commitments made.

It is my pleasure to present the 2021 annual accounts of the European Union. They provide a complete overview of EU finances and the implementation of the EU budget for the past year, including information on contingent liabilities, financial commitments and other obligations of the Union. 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 fiscal transparency and accountability.

Johannes Hahn

Commissioner for Budget and Human Resources

FINANCIAL HIGHLIGHTS OF THE YEAR

The objective of this Financial Highlights section, which has been prepared on the basis of the principles outlined in the IPSASB Recommended Practice Guideline (RPG) 2 'Financial Statement Discussion and Analysis' is to assist readers to understand how the operational, financial and investment activities of the EU are reflected in the different elements of the consolidated financial statements of the EU. The information presented in this section has not been audited

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.

CONTENTS

1. KEY FIGURES AND HIGHLIGHTS OF THE YEAR 5
2. THE 2021-2027 MULTIANNUAL FINANCIAL FRAMEWORK AND NextGenerationEU 7
2.1. MFF 2021-27 & NextGenerationEU – Key Figures 7
2.2. NextGenerationEU – overview 8
2.3. Financial situation of NGEU at 31 December 2021 9
3. SUMMARY OF BUDGET IMPLEMENTATION 15
3.1. Revenue 15
3.2. Expenditure 16
4. FINANCIAL INSTRUMENTS AND BUDGETARY GUARANTEES 19
4.1. Financial instruments financed by the EU budget 19
4.2. Budgetary guarantees: Financial assets held in guarantee funds 19
4.3. Loans and related borrowings for financial assistance programmes 20
4.4. Budgetary contingent liabilities for financial assistance programmes 23
5. FINANCIAL STATEMENTS ANALYSIS 24
5.1. REVENUE 24
5.2. EXPENSES 25
5.3. ASSETS 26
5.4. LIABILITIES 28
6. EU POLITICAL AND FINANCIAL FRAMEWORK, GOVERNANCE AND ACCOUNTABILITY 31
6.1. POLITICAL AND FINANCIAL FRAMEWORK 31
6.2. GOVERNANCE AND ACCOUNTABILITY 32

1. KEY FIGURES AND HIGHLIGHTS OF THE YEAR

Consolidated financial statements

The consolidated financial statements of the EU comprise more than 50 entities (including the European Parliament, the Council, the Commission and EU agencies) and are prepared according to the highest available standards, the International Public Sector Accounting Standards (IPSAS).

The year 2021, which was the first year of the EU's 2021-2027 MFF, was exceptional in many aspects. As can be seen on the balance sheet below and further detailed in the Financial Statements Analysis (section **5**), the 2021 EU consolidated financial statements were particularly impacted by the successful launch of NextGenerationEU in 2021 (EUR 71.6 billion disbursed to Member States) and the additional borrowing and lending activities under the SURE instrument (EUR 50 billion):

EUR billion

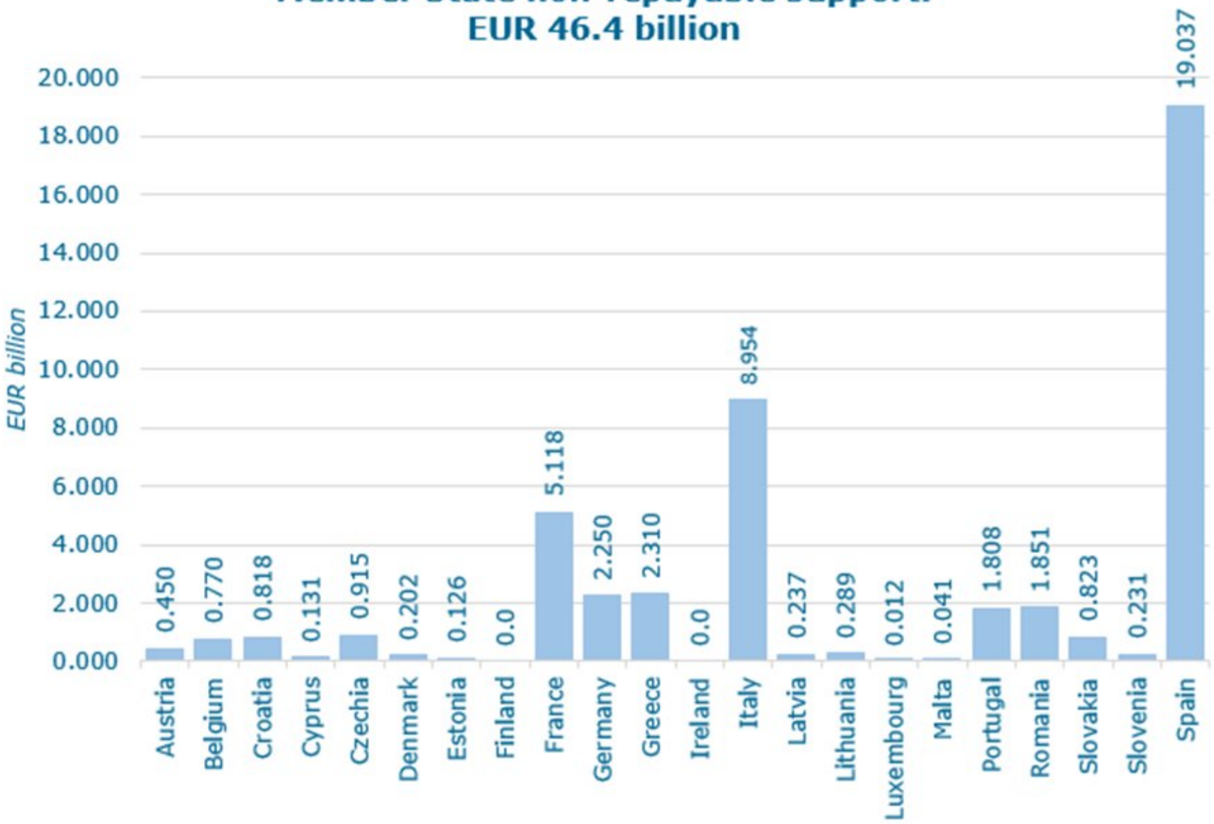
	2021	2020
ASSETS		
Financial Assets	188.6	113.1
Pre-financing	93.4	62.7
Receivables	72.4	74.5
Cash and cash equivalents	44.9	16.7
Property, Plant and Equipment and other assets	14.7	13.0
Total	**414.1**	**280.0**
LIABILITIES		
Post-employment benefits	122.5	116.0
Financial liabilities	246.1	95.0
Payables	46.4	32.4
Accruals	78.1	64.6
Other liabilities	3.3	5.4
Total	**496.4**	**313.5**
NET ASSETS		
Reserves	1.3	5.1
Amounts to be called from Member States	(83.6)	(38.5)
Total	**(82.3)**	**(33.4)**

➡ see Financial Statement Analysis, section **5**

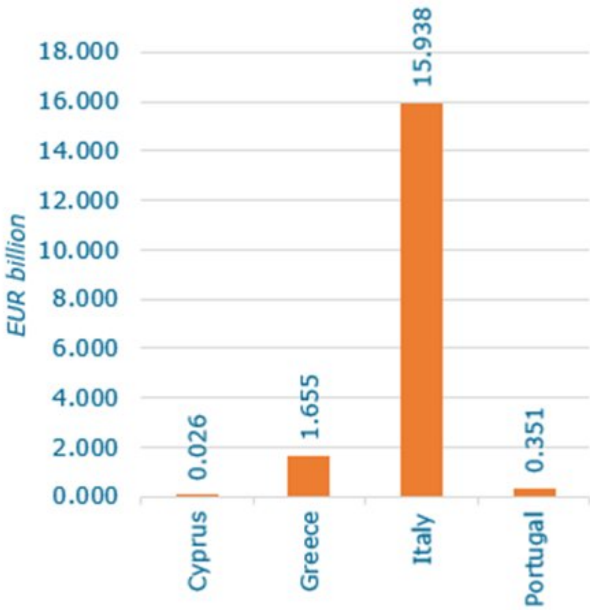
Successful Launch of NextGenerationEU

Disbursements under NextGenerationEU – EUR 71.6 billion split between:

Member State non-repayable support: EUR 46.4 billion



Member State loans: EUR 18.0 billion



MFF programmes: EUR 7.2 billion

	EUR billion
React EU	7.007
- of which ERDF	*4.926*
- of which ESF	*2.081*
InvestEU	0.151
Rural Development (EAFRD)	0.065
Horizon Europe	0.018
RescEU	0.002
Total	**7.243**

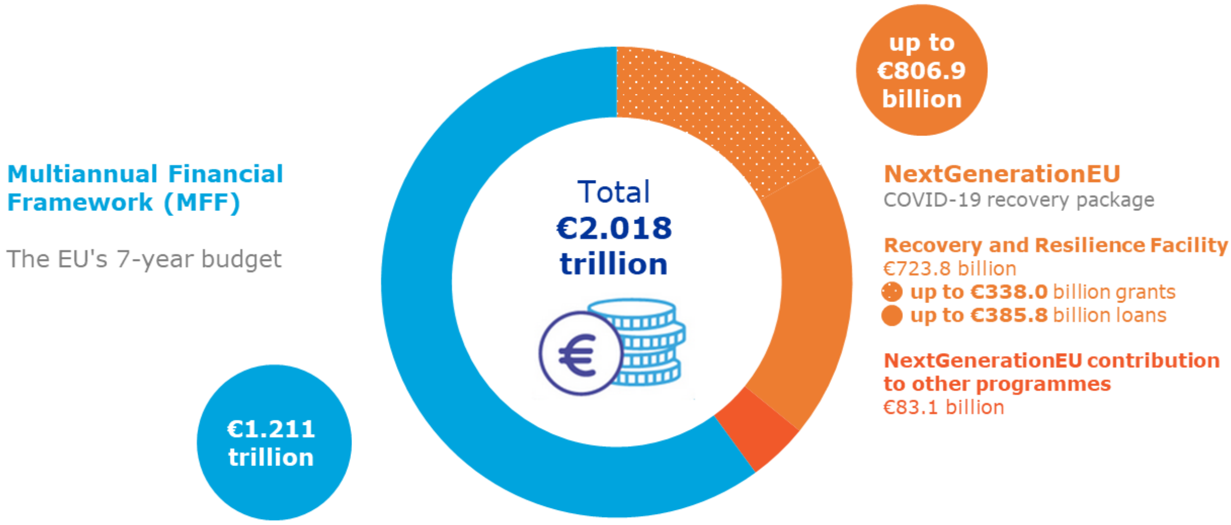
➡ see Financial situation of NGEU at 31 December 2021, section **2.3**

2. THE 2021-2027 MULTIANNUAL FINANCIAL FRAMEWORK AND NextGenerationEU

2.1. MFF 2021-27 & NextGenerationEU – Key Figures

The EU's 2021-2027 long-term budget, together with the NextGenerationEU ('NGEU') recovery instrument, amounts to EUR 2 018 trillion in current prices (EUR 1.8 trillion in 2018 prices). This unprecedented financial response to the crisis will help repair the economic and social damage caused by the coronavirus pandemic and support the transition towards a greener, more digital and more sustainable Europe.

The package consists of the long-term budget, the 2021-2027 multiannual financial framework ('MFF'), made up of EUR 1 211 trillion in current prices (EUR 1 074 trillion in 2018 prices), combined with the temporary recovery instrument, NGEU of up to EUR 806.9 billion in current prices (EUR 750 billion in 2018 prices).



Note: All amounts are in current prices.

This is a truly modernised budget:

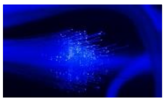
- More than 50% of the total amount of the next long-term budget and NGEU will support the modernisation of the European Union through research and innovation, fair climate and digital transitions, preparedness, and recovery and resilience actions;
- 30% of the EU budget will be spent to fight climate change – the highest share of the largest EU budget ever;
- 20% of the Recovery and Resilience Facility (RRF) – which accounts for 90% of NGEU – will be invested in digital transformation;
- In 2026 and 2027, 10% of the annual spending under the long-term budget will contribute to halting and reversing the decline of biodiversity; and
- For the first time ever, new and reinforced priorities have the highest share within the long-term budget, 32%.

Political priorities underlying the 2021-27 MFF

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 focuses on the following six headline ambitions:

6 HEADLINE AMBITIONS

A European Green Deal
– Striving to be the first climate-neutral continent



A Europe fit for the digital age
– Empowering people with a new generation of technologies

An economy that works for people
– Working for social fairness and prosperity

A stronger Europe in the world
– Europe to strive for more by strengthening our unique brand of responsible global leadership

Promoting our European way of life
– Building a Union of equality in which we all have the same access to opportunities

A new push for European democracy
– Nurturing, protecting and strengthening our democracy

2.2. NextGenerationEU – overview

With a budget of EUR 806.9 billion, NGEU is designed to help repair the immediate economic and social damage brought about by the coronavirus pandemic, thus building a post-COVID-19 Europe that is greener, more digital, more resilient and better fit for the current and forthcoming challenges.

Part of the funds, up to EUR 338.0 billion, are provided in the form of non-repayable support, or grants. The other part, up to EUR 385.8 billion, is used to provide loans from the Union to individual Member States. These loans will be repaid by those Member States starting only after the current MFF period and extending over a long time period, with current loans for example maturing only in 2051 (see section **2.3.3**).

In addition, NGEU reinforces several existing EU programmes and policies, as follows:

- The Cohesion policy under the recovery assistance for cohesion and the territories of Europe (REACT-EU), to help address the economic consequences of COVID-19 in the first years of the recovery;
- The Just Transition Fund, to guarantee that the transition to climate neutrality works for all;
- The European Agricultural Fund for Rural Development, to further support farmers;
- InvestEU, to support the investment efforts of our businesses;
- Horizon Europe, to make sure the EU has the capacity to fund more excellence in research; and
- RescEU, safeguards that the EU Civil Protection Mechanism has the capacity to respond to largescale emergencies.

Recovery and Resilience Facility
EUR 723.8 billion
up to 338.0 in grants
up to 385.8 in loans

POWER UP
Clean technologies and renewables

RENOVATE
Energy efficiency of buildings

RECHARGE AND REFUEL
Sustainable transport and charging stations

CONNECT
Roll-out of rapid broadband services

MODERNISE
Digitalisation of public administration

SCALE UP
Data cloud and sustainable processors

RESKILL AND UPSKILL
Education and training to support digital skills

NextGenerationEU contribution to other programmes
EUR 83.1 billion

REACT-EU (ERDF/ESF)
50.6

JUST TRANSITION FUND
10.9

RURAL DEVELOPMENT (EAFRD)
8.1

INVESTEU
6.1

HORIZON EUROPE
5.4

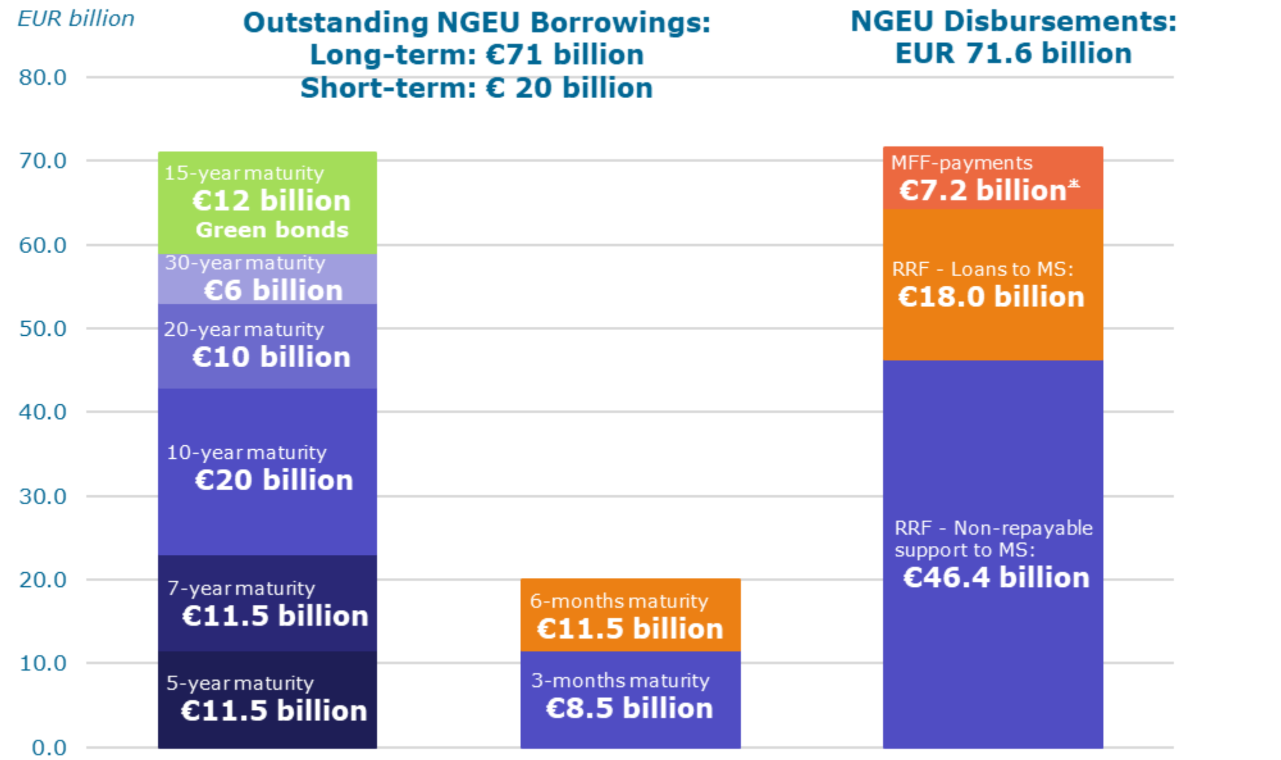
RESCEU
2.0

2.3. Financial situation of NGEU at 31 December 2021

2.3.1. Overview

From the launch of the NGEU funding operations on 15 June 2021 to the end of 2021, the Commission has raised EUR 71.0 billion of long-term funding, mainly by issuing bonds in syndicated transactions. In addition, as of December 2021, the Commission has EUR 20 billion of short-term EU-Bills outstanding. Up to year-end 2021, the Commission had disbursed a total of EUR 71.6 billion of financial support. The majority of this amount, EUR 64.3 billion, was disbursed to 20 Member States under the RRF (thereof EUR 46.4 billion as non-repayable support and EUR 18.0 billion as loans). A further EUR 7.2 billion was disbursed as MFF payments under existing programmes. The remaining liquidity of EUR 19.4 billion is held in the NGEU bank account with the ECB and in the Commission's central treasury account, pending disbursement to the budget for MFF programmes.

NGEU – Outstanding Borrowings and Disbursements at 31 December 2021



* *A further EUR 1.4 billion of funds were held in the Commission's central treasury account pending disbursement to the budget for MFF programmes.*

2.3.2. Borrowings

To meet the NGEU funding needs, the Commission issues securities on the international capital markets. Based on a diversified funding strategy, the Commission combines the use of different funding instruments and funding techniques with an open and transparent communication to market participants.

In 2021, the annual Borrowing Decision[1] allowed the Commission to issue up to a maximum amount of EUR 125 billion in long-term funding and to have up to a maximum outstanding amount of EUR 60 billion in short-term funding.

Long-term funding – Syndicated transactions and auctioning of EU bonds

As of 31 December 2021, the Commission borrowed EUR 66.0 billion through five bond issuances via syndicated transactions (including one dual-tranche transaction) as well as EUR 5.0 billion through the auctioning of EU bonds:

EUR billion

Long-term funding transactions (including taps)	Maturity	Issued/Raised	Total repaid at year-end	Outstanding at year-end
NGEU#1	04.07.2031	20.0	0.0	20.0
NGEU#2a (including taps)	06.07.2026	11.5	0.0	11.5
NGEU#2b	06.07.2051	6.0	0.0	6.0
NGEU#3	04.07.2041	10.0	0.0	10.0
NGEU#4 (including taps)	04.10.2028	11.5	0.0	11.5
NGEU Green bond #1	04.02.2037	12.0	0.0	12.0
Total		**71.0**	**0.0**	**71.0**

[1] Commission Implementing Decision C(2021) 3991 final.

The first syndicated transaction in June 2021 raised EUR 20.0 billion. It was the largest-ever institutional bond issuance in Europe, the largest-ever institutional single tranche transaction and the largest amount the EU has ever raised in a single transaction.

In October 2021 the Commission issued the first NGEU green bond, raising EUR 12.0 billion to be used exclusively for green and sustainable investments across the EU. This issuance, which represented the world's largest green bond issuance ever, created visibility for the green policies financed by green bonds and supported the European Green Deal and the green transition. The issuance of green bonds requires the implementation of reporting on the precise use of green bond proceeds and on the impact of investments that are financed through green bonds.

Short-term funding – Auctioning of EU-Bills

As of 31 December 2021, the outstanding amount of short-term funding, raised via the auctioning of EU-bills with a maturity of three or six months, amounted to EUR 20.0 billion:

EUR billion

Auctioning of EU- bills	**Outstanding at year-end**
Maturity of 3 months	8.5
Maturity of 6 months	11.5
Total	**20.0**

While syndicated transactions will remain the mainstay of the NGEU issuance programme, at least in the initial phases, the capacity to raise money quickly and cheaply via auctioning significantly enhances the Commission's ability to service its NGEU payment needs on the most advantageous terms for the Union budget and/or beneficiary Member States.

Furthermore, short-term financing of EUR 16 billion was raised via money-market transactions, all of which was repaid at year-end.

2.3.3. Disbursements

By year-end 2021, the Commission had received 26 Member States' recovery and resilience plans, of which 22 were positively assessed and subsequently approved by the Council (Belgium, Croatia, Cyprus, Czechia, Denmark, Germany, Greece, Spain, Portugal, France, Ireland, Italy, Latvia, Luxembourg, Austria, Slovakia, Lithuania, Malta, Slovenia, Romania, Estonia and Finland). Four further Member States (Bulgaria, Hungary, Poland and Sweden) submitted plans for which the assessments were still ongoing at year-end. The submission of one further plan (the Netherlands) was pending. The total financial support approved under the 22 endorsed plans amounted to EUR 291.2 billion of non-repayable support (of which the financing agreements signed by year-end covered EUR 195.4 billion) and EUR 153.9 billion of financial loan support (of which the loan agreements signed by year-end covered EUR 153.2 billion).

Non-repayable support

In 2021 the Commission disbursed a total of EUR 46.4 billion of non-repayable support to 20 of the 22 Member States with submitted and approved recovery and resilience plans. Out of this amount, EUR 36.4 billion had been paid as pre-financing. Following the fulfilment of milestones by Spain, a further EUR 10 billion was paid out before year-end, with EUR 1.5 billion of the original pre-financing being cleared. A further EUR 0.3 billion in pre-financing, relating to the non-repayable support to Finland, had not yet been disbursed at year end. In the case of Ireland, non-repayable support of EUR 1.0 billion had been approved, but no financing agreement was signed at year-end.

EUR billion

Member State	Maximum non-repayable support*	Total signed at 31.12.2021	Budgetary Commitments in 2021	Total disbursed at 31.12.2021
Austria	3.5	2.2	1.1	0.4
Belgium	5.9	3.6	1.8	0.8
Croatia	6.3	4.6	2.3	0.8
Cyprus	1.0	0.8	0.4	0.1
Czechia	7.0	3.5	1.8	0.9
Denmark	1.6	1.3	0.6	0.2
Estonia	1.0	0.8	0.4	0.1
Finland	2.1	-†	0.8	-†
France	39.4	24.3	12.0	5.1
Germany	25.6	16.3	8.1	2.3
Greece	17.8	13.5	6.7	2.3
Ireland	1.0	-‡	0.5	-
Italy	68.9	47.9	23.7	9.0
Latvia	1.8	1.6	0.8	0.2
Lithuania	2.2	2.1	1.0	0.3
Luxembourg	0.1	0.1	0.0	0.0
Malta	0.3	0.2	0.1	0.0
Portugal	13.9	9.8	4.8	1.8
Romania	14.2	10.2	5.1	1.9
Slovakia	6.3	4.6	2.3	0.8
Slovenia	1.8	1.3	0.6	0.2
Spain	69.5	46.6	23.1	19.0
Approved	**291.2**	**195.4**	**98.0**	**46.4**
Bulgaria	6.3	-	-	-
Hungary	7.2	-	-	-
Netherlands	6.0	-	-	-
Poland	23.9	-	-	-
Sweden	3.3	-	-	-
Not yet approved	**46.6**	**-**	**-**	**-**
Total	**338.0**	**195.4**	**98.0**	**46.4**

* *Member States with approved plans: funding allocated to each approved recovery and resilience plan. Member States without approved plans: maximum allocation in grants according to RRF Regulation. The amounts are subject to the update provided for in Article 11(2) of Regulation (EU) 2021/241, which is foreseen on 30 June 2022.*

† *Finland: signed and disbursed in 2022 only (EUR 0.3 billion).*

‡ *Ireland: not signed by the date of the signature of these accounts. Ireland has not requested a pre-financing for the non-repayable support.*

Loans

In 2021 the Commission disbursed a total of EUR 18.0 billion in the form of a pre-financing to four Member States (Cyprus, Greece, Italy and Portugal), equivalent to 13% of their respective loan allocations. A further EUR 1.9 billion in pre-financing, relating to the financial loan support to Romania, had not yet been disbursed at year-end. In the case of Slovenia, financial loan support of EUR 0.7 billion had been approved , but no loan agreement was signed at year-end:

EUR billion

Member State	Maximum financial loan support	Total signed at 31.12.2021	Total disbursed at 31.12.2021	Total repaid at 31.12.2021	Total outstanding at 31.12.2021
Cyprus	0.2	0.2	0.0	-	0.0
Greece	12.7	12.7	1.7	-	1.7
Italy	122.6	122.6	15.9	-	15.9
Portugal	2.7	2.7	0.4	-	0.4
Romania	14.9	14.9	-*	-	-
Slovenia	0.7	-†	-	-	-
Approved	**153.9**	**153.2**	**18.0**	-	**18.0**
Reserve	**231.9**	**-**	**-**	-	**-**
Total	**385.8**	**153.2**	**18.0**	**-**	**18.0**

* *Romania: disbursed in 2022 only (EUR 1.9 billion).*
† *Slovenia: signed in 2022 only. Slovenia has not requested a pre-financing for the loan.*

According to the loan agreements, Member States will make annual repayments of 5% of the disbursed amounts starting ten years after the disbursement date. Thus Portugal, Greece, Italy and Cyprus will start repaying the loans as from 2032, with the loans maturing in 2051. The repayment schedule for the nominal amounts outstanding at year-end is as follows:

EUR million

Member State	Repayment period	Annual repayment	Total repayment
Cyprus	2032-2051	1	26
Greece	2032-2051	83	1 655
Italy	2032-2051	797	15 938
Portugal	2032-2051	18	351
Total		**899**	**17 970**

NGEU contribution to other programmes under the EU budget

At year-end 2021, the Commission had disbursed a total of EUR 7.2 billion as payments to other programmes under the MFF, mainly relating to REACT-EU which finances the European Regional Development Fund (ERDF) and the European Social Fund (ESF):

EUR billion

MFF-Programme	Total approved MFF contributions	Budgetary Commitments in 2021	Total disbursed at 31.12.2021
REACT-EU	50.6	39.5	7.0
- of which ERDF	*31.5*	*24.0*	*4.9*
- of which ESF	*19.2*	*15.4*	*2.1*
Just Transition Fund	10.9	0.0	0.0
Rural Development (EAFRD)	8.1	2.4	0.1
InvestEU	6.1	1.7	0.2
Horizon Europe	5.4	1.8	0.0
RescEU	2.1	0.1	0.0
Total	**83.1**	**45.5**	**7.2**

2.3.4. Liquidity

Loans provided under NGEU do not follow the strict back-to-back principle of other financial assistance instruments. Instead, a diversified and pooled funding strategy has been developed for the NGEU that has required the implementation of an efficient liquidity management. The objective of the NGEU liquidity management is to ensure that the amounts held on the NGEU bank account are sufficient to meet all upcoming disbursement needs and to maintain a defined safety buffer, while avoiding any excess balances. For the liquidity management, the Commission has developed an IT tool that allows for the monitoring of the NGEU account on a daily basis. At year-end 2021 the total funds held in the NGEU off-budget account amounted to EUR 18.0 billion. In addition, EUR 1.4 billion of funds were held in the Commission’s central treasury account pending disbursement to the budget for MFF-programmes.

3. SUMMARY OF BUDGET IMPLEMENTATION

3.1. Revenue

In the initial adopted EU budget, signed by the President of the European Parliament on 18 December 2020, the total amount of payment appropriations for 2021 was EUR 166 060 million and the total amount to be financed by own resources totalled EUR 156 867 million. The revenue and expenditure estimates in the initial budget are typically adjusted during the budgetary year by way of amending budgets. Adjustments in the GNI-based own resources ensure that budgeted revenue matches exactly budgeted expenditure. By doing so, the principle of budget equilibrium is respected, and budget revenue and expenditure (payment appropriations) amounts are equal.

During 2021, six amending budgets were adopted. Taking them into account, the final adopted revenue for 2021 amounted to EUR 168 011 million and the total to be financed by own resources was EUR 156 993 million. Member States' contributions in 2021 remained stable. The increase of payment appropriations (EUR 1 950 million) was mainly financed by the surplus from the previous year.

Revenue comes from six sources (titles):

Title 1 : Own resources

The collection of Traditional own resources (EUR 158 632 million) was 1.0% above the amounts in the budget (EUR 156 993 million). This was due mainly to a higher amount collected than expected in the last two months of the year.

The final Member States' VAT, GNI and Plastics payments 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 euro area actually made their payments.

Title 2 : Surpluses, balances and adjustments

The surplus of the previous financial year amounted to EUR 1 769 million. This amount was inscribed in the budget 2021 through an amending budget and the own resources contribution from the Member States was reduced accordingly.

For the VAT and GNI balances the rules are set out in Article 10b of the Making Available Regulation (Council Regulation (EU, Euratom) No 609/2014). According to these rules the total sum of the balances are calculated in order that the impact on the EU budget be zero (‘netting system’) and the procedure does not entail a budgetary amendment. The Commission therefore directly requests the Member States to pay the net amounts.

Title 3 : Administrative revenue

This title comprises revenue from taxes and levies on the remuneration of staff, amounting to EUR 2 230 million.

Title 4 : Financial revenue, default interest and fines

In title 4 the difference between budgeted amount (EUR 515 million) and outturn (EUR 1 633 million) refers mainly to fines in the field of competition.

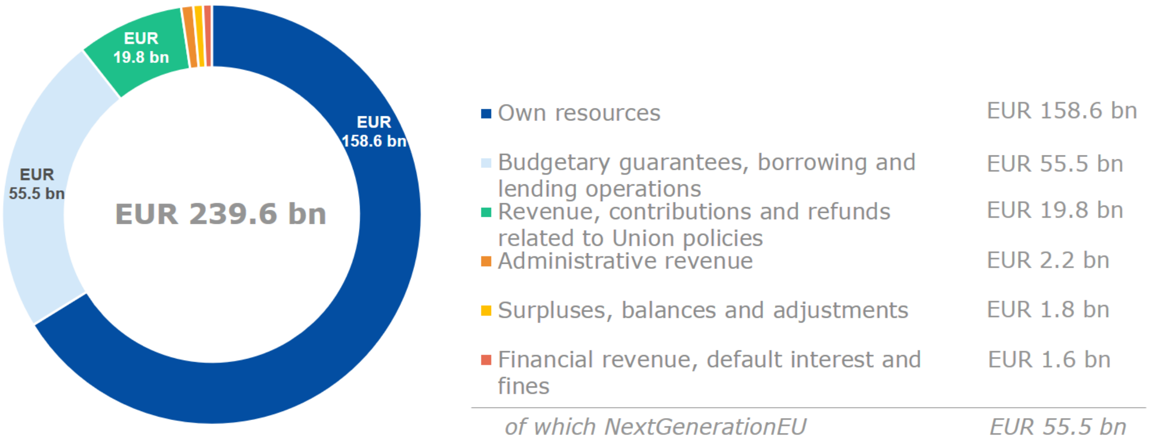
Title 5 : Budgetary guarantees, borrowing and lending operations

This title has increased significantly with the advent of the NGEU. NGEU funds within this title are assigned revenue. Title 5 covers revenue related to guarantees and interest and repayments of loans granted. It also channels funds (for the NGEU non-repayable support under the Recovery and Resilience Facility and for reinforcement of MFF programmes) from earmarked revenue that Member States receive under the European Union Recovery Instrument (EURI). See Financial Highlights of the Year, sections **2.2** and **2.3.** for a comprehensive overview of the NGEU.

Title 6 : Revenue, contributions and refunds related to Union policies

This title mainly concerns revenue from financial corrections related to structural and agricultural funds (ESIF, EAGF and EAFRD). It also includes 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 assigned revenue, which gives rise to the entering of additional appropriations on the expenditure side.

Total 2021 budget revenue amounted to EUR 239 596 million



3.2. Expenditure

3.2.1. Budget implementation

In 2021, the first year of the new MFF 2021-2027, the final adopted budget amounted to EUR 166.8 billion of commitment appropriations and EUR 168.0 billion of payment appropriations. NGEU reinforced the key programmes by an additional EUR 421.1 billion of commitment appropriations and EUR 55.5 billion of payment appropriations inscribed in the EU budget as external assigned revenue[2].

The implementation of the 2021 budget was significantly impacted by the delays in the adoption of new legal bases and the new rules for structural funds. The majority of the 2021 commitment appropriations for structural funds (with a net value of EUR 49 billion) were re-programmed to 2022-2025 according to article 7 of the MFF Regulation. In cases allowed by the Financial Regulation and/or new legal bases, the appropriations not implemented were carried over to 2022: EUR 4.1 billion of commitment and EUR 4.2 billion of payment appropriations. In 2021 for the first time the possibility to carry-over unused adopted budget appropriations to the subsequent year was used by the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI – Global Europe)[3,4]. Similar provisions apply and were used for the Brexit Adjustment Reserve and Solidarity and Emergency Aid Reserve (SEAR).

---

[2] See Financial Highlights of the Year, sections 2.2 and 2.3 for a comprehensive overview of the NGEU.

[3] Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU and repealing Regulation (EU) 2017/1601 and Council Regulation (EC, Euratom) No 480/2009, OJ L 209, 14.6.2021, p. 1–78

[4] The provision to automatically carry over of unspent commitment and payment appropriations applies also to the other programmes in Heading 6: European Instrument for International Nuclear Safety Cooperation, Overseas Countries, Territories, and Instrument for Pre-Accession assistance (IPA III) by way of references in their respective legal bases to the provisions of NDICI-GE.

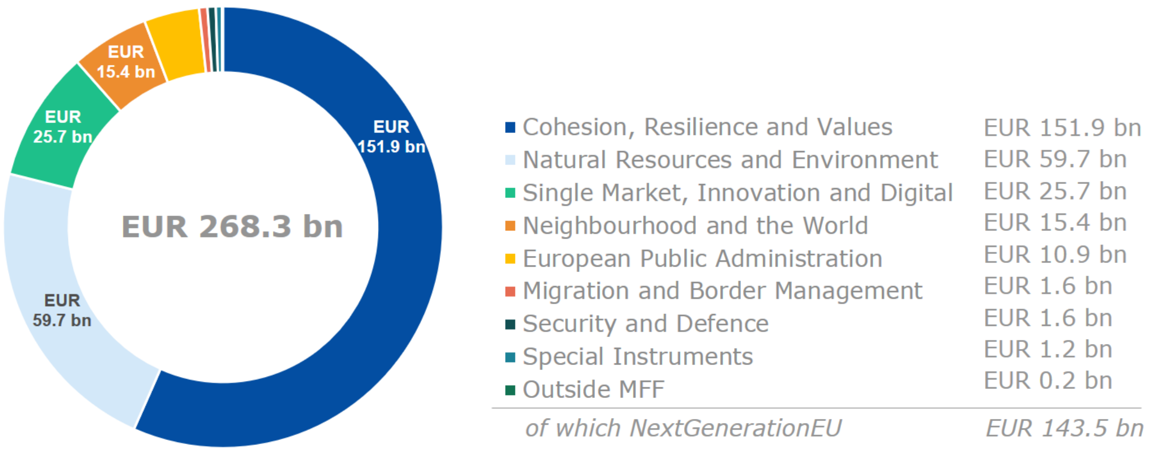
The implementation of the total commitment appropriations in 2021 totalled EUR 268.3 billion:

- EUR 113.4 billion from the final adopted budget;
- EUR 0.6 billion from appropriations carried-over from 2020;
- EUR 154.3 billion from appropriations stemming from assigned revenue;
    - of which EUR 143.5 billion from NGEU.

Total payments made in 2021 totalled EUR 228.0 billion:

- EUR 163.6 billion from the final adopted budget;
- EUR 1.8 billion from appropriations carried-over from 2020;
- EUR 62.6 billion from appropriations stemming from assigned revenue;
    - of which EUR 53.6 billion from NGEU.

Total 2021 commitment appropriations implementation per EU policy objectives



The 2021 implementation for all types of appropriations (budget, carry-overs from previous year and assigned revenue) was 44% for commitments and 92% for payments. Implementation rates 2021 excluding assigned revenue showed 68% for commitment appropriations and 97% for payment appropriations. An important share of the payments made in 2021 related to the completion of MFF 2014-2020.

Taking into account in addition the carry overs and the commitments under shared management which were reprogrammed in accordance with MFFR Article 7, the implementation of the voted budget would have reached nearly 100% for both commitment and payment approprations.

The implementation of the NGEU appropriations reached 34% for the total commitment and 97% for the total payment appropriations inscribed in the EU budget. The NGEU committed amount represented 87% of the amount authorised[5] for commitment in 2021, which stood at EUR 164.6 billion.

[5] The authorised amount for NGEU 2021 concerns the 2021 support in the form of non-repayable support to Member States under the Recovery and Resilience Facility (RRF), the Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU) and the additional money to other European programmes or funds (Rural Development, InvestEU Fund, Just Transition Fund, Horizon Europe and RescEU). The EURI Regulation provides the legal deadlines with respect to the legal commitments while the programming distribution is established based on the planned schedule of annual commitments specifically mentioned in the different legal basis of the programmes concerned.

3.2.2. Outstanding commitments

Outstanding commitments (commonly referred to as RAL – reste à liquider), which are committed amounts not yet paid, stood at EUR 341.6 billion at the end of 2021. The outstanding commitments increased as compared to 2020 (by EUR 38.4 billion) but this increase was smaller than initially forecast, as most of the commitments for programmes under shared management (with net value of EUR 49 billion) planned for 2021, were postponed to 2022 and following years, in accordance with Article 7 of the MFF Regulation. The reprogramming of the shared management implementation will contribute to a further RAL increase in the coming years.

The main driver of the 2021 increase of the RAL was the start of the NGEU (non-repayable part) implementation – contributing EUR 89.9 billion (26%) to the total RAL at the end of 2021. The NGEU assigned revenue will lead to the increase of the RAL in the coming years as all commitments will be entered by the 31 December 2023 and will be honoured by payments up to 31 December 2026, in accordance with Articles 3(4) and 3(9) of the EURI Regulation[6].

3.2.3. Budget result

The budget result (surplus) increased from EUR 1.8 billion in 2020 to EUR 3.2 billion in 2021, due to the higher than expected revenue from customs duties and fines.

[6] Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis.

4. FINANCIAL INSTRUMENTS AND BUDGETARY GUARANTEES

4.1. Financial instruments financed by the EU budget

Financial instruments financed by the EU budget exist in the form of guarantee instruments, equity instruments and loan instruments. Under the 2021-2027 MFF the use of budgetary guarantees is expected to increase in comparison to the use of financial instruments fully financed or provisioned from the EU budget. In particular, under the InvestEU Programme, EUR 26.2 billion of EU guarantees will be provided to the EIB group and other financial institutions, to support various policy objectives of the Union by means of financing and investment operations. 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.

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 investments in money market funds or pooled portfolios of assets) to cover future guarantee calls or have been invested in equity. The significance and volume of financial instruments financed by the EU budget under direct and indirect management has been increasing in recent years.

4.2. Budgetary guarantees: Financial assets held in guarantee funds

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, thus creating contingent liabilities for the EU budget, in case the provisioning is not sufficient to cover the calls. The EU has given guarantees on loans granted outside of the EU (the so-called External Lending Mandate, or ELM, of the EIB) and on debt and equity operations covered by the EFSI guarantee to the EIB Group, as well as guarantees on operations covered by the EFSD and NDICI-External Action Guarantee, given to the EIB Group and other financial institutions.

As of 2021, the provisioning via guarantee funds is held in the Common Provisioning Fund (CPF). The CPF is established by the Financial Regulation[7] to hold the provisions made (i.e. funds held) to cover the financial liabilities arising from financial instruments, budgetary guarantees and financial assistance loans as of the 2021-2027 MFF. It also includes some assets of provisioning covering financial liabilities from previous MFFs.

The CPF is created and functions as a single portfolio, currently combining provisions for different EU budgetary guarantees and financial assistance programmes. The resources of the CPF are allocated into compartments for the purpose of tracing the amounts relating to the various CPF contributing instruments (budgetary guarantees and financial assistance programmes).

Following the entry into force of the 2021-2027 MFF, the net assets of the EFSI Guarantee Fund were transferred as from 1 January 2021 into the CPF. The net assets of the EFSD Guarantee Fund and the Guarantee Fund for external actions were transferred to the CPF in the course of 2021.

At 31 December 2021, the Commission holds financial assets in the CPF for the following compartments:

- Guarantee Fund for external actions - EUR 2.7 billion;
- EFSI Guarantee Fund - EUR 8.5 billion;
- EFSD Guarantee Fund - EUR 0.8 billion; and
- InvestEU Guarantee Fund - EUR 0.3 billion.

[7] Article 212 of the Financial Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018.

In addition, EUR 92 million is held in the Commission central treasury as a liquidity buffer to cover for immediate guarantee calls.

4.3. Loans and related borrowings for financial assistance programmes

The EU borrowing and lending activities for financial assistance programmes are non-budget operations. In general and except for NGEU, 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.

The 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. In 2021 the Commission, acting on behalf of the EU, operated five main programmes under which it may grant loans:

- Balance of Payments (BOP) assistance;
- European Financial Stabilisation Mechanism (EFSM) assistance;
- Macro-financial assistance (MFA);
- SURE assistance; and
- NGEU – for further information on NGEU see section **2.**

At 31 December 2021, the nominal amount of the loans granted for financial assistance, excluding NGEU (see section **2**), were:

EUR billion

	Total granted	Total disbursed at year-end	Total repaid at year-end	Outstanding at year-end
SURE				
Belgium	8.2	8.2	-	8.2
Bulgaria	0.5	0.5	-	0.5
Croatia	1.0	1.0	-	1.0
Cyprus	0.6	0.6	-	0.6
Czechia	2.0	2.0	-	2.0
Estonia	0.2	0.2	-	0.2
Greece	5.3	5.3	-	5.3
Hungary	0.5	0.5	-	0.5
Ireland	2.5	2.5	-	2.5
Italy	27.4	27.4	-	27.4
Latvia	0.3	0.3	-	0.3
Lithuania	1.0	1.0	-	1.0
Malta	0.4	0.4	-	0.4
Poland	11.2	8.2	-	8.2
Portugal	5.9	5.4	-	5.4
Romania	4.1	3.0	-	3.0
Slovakia	0.6	0.6	-	0.6
Slovenia	1.1	1.1	-	1.1
Spain	21.3	21.3	-	21.3
	94.3	**89.6**	**-**	**89.6**
EFSM				
Ireland	22.5	22.5	-	22.5
Portugal	24.3	24.3	-	24.3
	46.8	**46.8**	**-**	**46.8**
MFA				
Ukraine	5.0	5.0	(0.6)	4.4
Tunisia	1.4	1.1	-	1.1
Jordan	1.1	0.9	-	0.9
Other	1.5	1.2	(0.2)	1.0
	9.0	**8.2**	**(0.8)**	**7.4**
BOP				
Latvia	2.9	2.9	(2.7)	0.2
	2.9	**2.9**	**(2.7)**	**0.2**
Total	**153.0**	**147.5**	**(3.5)**	**144.0**

The repayment schedule for the amounts outstanding at year-end is as follows:

EUR billion

	SURE	EFSM	MFA	BOP	TOTAL
2022	-	2.7	-	-	2.7
2023	-	3.5	0.1	-	3.6
2024	-	2.6	0.6	-	3.2
2025	8.0	2.4	-	0.2	10.6
2026	8.0	4.0	0.1		12.1
2027	-	3.0	0.2		3.2
2028	10.0	2.3	0.2		12.5
2029	8.1	1.4	0.9		10.4
2030	10.0	-	0.1		10.1
2031	-	7.3	1.2		8.5
2032	-	3.0	0.1		3.1
2033	-	2.1	0.5		2.6
2034	-	-	0.1		0.1
2035	8.5	2.0	2.0		12.5
2036	9.0	5.7	1.3		16.0
2037	-	-	-		-
2038	-	1.8	-		1.8
2039					-
2040	7.0	-	-		7.0
2041					-
2042	-	3.0	-		3.0
2043					-
2044					-
2045					-
2046	5.0				5.0
2047	6.0				6.0
2048					-
2049					-
2050	10.0		-		10.0
2051	-				-
Total	**89.6**	**46.8**	**7.4**	**0.2**	**144.0**

SURE

SURE was established in 2020 to provide financial assistance to Member States who are experiencing, or are seriously threatened with, a severe economic disturbance caused by the COVID-19 pandemic in their territory. The instrument complements the national measures taken by affected Member States. The maximum amount of financial assistance shall not exceed EUR 100 billion for all Member States.

At the end of 2021, Member States signed loan facility agreements amounting to EUR 94.3 billion and out of this amount EUR 89.6 billion were disbursed by year-end 2021. The amount of new loans disbursed in 2021 amounted to EUR 50.1 billion. The maturity of loans varies between 5, 10, 15, 20 and 30 years.

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 has 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. In 2021, an amount of EUR 9.8 billion maturing during the year was extended until 2036 (EUR 3 billion for Ireland and EUR 1.8 billion for Portugal) and until 2031 (EUR 5 billion for Portugal).

The amount granted to Portugal was reduced from EUR 26 billion to EUR 24.3 billion as an amount of EUR 1.7 billion expired and no further disbursements were possible. In December 2021, Portugal requested the maturity lengthening for EUR 2.2 billion of the total EUR 2.7 billion loan due in April 2022. In February 2022, the Commission has borrowed EUR 2.2. billion to roll-over the loan, which has been extended by 4.5 years.

MFA

The MFA programme is a form of financial assistance extended by the EU to partner countries outside the EU experiencing a balance of payments crisis (including EUR 4.4 billion outstanding to Ukraine). 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 International Monetary Fund (IMF) programme.

In 2020, the Commission adopted a proposal for a EUR 3 billion MFA package to ten enlargement and neighbourhood partners to help them limit the economic fallout of the coronavirus pandemic. The decision was adopted by the European Parliament and the Council on 25 May 2020. Under this decision, in 2021, the Commission disbursed 10 new loans of a total nominal amount of EUR 1.7 billion to 9 MFA beneficiaries. The maturity of the new loans varies between 10 and 15 years.

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, BOP assistance from the EU is offered in cooperation with the IMF and other international institutions or countries.

The amount granted to Latvia under BOP was reduced from EUR 3.1 billion to EUR 2.9 billion as the available amount of EUR 0.2 billion lapsed and could no longer be disbursed. No new operations or loan repayments occurred in 2021.

4.4. Budgetary contingent liabilities for financial assistance programmes

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 is not possible at that time, 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.

Loans provided to Member States under the SURE instrument are underpinned by a system of voluntary guarantees from Member States amounting to 25% of the maximum amount of financial assistance. Each Member State’s contribution to the overall amount of the guarantee corresponds to its relative share in the total gross national income (GNI) of the European Union, based on the 2020 EU budget.

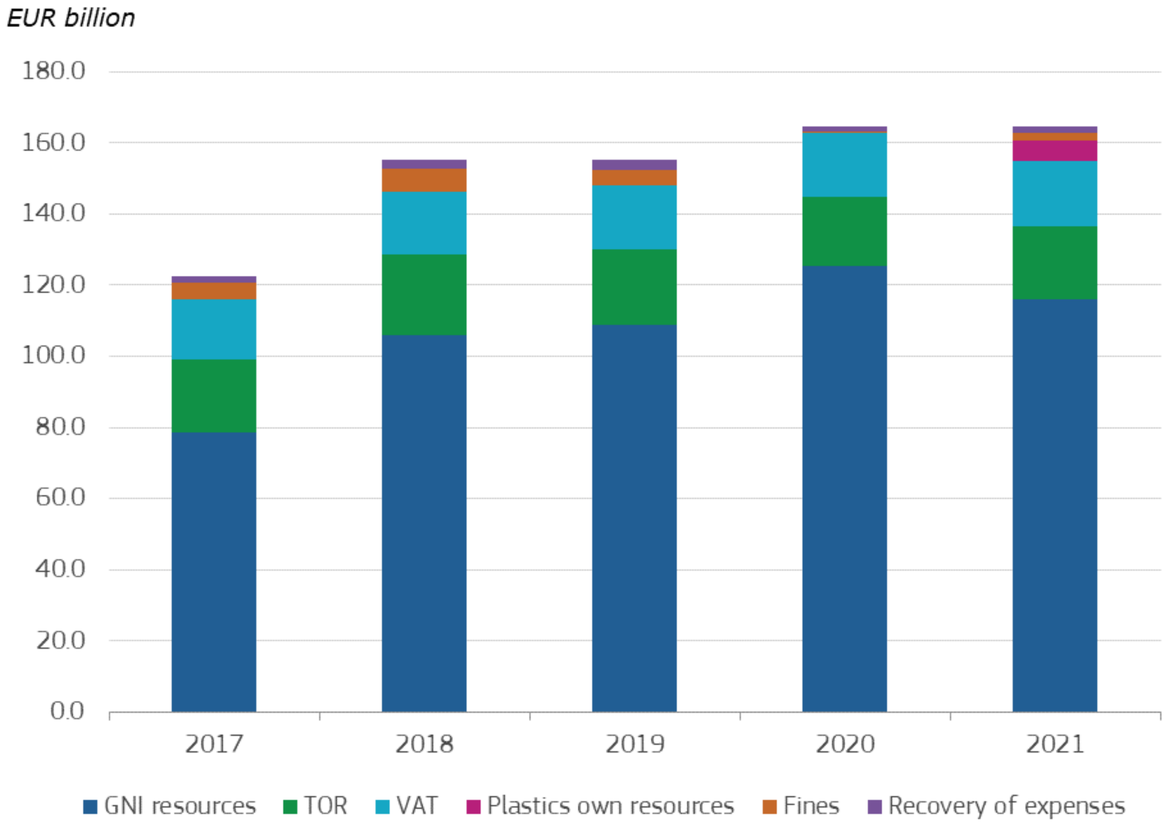
For each country programme, the European Parliament, the Council and the Commission decisions determine the overall granted amount, the number of instalments to be disbursed, and the maximum (average) maturity of the loan package. Subsequently, the Commission and the Member State concerned, agree the 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.

5. FINANCIAL STATEMENTS ANALYSIS

5.1. REVENUE

The consolidated revenue of the EU incorporates amounts related to exchange transactions and non-exchange transactions, the latter being the most significant. The five-year trend of the main non-exchange revenue categories (comprising GNI resources, Traditional own resources, VAT resources, the new Plastics own resources, Fines and Recovery of expenses) is as follows:

Five-year trend of revenue from main non-exchange transactions*



*2020 and 2021 figures: excluding revenue relating to the UK's withdrawal from the EU

As budget revenue should equal (or exceed) budget expenditure, the main driver in the revenue trend shown above is the payments made each year.

Consolidated revenue – main developments in 2021

In 2021, the consolidated revenue, comprising all revenue categories, amounted to EUR 178.9 billion, compared to EUR 224.0 billion the previous year. The main reason for the decrease of EUR 45.1 billion or 20.1% was the decreasing impact of the UK's withdrawal from the European Union, which had increased the 2020 revenues by EUR 47.5 billion, but contributed only EUR 1.1 billion to the 2021 revenues. Excluding this specific revenue, the consolidated revenue of 2021 amounts to EUR 177.8 EUR billlion, which is comparable to the adjusted consolidated revenue of the previous year (EUR 176.5 billion).

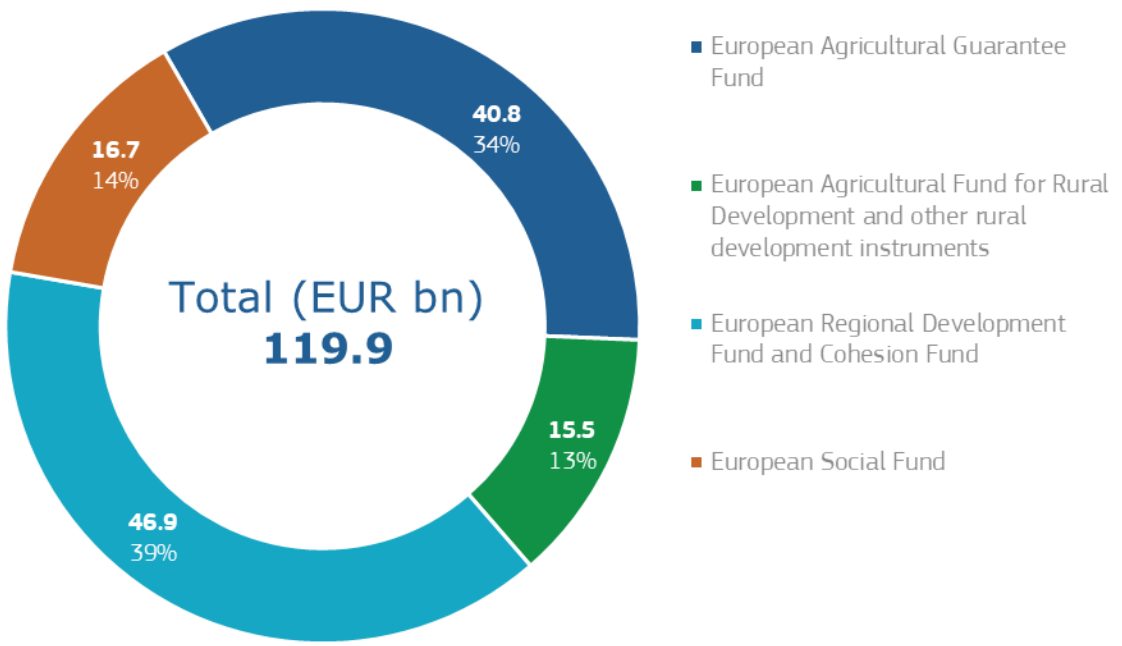
As regards the remaining revenue categories, the main developments were the introduction of the new plastics own resources, an increase in revenues from fines and a decrease in the revenues from GNI:

- Revenue from the new plastics own resource, which was introduced in 2021 with the entry into force of the new Own Resources Decision 2020/2053[8], amounted to EUR 5.8 billion. A uniform call rate of EUR 0.80 per kilogram applies to the weight of plastic packaging waste generated in each Member State that is not recycled. The plastic packaging waste that is not recycled in a given year is calculated as the difference between the plastic packaging waste generated and the plastic packaging waste recycled in that year in a Member State. Bulgaria, the Czechia, Estonia, Greece, Spain, Croatia, Italy, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Romania, Slovenia and Slovakia are entitled to specific annual lump sum reductions in their respective plastics own resource contributions;
- Fines revenue increased from EUR 0.5 billion in 2020 to EUR 2.0 billion in 2021. The increase of EUR 1.5 billion is due to both the higher number and the higher amounts of fines issued in 2021. In 2021 the main fines issued were: EUR 875 million imposed on BMW and the Volkswagen group (Volkswagen, Audi and Porsche) for colluding on technical development in the area of nitrogen oxide cleaning and EUR 371 million imposed on Nomura, UBS and UniCredit for the participation of a group of traders in a cartel in the primary and secondary market for European Government Bonds;
- Revenue from GNI (gross national income), the primary element of the EU's operating revenue, decreased from EUR 125.4 billion in 2020 to EUR 116.0 billion in 2021. The decrease of EUR 9.4 billion or 7.5% is linked to the increase of the other revenue categories (and the new plastics own resource revenues), as the revenue from GNI funds the part of the budget which is not covered by other sources of income.

5.2. EXPENSES

The main component of expenses recognised in the consolidated financial statements are expenses 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 EUR 119.9 billion or 54.3% of the total expenses of EUR 221.0 billion incurred in 2021 (2020: EUR 109.7 billion, 65.9% of the total expenses). The split of expenses under the shared management mode and their relative weights are presented below:

Main expenses under the shared management mode for the financial year 2021



[8] Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the EU.

The increase of expenses under the shared management mode is mainly due to increased expenses relating to the ERDF and Cohesion Fund (EUR 5.8 billion) and the ESF (EUR 3.0 billion). This reflects the increased implementation towards the end of the programming period of the 2014-2020 MFF as well as the temporary increase of the co-financing rate following the implementation of the CRII+ measures. Expenses relating to the EAFRD and other rural development instruments and the EAGF increased by EUR 1.0 billion and EUR 0.3 billion, respectively.

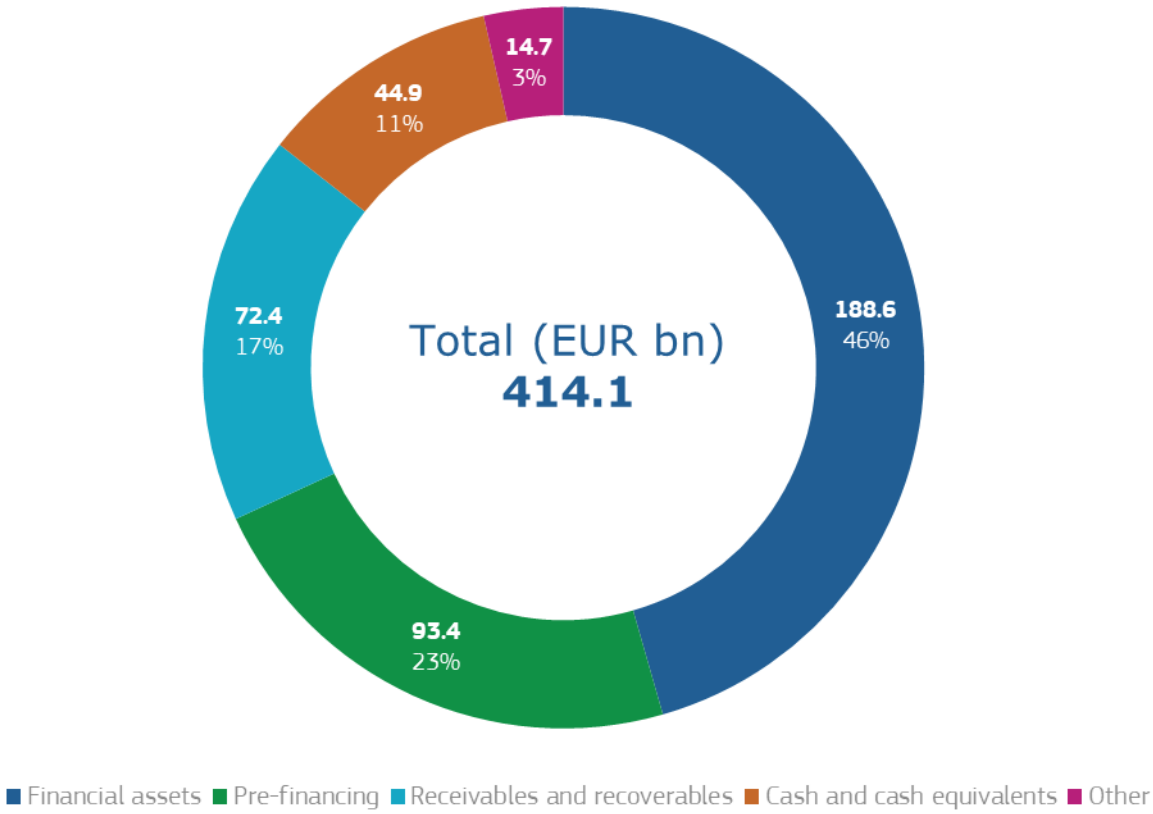
Following the successful launch of NGEU (see section **2**), expenses under the direct management mode, which represents budget implementation by the Commission, executive agencies and trust funds, increased from EUR 22.1 billion in 2020 to EUR 63.0 billion in 2021. The increase of EUR 40.9 billion is mainly due to the non-repayable support granted under the NGEU's RRF, which amounted to EUR 42.9 billion. Direct management expenses relating to Covid-19 vaccination programmes decreased from EUR 1.6 billion in 2020 to EUR 0.7 billion in 2021.

Expenses under the indirect management mode represent the budget implementation by EU agencies, EU bodies, third countries, international organisations and other entities. In 2021 the expenses under the indirect management mode amounted to EUR 10.9 billion, similar to the previous year figure of EUR 11.0 billion.

5.3. ASSETS

As at 31 December 2021 total assets amounted to EUR 414.1 billion (2020: EUR 280.0 billion) – the significant increase is due to further lending from the SURE instrument and the lending and advances paid under the new NGEU instrument. The most significant items were financial assets other than cash and cash equivalents (EUR 188.6 billion), pre-financing (EUR 93.4 billion), receivables and recoverables (EUR 72.4 billon) and cash and cash equivalents (EUR 44.9 billion). Other assets, amounting to EUR 14.7 billion, mainly included property, plant and equipment and intangible assets.

Composition of assets at 31 December 2021



The significant increase in total assets of EUR 134.0 billion or 47.9% from the previous year was mainly due to the following effects:

- Loans outstanding increased from EUR 93.3 billion in 2020 to EUR 163.6 billion in 2021. The increase of EUR 70.3 billion or 75.3% mainly reflects the issuance of further loans for financial assistance under the SURE instrument (EUR 50.1 billion) and the issuance of loans under the new RRF (EUR 18.0 billion);
- Total pre-financing increased from EUR 62.7 billion in 2020 to EUR 93.4 billion in 2021. The increase of EUR 30.7 billion or 49.0% reflects the non-repayable financial support granted under the RRF (EUR 30.8 billion);
- Cash and cash equivalents increased from EUR 16.7 billion in 2020 to EUR 44.9 billion in 2021. The increase of EUR 28.2 billion is mainly due to the liquidity relating to NGEU (EUR 18.0 billion held in the NGEU account, as well as EUR 1.4 billion of funds held in the Commission's central treasury account pending disbursement to the budget for MFF programmes). The remaining increase was caused by the higher amount of non-implemented payment appropriations in 2021, fines becoming definitive at year end and additional Traditional own resources cashed but not yet budgeted at year-end.

UK Withdrawal from the EU

On 31 January 2020, the United Kingdom (UK) withdrew from the European Union. The terms of its departure are defined in an Agreement on the withdrawal of the UK from the EU and the European Atomic Energy Community, also known as the 'Withdrawal Agreement' or 'WA'. As part of this deal, the UK agreed to honour all financial obligations undertaken while it was a member of the EU. The agreement entered into force on 31 January 2020. The UK will continue to contribute to the EU budget and to benefit from pre-2021 EU programmes and expenditure as if it was a Member State. The UK will also receive back certain defined monies it paid into the EU budget or monies received by the EU budget linked to its period of membership. The EU reports twice a year to the UK on the amounts due and the UK pays these on a monthly basis. The reporting is updated each year based on actual figures.

The obligations under the Withdrawal Agreement create liabilities and receivables for the EU which have to be calculated and reflected in the EU's annual accounts and cover in particular the following areas:

- Own resources (Article 136)
- Outstanding commitments (Article 140)
- Competition fines (Article 141)
- Union Liabilities (Article 142)
- Contingent financial liabilities and financial instruments (Articles 143 & 144)
- Net assets of the European Coal & Steel Community (Article 145)
- EU investment in the European Investment Fund, EIF (Article 146)
- Contingent liabilities concerning legal cases (Article 147).

EUR million

	Article 140	Article 142	Other	31.12.2021	31.12.2020
Due from the UK	*28 620*	*14 751*	*610*	*43 982*	*49 579*
Due to the UK	*-*	*-*	*(2 229)*	*(2 229)*	*(2 122)*
Total	**28 620**	**14 751**	**(1 618)**	**41 753**	**47 456**
Non-current	*17 064*	*14 486*	*(711)*	*30 839*	*40 629*
Current	*11 556*	*265*	*(908)*	*10 913*	*6 827*

Pre-financing

In 2021, pre-financing, excluding other advances to Member States and contributions to the trust funds Bêkou and Africa, amounted to EUR 86.2 billion (2020: EUR 55.5 billion), almost all of which related to Commission activities. The increase of EUR 30.7 billion or 55.3% is almost entirely related to the non-repayable support granted under the RRF, which resulted in an increase of pre-financing related to direct management from EUR 14.3 billion in 2020 to EUR 43.7 billion in 2021:

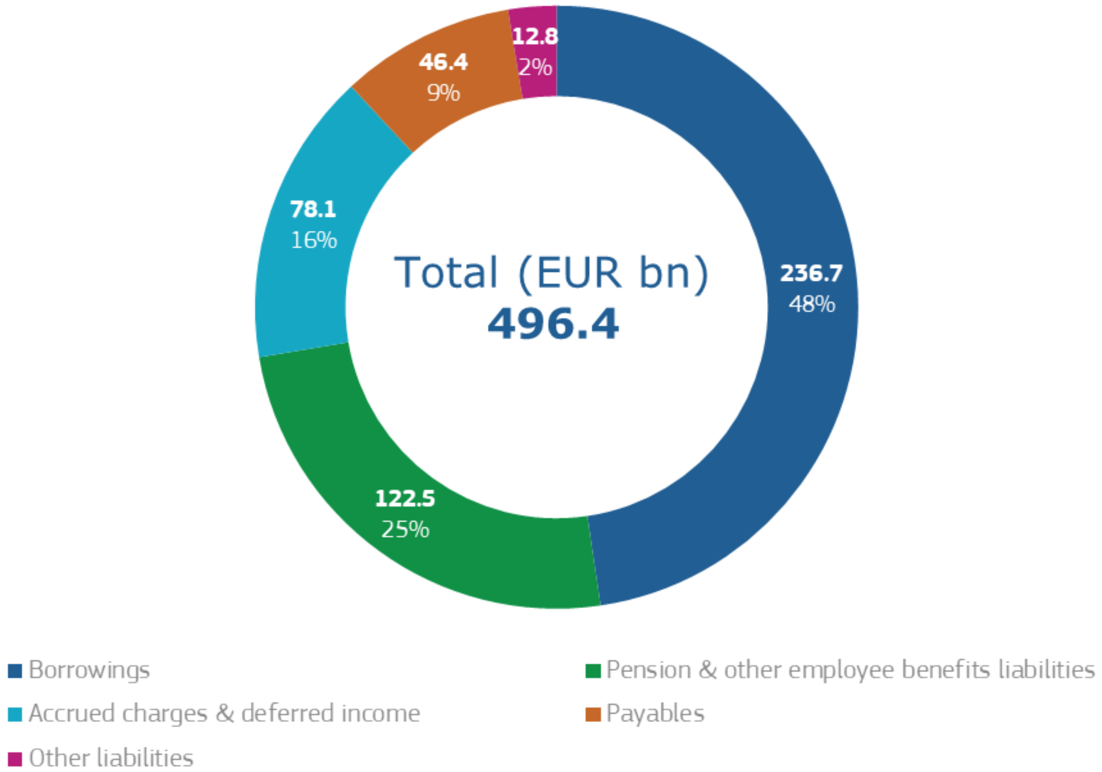
Commission pre-financing by management mode

The level of pre-financing granted under MFF programmes is significantly influenced by the respective MFF cycle – for example at the beginning of an MFF period large advances are expected to be paid to Member States under cohesion policy and these amounts remain available to Member States until the 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 pre-financing is maintained at an appropriate level. A balance has to be struck between ensuring sufficient funding for projects and the timely recognition of expenditure.

5.4. LIABILITIES

As at 31 December 2021 the total liabilities were EUR 496.4 billion (2020: EUR 313.5 billion) – the huge increase is driven by the borrowings taken out in 2021 under the SURE and NGEU instruments. The most significant items were borrowings for NGEU and financial assistance (EUR 236.7 bíllion), pension obligations and other post-employment benefits liabilities (EUR 122.5 billion), accrued charges and deferred income (EUR 78.1 billion), and payables to third parties (EUR 46.4 billion):

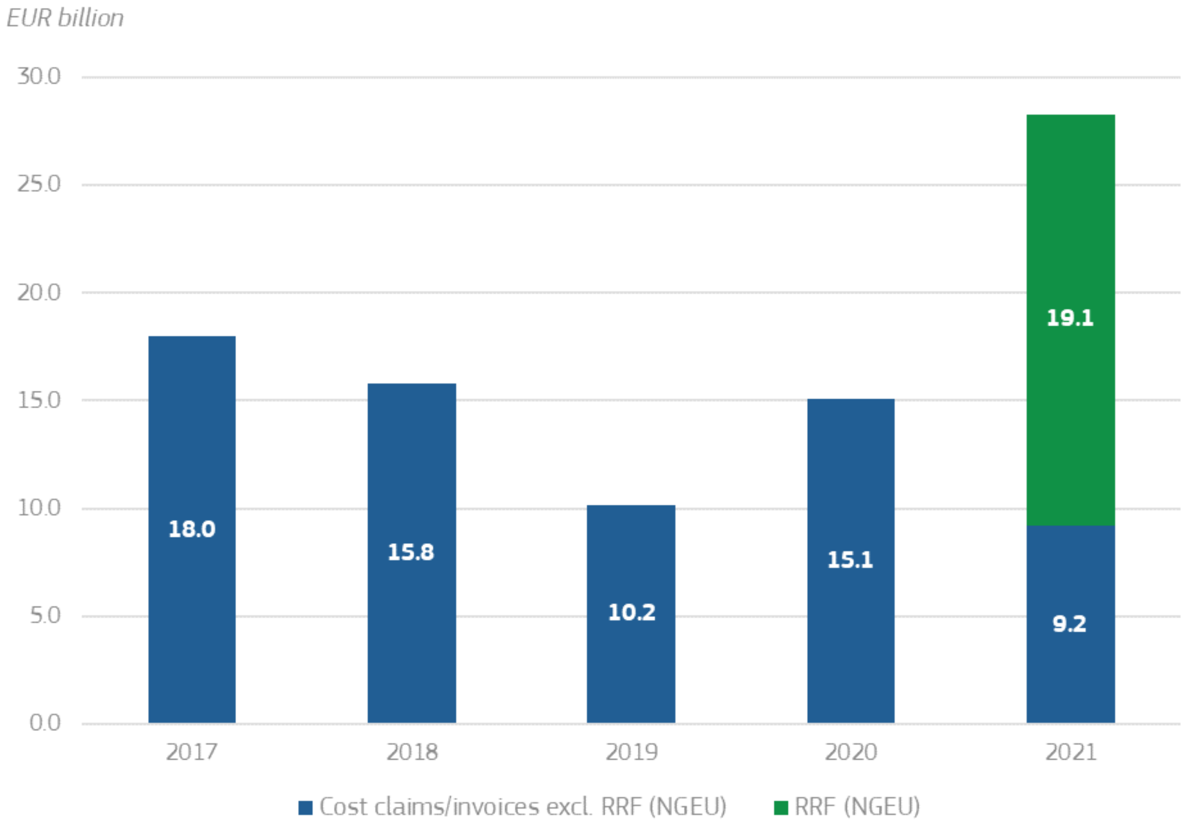
Composition of liabilities at 31 December 2021



The significant increase of EUR 82.9 billion or 58.3% over the previous year was mainly due to the following effects:

- Borrowings increased from EUR 93.2 billion in 2020 to EUR 236.7 billion in 2021. The increase of EUR 143.5 billion mainly relates to the RRF (EUR 91.0 billion) and to additional borrowings under SURE (EUR 50.1 billion);
- Accrued charges and deferred income increased from EUR 64.6 billion in 2020 to EUR 78.1 billion in 2021. The increase of EUR 13.5 billion or 20.9% mainly relates to the new RRF (EUR 8.2 billion) and the implementation of the 2014-2020 MFF under the ERDF and the Cohesion Fund (EUR 1.9 billion);
- Payables increased from EUR 32.4 billion in 2020 to EUR 46.4 billion in 2021. The increase of EUR 14.0 billion or 43.2% is primarily due to the RRF (EUR 19.1 billion) and a decrease in amounts payable in the area of cohesion, where the amount of cost claims that were received before the year-end was lower than in the previous year (EUR 5.3 billion).

Total cost claims and invoices received and recognised in the Balance Sheet under the heading 'Payables'



Net assets

The excess of liabilities over assets at 31 December 2021 amounted to EUR 82.3 billion (2020: EUR 33.4 billion). The considerable increase of EUR 48.9 billion is mainly due to the borrowings in relation to non-repayable support taken out under NGEU in 2021 (resulting in an increase of direct management expenses of EUR 42.9 billion). It is noted that 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 following years and funded using future budgets; the related revenues will only be accounted for in future periods. Apart from the borrowings for NGEU, which are to be repaid between 2028 and 2051, and the employee benefits liability, which is to be paid over several decades, the most significant amounts to be highlighted are the activities relating to the EAGF, the bulk of which is usually paid in the first quarter of the following year.

6. EU 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.

6.1. 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[9] of subsidiarity and proportionality. In order 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.

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 and instruments. 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 MFF is adopted by the Council by unanimity of all Member States, with the consent of the European Parliament. The current 2021-2027 multiannual financial framework was adopted on 17 December 2020. The 2021-2027 multiannual financial framework is complemented by the temporary recovery instrument NextGenerationEU.

Annual budget

The annual budget is prepared by the Commission. The European Parliament and the Council agree (usually by mid December) on the budget for the following year, 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 four types of own resources: Traditional own resources (mainly custom duties), the own resource based on value added tax (VAT), the own resource based on non-recycled plastic packaging waste (introduced in 2021) 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.

Management modes

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

[9] 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).

- Shared management: the vast proportion of the budget (around 3/4 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 contribution 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	The Financial Regulation (FR)[10] 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.

6.2. GOVERNANCE AND ACCOUNTABILITY

6.2.1. Institutional structure

The EU has an institutional framework through which it 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. The Financial Regulation, together with the applicable accounting rules, defines which of these entities are included in the EU consolidated accounts (please see note **9** of the EU consolidated annual accounts 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 European Commission is the executive arm of the European Union. It promotes the Union's general interest and takes appropriate initiatives to that end. It ensures the application of the Treaties and oversees the application of Union law by Member States under the control of the Court of Justice of the European Union. It exercises coordinating, executive and management functions, executes the budget and manages programmes.

The Commission implements the budget, in large part in cooperation with the Member States.[11] 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 institutions as concerns their own expenditure.

6.2.2. The Commission's governance structure

The Commission's governance arrangements and how these ensure that the Commission functions as a modern, accountable and performance-oriented institution are described in the Communication[12] on Governance in the European Commission.

[10] 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 and repealing Council Regulation (EU, Euratom) No 966/2012 – OJ L 193 of 30 July 2018, p. 1.
[11] See Article 317 TFEU.
[12] C(2020) 4240 of 24.6.2020.

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. As a College, the Commission works under the political guidance of its President, who presents, as part of his or her nomination to the European Parliament the objectives he or she intends to pursue in the form of political guidelines. The President decides on the internal organisation of the Commission, ensuring that it acts consistently, efficiently and as a collegiate body.

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. 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.

Under the authority of the President and in close cooperation with the Member of the Commission in charge of budget, human resources and administration, and with the involvement of the Presidential and central services, the Corporate Management Board provides coordination, oversight, advice and strategic orientations.

The internal arrangements define a coherent set of robust controls and management tools which allow the College of Commissioners to assume political responsibility for the work of the Commission.[13]

6.2.3. The Commission's financial management

In the Commission, the roles and responsibilities in financial management are clearly defined (e.g. in the Financial Regulation and the Internal Rules[14]) 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 sub-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) detailing achievements, internal control and financial management activities 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. The Annual Management and Performance Report for the EU budget[15] 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 (IPSAS), 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.

[13] 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).

[14] 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 (INTPA (DEVCO), ECHO, EAC, EACEA and JRC).

[15] https://ec.europa.eu/info/publications/integrated-financial-and-accountability-reporting_en.

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.

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 services 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.

6.2.4. 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 in a proper manner.

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.

Every year the **European Court of Auditors** 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 decision on the discharge is also based on the Commission's integrated financial and accountability reporting, on hearings of Commissioners in the European Parliament 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 2021 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 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

17 June 2022

EUROPEAN UNION
FINANCIAL YEAR 2021

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

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.

CONTENTS

BALANCE SHEET 38
STATEMENT OF FINANCIAL PERFORMANCE 39
CASHFLOW STATEMENT 40
STATEMENT OF CHANGES IN NET ASSETS 41
NOTES TO THE FINANCIAL STATEMENTS 42
1. SIGNIFICANT ACCOUNTING POLICIES 43
2. NOTES TO THE BALANCE SHEET 62
3. NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE 99
4. CONTINGENT LIABILITIES AND ASSETS 107
5. BUDGETARY AND LEGAL COMMITMENTS 113
6. FINANCIAL RISK MANAGEMENT 117
7. RELATED PARTY DISCLOSURES 136
8. EVENTS AFTER THE BALANCE SHEET DATE 138
9. SCOPE OF CONSOLIDATION 139

BALANCE SHEET

EUR million

	Note	31.12.2021	31.12.2020
NON-CURRENT ASSETS			
Intangible assets	2.1	769	620
Property, plant and equipment	2.2	12 669	11 682
Investments accounted for using the equity method	2.3	1 192	588
Financial assets	2.4	181 874	99 214
Pre-financing	2.5	60 792	34 519
Exchange receivables and non-exchange recoverables	2.6	40 642	45 813
		297 938	**192 434**
CURRENT ASSETS			
Financial assets	2.4	6 744	13 881
Pre-financing	2.5	32 656	28 229
Exchange receivables and non-exchange recoverables	2.6	31 796	28 681
Inventories	2.7	84	80
Cash and cash equivalents	2.8	44 860	16 742
		116 141	**87 613**
TOTAL ASSETS		**414 078**	**280 047**
NON-CURRENT LIABILITIES			
Pension and other employee benefits	2.9	(122 466)	(116 020)
Provisions	2.10	(2 950)	(3 878)
Financial liabilities	2.11	(214 974)	(84 399)
		(340 391)	**(204 297)**
CURRENT LIABILITIES			
Provisions	2.10	(398)	(1 527)
Financial liabilities	2.11	(31 149)	(10 649)
Payables	2.12	(46 372)	(32 408)
Accrued charges and deferred income	2.13	(78 068)	(64 584)
		(155 987)	**(109 167)**
TOTAL LIABILITIES		**(496 377)**	**(313 464)**
NET ASSETS		**(82 299)**	**(33 418)**
Reserves	2.14	1 325	5 062
*Amounts to be called from Member States**	2.15	(83 624)	(38 480)
NET ASSETS		**(82 299)**	**(33 418)**

**The European Parliament adopted a budget on 24 November 2021 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 2021. Additionally, under Article 83 of the Staff Regulations (Regulation (EEC, Euratom, ECSC) No 259/68 of 29 February 1968 as amended), the Member States shall jointly guarantee the liability for pensions.*

STATEMENT OF FINANCIAL PERFORMANCE

EUR million

	Note	2021	2020
REVENUE			
Revenue from non-exchange transactions			
GNI resources	3.1	115 955	125 393
Traditional own resources	3.2	20 590	19 559
VAT resources	3.3	18 340	17 858
Plastics own resources	3.4	5 831	–
Fines	3.5	1 990	452
Recovery of expenses	3.6	1 794	1 355
UK Withdrawal Agreement	3.7	1 122	47 456
Other	3.8	6 737	7 116
		172 357	**219 190**
Revenue from exchange transactions			
Financial revenue	3.9	5 092	3 434
Other	3.10	1 497	1 404
		6 589	**4 838**
Total Revenue		**178 946**	**224 028**
EXPENSES			
Implemented by Member States	3.11		
European Agricultural Guarantee Fund		(40 829)	(40 461)
European Agricultural Fund for Rural Development and other rural development instruments		(15 451)	(14 467)
European Regional Development Fund and Cohesion Fund		(46 932)	(41 118)
European Social Fund		(16 727)	(13 677)
Other		(4 835)	(2 701)
Implemented by the Commission, executive agencies and trust funds	3.12	(63 000)	(22 094)
Implemented by other EU agencies and bodies	3.13	(3 154)	(3 530)
Implemented by third countries and international organisations	3.13	(4 512)	(4 178)
Implemented by other entities	3.13	(3 225)	(3 257)
Staff and pension costs	3.14	(12 417)	(11 995)
Finance costs	3.15	(4 201)	(2 188)
Other expenses	3.16	(5 762)	(6 946)
Total Expenses		**(221 046)**	**(166 612)**
ECONOMIC RESULT OF THE YEAR		**(42 100)**	**57 416**

CASHFLOW STATEMENT

EUR million

	2021	2020
Economic result of the year	*(42 100)*	*57 416*
Operating activities		
Amortisation	*116*	*113*
Depreciation	*1 054*	*1 047*
(Reversal of) impairment losses on investments	–	–
(Increase)/decrease in loans	*(70 259)*	*(40 624)*
(Increase)/decrease in pre-financing	*(30 699)*	*(11 301)*
(Increase)/decrease in exchange receivables and non-exchange	*2 055*	*(50 519)*
(Increase)/decrease in inventories	*(4)*	*(12)*
Increase/(decrease) in pension and other employee benefits	*6 447*	*18 360*
Increase/(decrease) in provisions	*(2 057)*	*581*
Increase/(decrease) in financial liabilities (other than NGEU borrowings)	*60 075*	*40 531*
Increase/(decrease) in payables	*13 964*	*5 166*
Increase/(decrease) in accrued charges and deferred income	*13 484*	*(2 645)*
Prior year budgetary surplus taken as non-cash revenue	*(1 769)*	*(3 218)*
Remeasurements in employee benefits liabilities (non-cash movement not included in statement of financial performance)	*(3 257)*	*(15 155)*
Other non-cash movements	*(1 757)*	*63*
Investing activities		
(Increase)/decrease in intangible assets and property, plant and equipment	*(2 307)*	*(1 566)*
(Increase)/decrease in investments accounted for using the equity method	*(604)*	*3*
*(Increase)/decrease in non-derivative financial assets at fair value through surplus or deficit**	*(4 636)*	*(1 180)*
(Increase)/decrease in derivative financial assets at fair value through surplus or deficit	*(629)*	*(62)*
Financing activities		
Increase/(decrease) in borrowings related to NGEU	*91 000*	
NET CASHFLOW	**28 118**	**(3 004)**
Net increase/(decrease) in cash and cash equivalents	*28 118*	*(3 004)*
Cash and cash equivalents at the beginning of the year	*16 742*	*19 745*
Cash and cash equivalents at year-end	*44 860*	*16 742*

**The 2020 figure relates to the (increase)/decrease in available for sale financial assets.*

STATEMENT OF CHANGES IN NET ASSETS

EUR million

	Amounts to be called from Member States	Other reserves	Fair value reserve	Net Assets
BALANCE AS AT 31.12.2019	**(77 560)**	**4 646**	**391**	**(72 523)**
Movement in Guarantee Fund reserve	*(173)*	*173*	–	–
Fair value movements	–	–	*105*	*105*
Remeasurements in employee benefits liabilities	*(15 155)*	–	–	*(15 155)*
Other	*210*	*(252)*	–	*(42)*
2019 budget result credited to Member States	*(3 218)*	–	–	*(3 218)*
Economic result of the year	*57 416*	–	–	*57 416*
BALANCE AS AT 31.12.2020	**(38 480)**	**4 566**	**496**	**(33 418)**
Impact of revised EAR 11 (see Note 1)	*1 719*	*(3 043)*	*(496)*	*(1 820)*
BALANCE AS AT 01.01.2021	**(36 761)**	**1 523**	**–**	**(35 238)**
Movement in Guarantee Fund reserve	–	–	–	–
Fair value movements	–	–	–	–
Remeasurements in employee benefits liabilities	*(3 257)*	–	–	*(3 257)*
Other	*262*	*(198)*	–	*63*
2020 budget result credited to Member States	*(1 769)*	–	–	*(1 769)*
Economic result of the year	*(42 100)*	–	–	*(42 100)*
BALANCE AS AT 31.12.2021	**(83 624)**	**1 325**	**–**	**(82 299)**

NOTES TO THE FINANCIAL STATEMENTS

Note that in the following tables amounts concerning the UK in relation to MFFs up to end 2020 are still shown under the heading Member States as although the UK withdrew from the Union on 1 February 2020, in accordance with the Withdrawal Agreement, it continues to have a financial relationship with the Union equivalent to that of a Member State for these periods.

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 (OJ L 193, 30 July 2018, p. 1) 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)

<u>New EAR adopted but not yet effective at 31 December 2021</u>

There are no new EAR adopted but not yet effective at 31 December 2021.

<u>Revised EAR effective for annual periods beginning on or after 1 January 2021</u>

On 17 December 2020, the Accounting Officer of the Commission adopted the revised EAR 11 'Financial instruments', which establishes the financial reporting principles for financial assets and financial liabilities and is based on the new IPSAS 41 'Financial Instruments', the amended IPSAS 28 'Financial Instruments: Presentation' and the amended IPSAS 30 'Financial Instruments: Disclosures' (issued in August 2018).

The revised EAR 11 is mandatorily effective as of 1 January 2021, with any changes from the initial application accounted for on that date, thus not requiring restatement of prior period amounts. As a result, the financial assets, financial liabilities, exchange receivables and interest revenue/expense as at 31 December 2020 presented in these accounts have been accounted for in accordance with the accounting policies as stated in the 2020 EU financial statements under notes **1.5.5**, **1.5.8** (only for exchange transactions), **1.5.12** and **1.6.1** (only for exchange transactions).

The main changes and their impacts on the EU 2021 accounts are as follows:

New classification and measurement principles for financial assets

The revised EAR 11 introduces a principles-based approach to the classification of financial assets and requires the use of two criteria: the entity's model for managing its financial assets and the contractual cash-flow characteristics of those assets. Depending on these criteria, financial assets are classified in the following categories: 'financial assets at amortised cost' (AC), 'financial assets at fair value through net assets/equity' (FVNA), or 'financial assets at fair value through surplus or deficit' (FVSD).

On 1 January 2021, the application of the new criteria led to the reclassification of all equity investments and debt securities from 'available for sale' to financial assets at FVSD. The related fair value reserve was reclassified – within Net Assets – to accumulated surplus or deficit.

New impairment model

Whereas the previous impairment model was based on incurred losses, the revised EAR 11 has introduced a forward-looking impairment model based on expected credit losses (ECL) over the lifetime of the financial asset. The ECL takes into account possible default events and the evolution of the credit quality of the financial assets. The new impairment model applies to all financial assets measured at AC or at FVNA as well as to loan commitments and financial guarantee contracts.

In particular, on 1 January 2021, the application of the new impairment model to the financial assets classified as AC, led to the recognition of impairment on the loans for financial assistance provided to partner countries under the MFA and Euratom programmes.

Financial guarantee accounting

Under the previous EAR 11, most financial guarantees – in particular those provided at no or nominal consideration – were accounted for in accordance with the principles of EAR 10 'Provisions, contingent liabilities and contingent assets', hence either recognised as provisions or disclosed as contingent liabilities depending on the probability of a loss.

The revised EAR 11 requires the application of the financial guarantee accounting requirements to all financial guarantee contracts. The measurement of the financial guarantee liability relies on the fair value of the guarantee at initial recognition and the evolution of the expected credit losses from the guaranteed debts portfolio. See note **1.5.12**.

As a consequence, on 1 January 2021 the existing financial guarantee contracts were reclassified from financial provisions to the financial guarantee liability category and re-measured in accordance with the requirements of the revised EAR 11. This change led to an increase in the financial liabilities, in particular in relation to the guarantees provided to the EIB Group under the External Lending Mandate. Following the accounting treatment change and the recognition of the financial guarantee contract liability for the ELM, the reserve for the Guarantee Fund for external actions – in Net Assets until 31 December 2020 – has been released to the accumulated surplus or deficit.

The following table shows the original measurement categories under the EAR 11 as applied to the 2020 EU financial statements and the new measurement categories under the revised EAR 11 for the European Union's financial assets and liabilities as at 1 January 2021:

EUR million

	Measurement Category Prior EAR 11	Net carrying amount 31.12.2020	Measurement Category Revised EAR 11	Net carrying amount 01.01.2021
Financial assets				
Loans	*Loans and receivables*	*93 309*	*Amortized Cost* *FVSD*	*93 575* *2*
Debt and equity investments	*Available for Sale*	*19 587*	*FVSD*	*19 587*
Derivative assets	*FVSD*	*199*	*FVSD*	*199*
Receivables	*Loans and receivables*	*3 450*	*Amortized Cost* *FVSD*	*3 485* *3 482*
Cash and cash equivalents	*Available for Sale*	*16 742*	*Amortized Cost*	*16 742*
Financial liabilities				
Financial guarantees	*Financial Guarantee Liability* *Provisions (EAR10)*	*(90)* *(2 523)*	*Financial Guarantee Liability*	*(7 889)*
Borrowings	*Amortized Cost*	*(93 192)*	*Amortized Cost*	*(93 521)*
Other financial liabilities	*Amortized Cost*	*(1 761)*	*Amortized Cost*	*(1 761)*
Derivative liabilities	*FVSD*	*(4)*	*FVSD*	*(4)*
Payables	*Amortized Cost*	*(32 408)*	*Amortized Cost*	*(32 408)*

The following table analyses the impact of the transition to the revised EAR 11 on the European Union's financial assets, receivables, financial provisions and financial liabilities. It reconciles the carrying amounts from their previous measurement category under the EAR 11 as applied to the 2020 EU financial statements, to their new measurement categories upon transition to the revised EAR 11 on 1 January 2021:

EUR million

	Balance at 31.12.2020	Reclassification	Remeasurement	Balance at 01.01.2021
Available for sale financial assets				
Opening balance brought forward	*19 587*			
Transfer from AFS to FVSD		*(19 587)*		
Adjusted opening balance				**–**
Financial assets at FVSD				
Opening balance brought forward	*199*			
Transfer from AFS to FVSD		*19 587*		
Transfer from loans to FVSD		*2*		
Adjusted opening balance				**19 788**
Financial assets at amortized cost (in 2020 accounts: Loans)				
Opening balance brought forward	*93 309*			
Remeasurement: Effective Interest Rate			*329*	
Remeasurement: Expected Credit Loss			*(60)*	
Reclassification to FVSD		*(2)*		
Adjusted opening balance				**93 575**
Total Financial Assets (Note 2.4)	**113 095**	**–**	**269**	**113 363**
Receivables				
Opening balance brought forward	*3 450*			
Remeasurement: Expected Credit Loss			*33*	
FGC - receivable leg: remeasurement			*3 484*	
Adjusted opening balance				**6 967**
Total Receivables (Note 2.6.2)	**3 450**	**–**	**3 517**	**6 967**
Financial Provisions				
Opening balance brought forward	*(2 523)*			
Transfer to Financial Guarantee Liabilities		*2 522*		
Adjusted opening balance				**(1)**
Total Financial provisions (Note 2.10)	**(2 523)**	**2 522**	**–**	**(1)**
Financial guarantee liabilities				
Opening balance brought forward	*(90)*			
Transfer from Financial Provisions		*(2 522)*		
FGC - payable leg: remeasurement			*(5 277)*	
Adjusted opening balance				**(7 889)**
Financial liabilities at amortized cost				
Opening balance brought forward	*(94 954)*			
Remeasurement: Effective Interest Rate			*(329)*	
Adjusted opening balance				**(95 283)**
Financial liabilities at FVSD				
Opening balance brought forward	*(4)*			
Adjusted opening balance				**(4)**
Total Financial liabilities (Note 2.11)	**(95 048)**	**(2 522)**	**(5 606)**	**(103 175)**
Total impact of the EAR 11 revision			**(1 820)**	

The following table analyses the impact of the transition to the revised EAR 11 on the European Union's Net Assets as at 1 January 2021:

EUR million

	Balance at 31.12.2020	Release of reserves	Other impacts on net assets	Balance at 01.01.2021
Reserves				
Opening balance brought forward	*5 062*			
Release of FV reserve		*(496)*		
Release of GF reserve		*(3 043)*		
Adjusted opening balance				**1 523**
Accumulated Surplus/(Deficit)				
Opening balance brought forward	*(38 480)*			
Release of FV reserve		*496*		
Release of GF reserve		*3 043*		
Remeasurement of assets and liabilities			*(1 820)*	
Adjusted opening balance				**(36 761)**
Total net assets	**(33 418)**	**–**	**(1 820)**	**(35 238)**

The following table reconciles the prior period’s closing impairment allowance measured in accordance with the EAR 11 as applied to the 2020 EU financial statements and financial provisions measured in accordance with EAR 10 to the new impairment allowance measured in accordance with the revised EAR 11 at 1 January 2021:

EUR million

	31.12.2020	01.01.2021		
	Impairment allowance/ Financial provisions	12-months Expected Credit Loss	Life-time Expected Credit Loss	Total impairment allowance
Financial assets at amortized cost, of which:	**(739)**	**(49)**	**(25)**	**(73)**
Subrogated loans[*]	*(726)*	–	–	–
Other loans	*(13)*	*(49)*	*(25)*	*(73)*
Receivables	**(190)**		**(156)**	**(156)**
Financial guarantee contracts	**(2 523)**	**(859)**	**(5 143)**	**(6 002)**

[*] *Until 2020 subrogated loans (defaulted loans for which the EIB group has issued a guarantee call on the EU guarantee) had been initially recognised at the amount paid to settle the guarantee call and immediately fully impaired for the amount of the credit losses already incurred at the time of subrogation, leading to a nil net carrying amount on the balance sheet. Any interest accrued after the initial recognition was also fully impaired. In accordance with the revised EAR 11, subrogated loans are now classified as purchased or originated credit impaired loans (‘POCI’), thus the impairment allowance only relates to changes of the expected credit losses incurred after initial recognition. Moreover, under the revised EAR 11 for POCI loans, interest only accrues on the net carrying amount. Therefore, the impairment allowance recognised as at the end of 2020 for the subrogated loans has been written off against the gross carrying amount of the subrogated loans on 1 January 2021, without any impact on the carrying amount of those loans on the balance sheet.*

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 entities falling under the scope of consolidation, which now comprises 55 controlled entities and 1 associate (2020: 52 controlled entities and 1 associate), can be found in note **9**. 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 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. These entities are referred to as 'Minor entities' and are separately listed in note **9**. In 2021, 8 entities have been classified as such minor entities (2020: 8 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, revenues and expenses, as well as its share of assets, liabilities, revenues and expenses 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 behalf of these entities. 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 in accordance with Article 243 of the Financial Regulation. 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.

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	31.12.2021	31.12.2020	Currency	31.12.2021	31.12.2020
BGN	**1.9558**	*1.9558*	**PLN**	**4.5969**	*4.5597*
CZK	**24.8580**	*26.2420*	**RON**	**4.949**	*4.8683*
DKK	**7.4364**	*7.4409*	**SEK**	**10.2503**	*10.0343*
GBP	**0.8403**	*0.8990*	**CHF**	**1.0331**	*1.0802*
HRK	**7.5156**	*7.5519*	**JPY**	**130.3800**	*126.4900*
HUF	**369.1900**	*363.8900*	**USD**	**1.1326**	*1.2271*

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, impairment allowance for financial assets at amortised cost and for financial guarantee contract liabilities, 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 that 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 life time or legal life time 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
Buildings	*4% to 10%*
Space assets	*8% to 25%*
Plant and equipment	*10% to 25%*
Furniture and vehicles	*10% to 25%*
Computer hardware	*25% to 33%*
Other	*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 financial assets at FVSD.

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 at initial recognition

The classification depends on two criteria:

- The financial assets management model. This requires an assessment of how the EU manages the financial assets to generate cash flows and to achieve its objectives and how it evaluates the performance on financial assets.

- The asset contractual cash-flow characteristics. This requires an assessment of whether the contractual cash flows are solely payments of principal and interest on the principal outstanding. The interest is the consideration for the time value of money, credit risk and other basic lending risks and costs.

Following assessment based on these criteria, the financial assets can be classified in three categories: Financial assets at amortised cost ('AC'), financial assets at fair value through net assets/equity ('FVNA') or financial assets at fair value through surplus or deficit ('FVSD').

Financial assets with contractual cash flows that represent solely principal and interests are classified depending on the entity's management model. If the management model is to hold the financial assets in order to collect contractual cash flows, the financial assets are classified at AC. If the management model is to hold the financial assets both to collect contractual cash flows and to sell the financial assets, the classification is FVNA. If the management model is different to these two models (e.g. the financial assets are held for trading or held in a portfolio managed and evaluated on a fair value basis), the financial assets are classified as FVSD.

Financial assets with contractual cash flows that do not represent only principal and interests, but introduce exposure to risks and volatility other than those present in a basic lending arrangement (e.g. changes in equity prices), are classified as FVSD regardless of the management model.

At initial recognition, the EU classifies the financial assets as follows:

(i) Financial assets at amortised cost

The EU classifies in this category:

- Cash and cash equivalents;
- Loans (including term deposits with original maturity of more than three months);
- Exchange receivables, except for the financial guarantee contract receivable leg classified as financial asset at fair value through surplus or deficit.

These non-derivative financial assets meet two conditions: The EU's management model is to hold them in order to collect the contractual cash flows. Furthermore, on specified days, there are contractual cash flows that represent only principal and interest on the outstanding principal.

Financial assets at amortised cost are included in current assets, except for those with maturity of more than 12 months from the reporting date.

(ii) Financial assets at fair value through net assets/equity

These non-derivatives financial assets have contractual cash flows that represent only principal and interest on the outstanding principal. In addition, the management model is to hold the financial assets both to collect contractual cash flows and to sell the financial assets.

Assets in this category are classified as current assets, if they are expected to be realised within 12 months from the reporting date.

The EU does not hold such assets at 31 December 2021.

(iii) Financial assets at fair value through surplus or deficit

The EU classifies the following financial assets as FVSD because the contractual cash flows do not represent only principal and interests on the principal:

- Derivatives;
- Equity investments and investments in money market funds or in pooled portfolio funds;
- Other equity-type investments (e.g. Risk Capital Operations).

In addition, the EU classifies the debt securities it holds as FVSD because the portfolios of debt securities are managed and evaluated on a portfolio fair value basis (e.g. Common Provisioning Fund under Article 212 of the Financial Regulation).

Assets in this category are classified as current assets, if they are expected to be realised within 12 months from the reporting date.

Initial recognition and measurement

Purchases of financial assets at fair value through net assets/equity and at fair value through surplus or deficit are recognised on their trade-date – the date on which the EU commits to purchase the asset. Cash equivalents and loans are recognised when cash is deposited in a financial institution or advanced to borrowers.

Financial assets are initially measured at fair value. For all financial assets not carried at fair value through surplus or deficit, the transactions costs are added to the fair value at initial recognition. For financial assets carried at fair value through surplus or deficit the 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 unless the transaction is not at arm’s length i.e. at no or at nominal consideration for public policy purposes. In this case, the difference between the fair value of the financial instrument and the transaction price is a non-exchange component which is recognised as an expense in the statement of financial performance. In this case, the fair value of a financial asset is derived from current market transactions for a directly equivalent instrument. If there is no active market for the instrument, the fair value is derived from a valuation technique that uses available data from observable markets.

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 under the Recovery and Resilience Facility and loans for financial assistance are initially measured at their nominal amount, with the transaction price considered the fair value of the loan. This is because:

- The ‘market environment’ for EU lending is very specific and different from the capital market used to issue commercial or government debt. As lenders in these markets have the opportunity to choose alternative investments, the opportunity of doing so is factored into market prices. However, this opportunity for alternative investments does not exist for the EU, which is not allowed to invest money in the capital markets; it only borrows funds for the purpose of lending. 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 should be the interest rate charged.

Subsequent measurement

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method.

Financial assets at fair value through net assets/equity are subsequently measured at fair value. Gains and losses from changes in the fair value are recognised in the fair value reserve, except for foreign exchange translation differences on monetary assets, which are recognised in the statement of financial performance.

Financial assets at fair value through surplus or deficit are subsequently measured at fair value. Gains and losses from changes in the fair value (including those stemming from foreign currency translation and any interests earned) are included in the statement of financial performance in the period in which they arise.

Fair value at subsequent measurement

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 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.

Impairment of financial assets

The EU recognises and measures an impairment loss for expected credit losses on financial assets that are measured at amortised cost and at fair value through net assets/equity.

The expected credit loss (ECL) is the present value of the difference between the contractual cash flows and the cash flows that the EU expects to receive. The ECL incorporates reasonable and supportable information that is available without undue cost or effort at the reporting date.

The ECL is measured with a three stage model that takes into account probability weighted default events during the lifetime of the financial asset and the evolution of credit risk since the origination of the financial asset. For loans, origination is the date of the irrevocable loan commitment.

If there is no significant increase in credit risk since origination ('stage 1'), the impairment loss is the ECL from possible default events in the next 12 months from the reporting date ('12 months ECL'). If there is a significant increase in credit risk since origination ('stage 2'), or if there is objective evidence of a credit impairment ('stage 3'), the impairment loss equals the ECL from possible default events over the whole lifetime of the financial asset ('lifetime ECL') (see note **6.5**).

For assets at amortised cost, the asset's carrying amount is reduced by the amount of the impairment loss which is recognised in the statement of financial performance. For assets at fair value through net assets/equity the loss allowance is recognised in net assets/equity and does not reduce the carrying amount of the financial asset in the statement of financial position. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed through the statement of financial performance.

(a) *Loans to sovereigns*

The EU bases its assessment of loans' impairment, in the context of the nature of the EU's financing and its unique institutional status.

For the impairment of loans to non-Member States, the EU calculates the expected credit losses using external credit quality data, however taking into account its preferred creditor status, which reduces the credit risk. For the calculation of the present value, the discount rate is the loan's original effective interest rate. If a loan has a variable interest rate, the discount rate is the current effective interest rate determined under the contract.

For loans to Member States, the EU has never incurred any impairment losses, nor faced any defaults on payments. For these loans, in addition to the preferred creditor status, the EU takes into account the relationships with its Member States. These two elements, in principle, guarantee the full recovery of the loans to Member States, on maturity. Therefore, the EU considers the expected credit losses from loans to Member States to be negligible, and a statistical approach to calculate expected credit losses as inappropriate for these loans. Thus no expected credit losses are recognised in the statement of financial performance for the loans to Member States.

(b) Receivables

The EU measures the impairment loss at the amount of lifetime ECL, using practical expedients (e.g. provision matrix).

(c) Cash and cash equivalents

The EU holds cash and cash equivalents in current bank accounts and term deposits of up to 3 months. The cash is held in banks with very high credit ratings (see note **6.5**), thus having very low default probabilities. Given the short duration and low default probabilities, the expected credit losses from cash and cash equivalents are negligible. As a result, no impairment allowance is recognised for cash equivalents.

Derecognition

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. Sales of financial assets at fair value through net assets/equity and through surplus or deficit are recognised on their trade-date.

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 in accordance with the principle of sound financial management over a period defined in the particular contract, decision, agreement or basic 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 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 contributions to EU trust funds (as established under Article 234 of the Financial Regulation) not consolidated in the European Commission, or to other unconsolidated entities, are 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 are financial assets measured at amortised cost, except for certain amounts of financial guarantee contract receivable leg which are classified as financial asset at fair value through surplus or deficit (see note **1.5.5**).

Recoverables from non-exchange transactions are carried at fair value as at the date of acquisition 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-exchange 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 assets at amortised cost 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 health insurance 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[16] scheme relate to seniority, invalidity and survival, as well as, family allowances, death before retirement to those employees that work or worked in the EU Institutions, Agencies and other EU bodies or are survivors of deceased officials or pensioners. Staff contribute one third of the expected cost of these benefits from their salaries.

ii. Joint Sickness Insurance Scheme (JSIS): Under this scheme, the EU provides health insurance 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 and former 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, European Court of Justice, Court of Auditors, Council, European Parliament, European Ombudsman, and the European Data Protection Supervisor. 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.

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 in the net defined benefit liabilities 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 heading '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

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

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 contract liabilities.

Borrowings are composed of borrowings from credit institutions and debts evidenced by certificates (EU bonds, EU deposits and EU bills). 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. The transaction costs incurred by the EU and then recharged to the beneficiary of the loan are immaterial and are directly recognised in the statement of financial performance.

Financial liabilities at fair value through surplus or deficit include derivatives where the 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**.

The EU recognises a financial guarantee contract liability when it enters into a contract that requires the EU to make specified payments to reimburse the guarantee holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Where the guarantee contract requires the EU to make payments in response to financial instruments price changes or changes to other underlyings, the guarantee contract is a derivative i.e. a financial liability at fair value through surplus or deficit. All other guarantee contracts are accounted for as financial provisions.

Financial guarantee contract liabilities are initially recognised at fair value. This equals the net present value of the premium receivable, if it is at market terms. When no guarantee premium is charged or where the consideration is not fair value, the fair value is determined based on the quoted prices in an active market for financial guarantee contracts directly equivalent to that entered into the financial guarantee liability, if available, or using a valuation technique. If no reliable measure of fair value can be determined either by direct observation of an active market or through another valuation technique, the financial guarantee contract liability is initially measured at the amount of the lifetime expected credit losses.

The subsequent measurement depends on the evolution of the credit risk exposure from the financial guarantee. If there is no significant increase in credit risk ('stage 1'), financial guarantee liabilities are measured at the higher of the 12 months expected credit losses and the amount initially recognised less, when appropriate, cumulative amortisation. If there is a significant increase in credit risk ('stage 2'), financial guarantee liabilities are measured at the higher of the lifetime expected credit losses and the amount initially recognised less, when appropriate, cumulative amortisation (see note **6.5**).

Financial liabilities are classified as non-current liabilities, except for maturities less than 12 months after the balance sheet date. Financial guarantee contracts are classified as current liabilities except if the EU has an unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

EU trust funds that are considered as part of the Commission's operational activities (i.e. trust funds Madad and Colombia) 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 distribution of the 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 eligible amount.

Payables arising from the purchase of goods and services are recognised at invoice reception for the original amount and the corresponding eligible 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 a 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 as follows:

GNI based resources, VAT and Plastics own resources

Revenue is recognised for the period for which the Commission sends out a call for funds to the Member States claiming their contribution. The revenue is measured at its 'called amount'. As VAT, GNI and Plastics own resources are based on estimates of the data for the budgetary year concerned, they may be revised since 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 adopted and it is officially notified to the addressee. After the decision to impose a fine, the fined entities 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 challenge it in accordance with 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.

If 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 is given instead, the outstanding recoverable is written down.

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 interest rate 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 is considered credit impaired ('stage 3'), the 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.

Revenue and expense from financial assets through surplus or deficit

This refers to the fair value gains (revenue) and fair value losses (expense) from these financial assets, including those stemming from foreign exchange translation. For interest-bearing financial assets, this also includes interest. See also note **3.9**.

Revenue from financial guarantee contracts

The revenue from financial guarantee contracts (guarantee premium) is recognised over the time the EU stands ready to compensate the holder of the financial guarantee contract for the credit loss it may incure. The amortisation schedule applied takes into account the passage of time and the volume of the guaranteed exposure. Revenue from financial guarantee contracts include also amortisation of financial guarantee contracts liability in cases when the guarantee was provided at no or nominal consideration.

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: (i) entitlements, (ii) transfers under agreement and discretionary grants, as well as (iii) 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, investing and financing activities.

Operating activities are the activities of the EU that are not investing or financing activities. These are the majority of the activities performed.

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 as they are part of the general objectives and thus daily operations of the EU. The objective is to show the real investments made by the EU.

Financing activities are activities that result in changes in the size and composition of borrowings other than those granted to beneficiaries on a back-to-back basis or for the acquisition of properaty, plant and equipment (which are included under operating activities).

2. NOTES TO THE BALANCE SHEET

ASSETS

2.1. INTANGIBLE ASSETS

EUR million

Gross carrying amount at 31.12.2020	*1 409*
Additions	*276*
Disposals	*(32)*
Transfer between asset categories	*0*
Other changes	*(18)*
Gross carrying amount at 31.12.2021	**1 636**
Accumulated amortisation at 31.12.2020	*(789)*
Amortisation charge for the year	*(119)*
Amortisation written back	*3*
Disposals	*36*
Transfer between asset categories	*0*
Other changes	*3*
Accumulated amortisation at 31.12.2021	**(867)**
Net carrying amount at 31.12.2021	**769**
Net carrying amount at 31.12.2020	*620*

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 European Geostationary Navigation Overlay System (EGNOS), and the Copernicus European Earth observation programme. Assets of the space systems which are not yet operational are included under the heading 'Assets under construction'. The assets related to the EU space programmes are being built with the assistance of the European Space Agency (ESA).

For Galileo, two satellites have been launched in December 2021. They are expected to be declared operational in the first semester of 2022. At the same time a new generation 1.7 of the ground infrastructure was successfully deployed. The constellation currently includes 26 satellites. When completed, the Galileo constellation will comprise 30 satellites (including 6 spare satellites). The Galileo operational fixed assets, covering both satellites and ground installations, amounted to EUR 3 413 million at 31 December 2021, net of accumulated depreciation (2020: EUR 2 145 million). The remaining assets under construction total EUR 1 344 million (2020: EUR 1 872 million).

Regarding Copernicus, satellite 6A has been declared operational in June 2021. The total value of Copernicus operational fixed assets is EUR 937 million (2020: EUR 877 million), net of accumulated depreciation. A further EUR 2 115 million related to Copernicus satellites is recognised as assets under construction (2020: EUR 1 894 million).

Fixed assets related to the EGNOS ground infrastructure of EUR 130 million (2020: EUR 24 million) are also included under the heading 'Space assets'. In addition, EGNOS assets under construction amount to EUR 189 million (2020: EUR 273 million).

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
Gross carrying amount at 31.12.2020	*5 924*	*5 670*	*546*	*272*	*727*	*332*	*2 650*	*4 748*	*20 868*
Additions	*100*	*269*	*45*	*19*	*114*	*20*	*9*	*1 472*	*2 049*
Disposals	*(12)*	*–*	*(24)*	*(12)*	*(60)*	*(7)*	*(7)*	*–*	*(122)*
Transfer between asset categories	*535*	*1 791*	*1*	*1*	*(0)*	*2*	*(0)*	*(2 329)*	*0*
Other changes	*–*	*–*	*–*	*–*	*(0)*	*0*	*–*	*(1)*	*(1)*
Gross carrying amount at 31.12.2021	**6 547**	**7 730**	**568**	**281**	**781**	**347**	**2 651**	**3 890**	**22 793**
Accumulated depreciation at 31.12.2020	*(3 676)*	*(2 625)*	*(465)*	*(203)*	*(557)*	*(259)*	*(1 402)*		*(9 186)*
Depreciation charge for the year	*(187)*	*(625)*	*(38)*	*(16)*	*(84)*	*(23)*	*(92)*		*(1 065)*
Depreciation written back	*5*	*–*	*0*	*0*	*6*	*0*	*–*		*10*
Disposals	*12*	*–*	*24*	*11*	*55*	*7*	*7*		*116*
Transfer between asset categories	*(0)*	*–*	*(0)*	*–*	*(0)*	*0*	*0*		*(0)*
Other changes	*0*	*–*	*0*	*–*	*(0)*	*(1)*	*–*		*(1)*
Accumulated depreciation at 31.12.2021	**(3 846)**	**(3 250)**	**(479)**	**(208)**	**(581)**	**(276)**	**(1 487)**		**(10 126)**
NET CARRYING AMOUNT AT 31.12.2021	**2 701**	**4 480**	**89**	**73**	**199**	**72**	**1 164**	**3 890**	**12 669**
NET CARRYING AMOUNT AT 31.12.2020	*2 249*	*3 045*	*81*	*69*	*170*	*73*	*1 248*	*4 748*	*11 682*

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.

In 2021, the EIF shareholders have approved a capital increase from EUR 4.5 billion to EUR 7.4 billion. The subscribed capital at 31 December 2021 is EUR 7.3 billion (while another EUR 70 million is authorised but not yet subscribed). This increase will enable the EIF to play a key role in rolling out InvestEU, the EU's investment programme for 2021-2027 (see note **4.1.1**). It will also contribute to the response to the COVID-19 crisis where the EIF is also putting in place significant packages to support small businesses across Europe. The EU participated in the capital increase, contributing EUR 372 million. At 31 December 2021, it held 30% of ownership interests in the EIF (2020: 29.7%) and 30% of the voting rights (2020: 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
Participation at 31.12.2020	**588**
Contributions	*372*
Dividends received	*–*
Share of net result	*169*
Share in the net assets	*63*
Participation at 31.12.2021	**1 192**

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

EUR million

	31.12.2021 Total EIF	31.12.2020 Total EIF
Assets	*5 187*	*3 256*
Liabilities	*(1 213)*	*(1 277)*
Revenue	*781*	*322*
Expenses	*(217)*	*(194)*
Surplus/(deficit)	*564*	*129*

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

EUR million

	31.12.2021	31.12.2020
Net assets of the associate	*3 974*	*1 979*
EC ownership interests in EIF	**30.0%**	**29.7%**
Carrying amount	*1 192*	*588*

The EU, represented by the Commission, has paid in 20% of its subscribed shares in the EIF capital at 31 December 2021, the uncalled amount is as follows:

EUR million

	Total EIF capital	EU subscription
Total share capital	*7 300*	*2 190*
Paid-in	*(1 460)*	*(438)*
Uncalled	**5 840**	**1 752**

2.4. FINANCIAL ASSETS

EUR million

	Note	31.12.2021	31.12.2020
Non-current			
Financial assets at amortised cost	*2.4.1*	*160 214*	*82 887*
*Financial assets at fair value through surplus or deficit**	*2.4.2*	*21 660*	*16 327*
		181 874	**99 214**
Current			
Financial assets at amortised cost	*2.4.1*	*3 353*	*10 422*
*Financial assets at fair value through surplus or deficit**	*2.4.2*	*3 391*	*3 459*
		6 744	**13 881**
Total		**188 618**	**113 095**

** The 2020 figures include EUR 16 134 million classified as non-current AFS (Available for sale) financial assets and EUR 3 453 million classified as current AFS financial assets in the 2020 EU Consolidated Annual Accounts.*

2.4.1. Financial assets at amortized cost

EUR million

	Note	31.12.2021	31.12.2020
Loans for RRF (NGEU) and financial assistance	*2.4.1.1*	*163 392*	*93 193*
Other loans	*2.4.1.2*	*176*	*116*
Total		**163 568**	**93 309**
Non-current		*160 214*	*82 887*
Current		*3 353*	*10 422*

2.4.1.1. Loans for RRF (NGEU) and financial assistance

EUR million

	RRF (NGEU)	SURE	EFSM	BOP	MFA	Euratom	Total
Total at 31.12.2020	*–*	*39 503*	*47 396*	*201*	*5 813*	*279*	*93 193*
Revision of EAR 11	*–*	*420*	*(114)*	*(1)*	*(27)*	*(1)*	*276*
New loans (nominal)	*17 970*	*50 137*	*9 750*	*–*	*1 665*	*100*	*79 622*
Repayments	*–*	*–*	*(9 750)*	*–*	*(14)*	*(29)*	*(9 793)*
Changes in carrying amount	*8*	*507*	*(144)*	*0*	*(24)*	*–*	*347*
Changes in impairment	*–*	*–*	*–*	*–*	*(243)*	*(11)*	*(254)*
Total at 31.12.2021	**17 978**	**90 567**	**47 138**	**201**	**7 170**	**338**	**163 392**
Non-current	*17 970*	*90 502*	*43 969*	*200*	*7 132*	*314*	*160 087*
Current	*8*	*65*	*3 169*	*1*	*38*	*24*	*3 305*

The nominal value of loans at 31 December 2021 is EUR 162 394 million, out of which EUR 144 424 million refers to loans for financial assistance (2020: EUR 92 565 million) and EUR 17 970 million to RRF (2020: none). The significant increase from the previous year is due to further loans given out under SURE and the launch of the RRF (NGEU) instrument in 2021.

The line 'revision of EAR 11' shows the impact of the revised EAR 11 on the loans amounts at 1 January 2021. For SURE, EFSM and BOP the impact refers to the application of the effective interest rate method. For MFA and Euratom the impact refers to the application of the effective interest rate and the impairment allowance as at 1 January 2021.

- Effective interest rate impact: The above mentioned programmes, except for RRF (NGEU), operate on a 'back-to-back' basis. This means that the premiums, discounts, interests and transactions costs the EU incurs for borrowing are recharged to the loan beneficiary. As a result the effective interest rate of a loan is the effective interest rate of the respective borrowing that financed the loan. The premiums or discounts on borrowing transactions and their recharging to the loan beneficiaries were previously immediately expensed in the statement of financial performance. By applying the effective interest rate method, the unamortised premiums and discounts as at 1 January 2021 have been added to the outstanding borrowings and loans. The net impact on the accumulated results is zero. The unamortised premiums and discounts will now be amortised until maturity.

- Impairment allowance impact: This has been calculated using an expected credit loss model, applying the policies for the impairment of loans (see note **6.5**). The Commission has thus recognised an impairment allowance for expected credit losses for MFA and Euratom loans, as at 1 January 2021.

The line 'changes in impairment' corresponds to the remeasurement of the expected credit losses as at 31 December 2021.

The line 'changes in carrying amount' corresponds to the change in accrued interests and the change in premiums/discounts (new premiums/discounts and amortisation).

Recovery and Resilience Facility (RRF)

In 2021, the EU set up the RRF as a temporary instrument to help the Member States' economies recover from the coronavirus pandemic and become resilient to green and digital transitions. Under the EU Recovery Instrument (NGEU), the Commission borrows funds which the RRF uses to finance Member States' reforms and investments. These have to be in line with EU priorities and have to address the challenges identified in country-specific recommendations under the European Semester framework of economic and social policy coordination. The financing can be either a loan (repayable support) or a grant (non-repayable support, see note **2.5**). The Member States can receive financing up to a previously agreed allocation for loans and grants. To benefit from the support, the Member States have to submit their national recovery and resilience plans to the European Commission. Each plan sets out the reforms and investments to be implemented by the end of 2026 defining clear milestones and targets to be analysed by the European Commission and approved by the European Council. The RRF loans can be disbursed until 31 December 2026 only after the achievement of the agreed milestones and targets. However, up to 31 December 2021, the Commission could advance up to 13% of the approved loan amounts in order to initiate economic recovery.

At 31 December 2021 loan agreements of EUR 153.2 billion have been signed. Out of these, the Commission has disbursed EUR 18 billion. There is no back-to-back relationship between the RRF loans and the NGEU borrowings (see note **2.11**).

Support to mitigate Unemployment Risks in an Emergency (SURE)

SURE is a European instrument that helps to maintain people in work and jobs affected by the coronavirus pandemic. The instrument enables Member States to request EU financial assistance to help finance sudden and severe increases of national public expenditure related to national short-time work schemes and similar measures, including for self-employed persons, or to some health-related measures, in particular in the work place in response to the crisis. It can provide financial assistance of up to EUR 100 billion in the form of loans to affected Member States. The instrument is underpinned by EUR 25 billion of guarantees that the Member States have provided to the Commission for the repayment of the related borrowings. In accordance with the Council Regulation (EU) 2020/672, the Commission can enter into a loan agreement with a Member State only after the Commission has proposed, and the Council has adopted, an implementing decision for SURE financial assistance.

At 31 December 2021 the Council had approved and the Commission had signed loan agreements for EUR 94.3 billion of financial assistance. Out of these, the Commission had disbursed EUR 89.6 billion to Member States (nominal amounts). The remaining amounts under signed loan agreements are being disbursed in 2022.

European Financial Stabilisation Mechanism (EFSM)

The EFSM enabled 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. It is not foreseen that the EFSM will engage in new financing programmes or enter into new loan facility agreements. There are no undrawn amounts from signed loan agreements.

Balance of Payments (BOP)

This is a policy-based financial instrument that provides medium-term financial assistance to Member States 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. There are no undrawn amounts from signed loan agreements.

Macro-Financial Assistance (MFA)

The MFA is a form of financial assistance from the EU to partner countries experiencing a balance of payment crisis. It takes the form of medium or 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 programme. The borrowings for these loans are guaranteed by the Guarantee Fund for external actions and then by the EU budget.

During 2021, additional loans of EUR 1.7 billion were disbursed, including EUR 0.6 billion to Ukraine. There are EUR 0.6 billion conditional undrawn amounts from signed loan agreements.

At 31 December 2021, the impairment allowance for MFA loans is EUR 293 million, out of which EUR 197 million refer to the loans to Ukraine (totalling EUR 4.4 billion (nominal value) at year-end). In accordance with the EU accounting rules (and IPSAS), this impairment allowance does not take into account the non-adjusting post balance sheet events related to the war in Ukraine in 2022 (see note **8**), only the significant increase in risk that was noted at the end of 2021.

European Atomic Energy Community loans (Euratom)

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. Out of the total Euratom loans outstanding at 31 December 2021, EUR 300 million (nominal value) relates to loans with Ukraine, for which an impairment allowance of EUR 13 million has been recognised. At 31 December 2021, the Commission had received guarantees from third parties of EUR 350 million (2020: EUR 279 million) to cover Euratom loans. There are no undrawn amounts from signed loan agreements.

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

	31.12.2021	31.12.2020
RRF (NGEU)	*0.11% - 0.12%*	–
SURE	*(0.48)% - 0.77%*	*0.00% - 0.30%*
EFSM	*(0.03)% - 3.79%*	*0.50% - 3.75%*
BOP	*2.95%*	*2.88%*
MFA	*(0.14)% - 3.70%*	*0.00% - 3.69%*
Euratom	*(0.08)% - 1.66%*	*0.00% - 5.76%*

The 2020 figures refer to nominal interest rates, while 2021 figures are effective interest rates in line with the revised EAR 11.

2.4.1.2. Other loans

These include 3 types of loans:

a) Loans of EUR 74 million as at 31 December 2021 (2020: EUR 75 million) granted from EU budget programmes (e.g. the MEDA programme Euro-Mediterranean Partnership and the EU Employment and Social Innovation programme)

b) Defaulted loans originally granted by implementing partners where the Commission has paid a guarantee call and now holds the recovery rights (subrogated loans). At 31 December 2021, the Commission holds the recovery rights for EUR 855 million of such loans (including accrued interests). However, after taking into account the expected credit losses, the carrying amount recognised on the balance sheet is EUR 48 million. These loans were granted by the EIB and guaranteed by the EFSI and ELM programmes.

c) Term deposits of EUR 54 million, with maturity of over 3 months that do not meet the definition of cash equivalents.

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

EUR million

	Note	31.12.2021	31.12.2020
*Financial assets at FVSD non-derivatives**	*2.4.2.1*	*24 223*	*19 587*
Financial assets at FVSD derivatives	*2.4.2.2*	*828*	*199*
Total		**25 051**	**19 786**
Non-current		*21 660*	*16 327*
Current		*3 391*	*3 459*

**The 2020 figure relates to amounts previously classified as AFS financial assets in the 2020 EU Consolidated Annual Accounts.*

2.4.2.1. Financial assets at FVSD non-derivatives

Financial assets at FVSD non-derivatives by type

EUR million

	31.12.2021	31.12.2020
Debt securities	*19 326*	*14 862*
Money market funds and investments in pooled portfolios	*2 513*	*3 038*
Other equity investments	*2 384*	*1 686*
Total	**24 223**	**19 587**
Non-current	*20 834*	*16 134*
Current	*3 390*	*3 453*

The 2020 figures relate to amounts previously classified as AFS assets in the 2020 EU Consolidated Annual Accounts.

Debt securities are mainly sovereign and corporate bonds. These investments are held in the funds (portfolios) managed by the Commssion, or by the EIB on behalf of the EU and mainly refer to the CPF, H2020, BUFI and the Innovation Fund (see below). The asset portfolios' performance is evaluated on a fair value (market value) basis.

Money market funds are mutual funds that invest in short term debt securities (e.g. the EIB unitary fund). The investments in pooled portfolios are EU funds of CEF and H2020 programmes pooled together with Member States' funds from the NER 300 programme. They are used to provide guarantees to the EIB's financing and investment operations.

The 'other equity investments' mainly refer to investing EU budget money – via implementing partners - in venture capital or other types of investment funds for pursuing EU policy objectives. For example, enhancing access to finance for start up SMEs, research and innovation as well as infrastructure both inside and outside the EU.

Financial assets at FVSD non-derivatives by programme

EUR million

	31.12.2021	31.12.2020
Innovation Fund	*4 195*	*–*
BUFI investments	*1 257*	*1 598*
ECSC in Liquidation	*1 382*	*1 445*
European Bank for Reconstruction and Development	*188*	*188*
EEAS local staff pension plan	*69*	*73*
	7 091	**3 304**
Budgetary Guarantee Funds:		
Common Provisioning Fund	*11 272*	*–*
EFSI Guarantee Fund	*–*	*7 526*
Guarantee Fund for external actions	*–*	*2 794*
EFSD Guarantee Fund	*–*	*692*
	11 272	**11 012**
Financial Instruments financed by the EU budget:		
Horizon 2020	*3 342*	*3 097*
Connecting Europe Facility	*762*	*764*
EU SME Equity Facilities	*684*	*533*
European Fund for South East Europe	*213*	*163*
Green for Growth Fund	*146*	*143*
Energy Efficiency Finance Facility	*107*	*104*
Other	*606*	*467*
	5 861	**5 271**
Total	**24 223**	**19 587**
Non-current	*20 834*	*16 134*
Current	*3 390*	*3 453*

The 2020 figures relate to amounts previously classified as AFS assets in the 2020 EU Consolidated Annual Accounts.

Innovation Fund (IF)

The Innovation Fund was set up by Directive (EU) 2018/410 of the European Parliament and of the Council amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowances trading within the Union. It supports innovation in low-carbon technologies and processes in certain economic sectors. The Innovation Fund is to be endowed with the revenue from the progressive monetisation of 450 million allowances and also with any unspent funds from the 300 million allowances available for NER300 programme (see note **3.8**). The Innovation Fund started its operations in 2020, but the amounts were held in cash. As of 2021, the EIB manages the monies of the Innovation Fund by investing them in bonds.

BUFI investments

The Commission has established the Budget Fines fund ('BUFI') for managing the money it provisionally receives for competition fines under appeal. Until the final court decision, the Commission invests the money in debt instruments.

ECSC in Liquidation

The ECSC Treaty expired on 23 July 2002 and all the ECSC assets were transferred to the European Union and were earmarked for research in the sectors associated with the coal and steel industries. The Commission manages the portfolio, and invests in 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 2021 were 90 044 (2020: 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 its investment in the EBRD at fair value. The original purchase cost is considered the best estimate of the fair value, in particular due to the contractual restrictions referred to above. Although the 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 cost is the best estimate of the fair value in this situation.

Common Provisioning Fund (CPF)

The EU guarantees equity investments and loans that implementing partners provide to sovereigns and companies. In order to pay the claims from defaults or other losses, the EU Budget, in accordance with the legal acts, is gradually setting money aside to build a capital buffer i.e. the CPF. The CPF also covers borrowings the Commission issues to finance MFA and Euratom loans to non Member States.

Until 2020, there was a separate fund for each budgetary guarantee (EFSI Guarantee Fund, EFSD Guarantee Fund, Guarantee Fund for External actions-covering also the financial assistance loans to third countries under MFA and Euratom).

As of 1 January 2021, in compliance with the Financial Regulation, the Commission has set up the CPF to manage the capital buffer ('provisioning') for all budgetary guarantees and financial assistance loans to third countries, in one common portfolio. In addition to the EU budget provisioning, the CPF receives recoveries from defaulted operations, the returns on its investments and the receipts from the EU budgetary guarantees remuneration. The CPF may also receive voluntary contributions from Member States and other contributors who are –in this way- increasing the available EU budget guarantees.

The CPF allocates the incoming contributions into compartments where each compartment refers to one contributing programme. At 31 December 2021, the CPF consists of 4 compartments. Out of these, 3 compartments refer to legacy instruments established under previous MFFs (EFSI, EFSD and ELM). These 3 contributing programmes have transferred their existing provisioning at the date they joined the CPF. In addition, there is a compartment for InvestEU, a new instrument established under the current MFF. The legal acts of these instruments set out the necessary provisioning for the guarantees provided. The EU budget pools these individual provisions in the CPF and optimises the asset management.

At 31. December 2021 the assets of the CPF were EUR 12.3 billion out of which EUR 11.3 billion were invested in financial assets at FVSD non-derivatives (debt securities).

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 and the SME Initiative Uncapped Guarantee Instrument (SIUGI)* – guarantee facilities managed by the EIF providing guarantees and counter-guarantees to financial intermediaries for new portfolios of loans (under SIUGI the Commission shares the financial risk related to the guarantee given with Member States, EIF and EIB);
- *The InnovFin Equity Facility for R&I* providing for investments in venture capital funds which is managed by the EIF; and
- *The EIC Fund (European Innovation Council Fund)* which provides equity financing to accelerate innovation and market deployment actions. The EIC fund will be primarily funded from the 2021-2027 MFF under the Horizon Europe framework programme. However, to date, the Commission has used resources available under the H2020.

Connecting Europe Facility

Pursuant to Regulation (EU) No 1316/2013, 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. It offers risk sharing for debt financing in the form of senior and subordinated debt or guarantee as well as support for project bonds guaranteed by the EU.

EU SME Equity Facilities

These are equity instruments financed by the COSME, CIP and MAP programmes and the Growth and Employment Initiative, 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.

Fair value hierarchy of non-derivative financial assets at FVSD (in 2020 classified as AFS)

EUR million

Type of financial asset	31.12.2021	31.12.2020
Level 1: Quoted prices in active markets	*19 336*	*15 383*
Level 2: Observable inputs other than quoted prices	*2 698*	*2 706*
Level 3: Valuation techniques with inputs not based on observable market data	*2 190*	*1 498*
Total	**24 223**	**19 587**

During the period, there were no transfers between level 1 and level 2 of the fair value hierarchy.

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

EUR million

Fair value movements	
Opening balance at 1.1.2021	***1 498***
Revision EAR 11	*2*
Investments during the period	*505*
Capital repayments	*(111)*
Revenues settled	*(30)*
Gains or losses for the period in surplus or deficit	*326*
Transfers into level 3	*–*
Transfers out of level 3	*–*
Other	*–*
Closing balance at 31.12.2021	**2 190**

The net gains for level 3 non-derivative assets held at end of 2021 were EUR 295 million. They are included as financial revenue under 'Gains on financial assets or liabilities at FVSD non-derivatives' (see note **3.9)** and as finance costs under 'Losses from on financial assets or liabilities at FVSD non-derivatives' (see note **3.15**).

2.4.2.2. Financial assets and liabilities at FVSD derivatives

Financial assets and liabilities at FVSD derivatives by type

EUR million

Type of derivative	31.12.2021			31.12.2020		
	Notional amount	Fair Value Asset	Fair Value Liability	Notional amount	Fair Value Asset	Fair Value Liability
Foreign currency forward contract	*646*	*2*	*–*	*417*	*6*	*–*
Guarantee on equity portfolio	*4 148*	*826*	*(1)*	*3 412*	*193*	*(1)*
Guarantees on FX risk	*28*	*–*	*(4)*	*14*	*–*	*(4)*
Total	**4 822**	**828**	**(5)**	**3 843**	**199**	**(4)**
Non-current		*826*	*(5)*		*193*	*(4)*
Current		*2*	*–*		*6*	*(0)*

Foreign currency forward contract

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.

Guarantees on equity portfolios

The heading 'Guarantee on equity portfolio' comprises guarantees given by the EU to financial institutions on portfolios of equity investments. These guarantees are classified as derivative financial instruments and accounted for as a financial asset or financial liability at fair value through surplus or deficit, since they do not meet the definition of a financial guarantee liability – see note **1.5.12**. The EU financial liability is measured based on the value of the underlying investments.

The total amount represents mainly the EFSI guarantee given by the EU to the EIB Group with underlying equity investments disbursed by the EIB and EIF amounting to EUR 3 068 million (2020: EUR 2 223 million). The fair value of the EU guarantee on the EFSI equity portfolios totalled EUR 763 million (2019: EUR 164 million).

Guarantee on foreign currency risk

The EU guarantees foreign currency ('FX') risk under the EFSD Guarantee, where it guarantees swap and forward contracts that aim at hedging against foreign currency risks for investing operations in emerging markets. The EU also covers the devaluation of the foreign exchange currency (UHA) related to loans given by financial institutions to SMEs to Ukraine under the Eastern Partnership SME Finance Facility.

Fair value hierarchy of derivative financial assets and liabilities

EUR million

Type of derivative	31.12.2021		31.12.2020	
	Fair Value Asset	Fair Value Liability	Fair Value Asset	Fair Value Liability
Level 1: Quoted prices in active markets	*–*	*–*	*–*	*–*
Level 2: Observable inputs other than quoted prices	*2*	*(2)*	*6*	*(4)*
Level 3: Valuation techniques with inputs not based on observable market data	*826*	*(2)*	*193*	*(1)*
Total	**828**	**(5)**	**199**	**(4)**

During the period, there were no transfers between level 1 and level 2. Derivatives in Fair Value Level 3 include mainly guarantees on equity portfolios.

Reconciliation of derivative financial assets and liabilities measured using valuation techniques with inputs not based on observable market data (Level 3)

EUR million

Fair value movements	
Opening balance asset/(liability) as at 1.1.2021	***192***
Guarantee call claims paid	*5*
Guarantee calls returned	*(1)*
Revenues from guarantee settled	*(160)*
Gains or losses for the period in surplus or deficit	*788*
Transfers into level 3	*–*
Transfers out of level 3	*–*
Other	*–*
Closing balance at 31.12.2021	**824**

The net gains for level 3 derivative assets held at end of 2021 were EUR 777 million. This amount is presented as financial revenue and included under 'Gains on financial assets or liabilities at FVSD derivatives' (see note **3.9**).

2.5. PRE-FINANCING

EUR million

	Note	31.12.2021	31.12.2020
Non-current			
Pre-financing	*2.5.1*	*57 764*	*30 574*
Other advances to Member States	*2.5.2*	*2 901*	*3 825*
Contribution to Trust Funds		*126*	*119*
		60 792	**34 519**
Current			
Pre-financing	*2.5.1*	*28 427*	*24 902*
Other advances to Member States	*2.5.2*	*4 229*	*3 327*
		32 656	**28 229**
Total		**93 447**	**62 748**

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.

The significant increase from the previous year is primarily a result of the launch of the RRF (NGEU) instrument in 2021, where EUR 36.4 billion of pre-financing was initially paid out.

2.5.1. Pre-financing

EUR million

	Gross amount	Cleared via accruals	Net amount at 31.12.2021	Gross amount	Cleared via accruals	Net amount at 31.12.2020
Shared management						
EAFRD & other rural development instruments	*3 172*	*(208)*	*2 965*	*3 193*	*–*	*3 193*
ERDF & CF	*23 531*	*(4 571)*	*18 960*	*23 074*	*(3 846)*	*19 229*
ESF	*9 085*	*(1 823)*	*7 263*	*8 222*	*(1 348)*	*6 874*
Other	*4 836*	*(2 263)*	*2 572*	*4 192*	*(1 520)*	*2 672*
	40 624	**(8 865)**	**31 760**	**38 681**	**(6 713)**	**31 967**
Direct Management						
Implemented by:						
Commission	*46 494*	*(11 970)*	*34 525*	*17 031*	*(10 648)*	*6 382*
of which RRF (NGEU)	*34 879*	*(4 065)*	*30 814*	*–*	*–*	*–*
EU executive agencies	*23 931*	*(15 030)*	*8 901*	*18 565*	*(10 931)*	*7 633*
Trust funds	*1 140*	*(847)*	*293*	*1 121*	*(843)*	*278*
	71 565	**(27 847)**	**43 718**	**36 716**	**(22 423)**	**14 294**
Indirect Management						
Implemented by:						
Other EU agencies & bodies	*1 657*	*(687)*	*971*	*1 243*	*(781)*	*462*
Third countries	*1 874*	*(1 261)*	*614*	*1 515*	*(1 043)*	*471*
International organisations	*9 545*	*(5 955)*	*3 590*	*9 068*	*(6 020)*	*3 048*
Other entities	*12 992*	*(7 453)*	*5 539*	*11 665*	*(6 432)*	*5 233*
	26 069	**(15 356)**	**10 713**	**23 491**	**(14 276)**	**9 215**
Total	**138 258**	**(52 068)**	**86 191**	**98 888**	**(43 412)**	**55 476**
Non-current	*57 764*	*–*	*57 764*	*30 574*	*–*	*30 574*
Current	*80 494*	*(52 068)*	*28 427*	*68 314*	*(43 412)*	*24 902*

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 programming period 2014-2020. There is an initial pre-financing which will not be cleared (i.e. recognised in the statement of financial performance) before the closure of the programming period and is shown as a non-current pre-financing.

For the cohesion area, there is also an annual pre-financing which is cleared on a yearly basis and is shown as a current pre-financing. New pre-financing payments made in the cohesion area include the 2021 annual pre-financing (EUR 7.3 billion), but also payments from the EU Solidarity Fund (EUR 0.8 billion). The new payments have been counterbalanced by clearings of approximately similar values, therefore the level of outstanding prefinancing remains stable for this area overall.

For direct management, the biggest amounts of pre-financing are those related to the non-reimbursable support concerning the RRF instrument which began in 2021, net EUR 30.8 billion at year-end. Other significant amounts, EUR 8.5 billion (2020: EUR 9.3 billion), refer to the Research area (mainly Horizon 2020 and Horizon Europe, implemented by the EU executive agencies and the Commission).

For indirect management, the pre-financing covers mainly internal policies programmes like Galileo and EGNOS (Space Programmes), but also instruments related to Global Europe (including neighbourhood, development and international cooperation instruments). The most notable increase in pre-financing under this heading is related to the Space Programmes.

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 making 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 2021 the nominal value of guarantees received in respect of pre-financing amounted to EUR 433 million while the on-going value of those guarantees was EUR 383 million (2020: EUR 466 million and EUR 402 million respectively).

Certain pre-financing amounts paid out under the 7th Research Framework Programme for research and technological development (FP7) and under the Horizon 2020 and Horizon Europe Programmes are effectively covered by the Mutual Insurance Mechanism (MIM), previously known as the Participants Guarantee Fund (PGF). The MIM 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 under those programmes. All participants of indirect actions receiving a grant from the EU contribute 5% of the maximum EU contribution to the MIM's capital, which is invested in the financial markets by the Commission in order to generate interest. The interest may be used to cover debts not honoured by a defaulting participant towards the Union. At the end of the indirect action the contributions are paid back to the participants. The EU (represented by the Commission) acts as an executive agent of the participants of the MIM, but the fund is owned by the participants. The MIM is thus a separate entity that is not consolidated in these EU annual accounts.

At 31 December 2021, pre-financing amounts covered by the MIM totalled EUR 2.4 billion (2020: EUR 2.3 billion). The MIM total assets, including financial assets managed by the Commission, amounted to EUR 2.5 billion (2020: EUR 2.4 billion).

2.5.2. Other advances to Member States

EUR million

	31.12.2021	31.12.2020
Advances to Member States for financial instruments under shared management	*3 647*	*3 520*
Aid Schemes	*3 483*	*3 633*
Total	**7 130**	**7 153**
Non-current	*2 901*	*3 825*
Current	*4 229*	*3 327*

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 14 692 million paid, it is estimated that EUR 3 547 million was unused at 31 December 2021. 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 1 326 million paid excluding amounts still in pre-financing, out of which EUR 366 million is estimated as unused).

For rural development, EUR 97 million remained unused at year-end.

2007-2013 Period:

All amounts related to 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 2021. 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, reimbursed amounts corresponding to advances paid by the Member States for various aid schemes (state aid, market measures of EAGF or investment measures of EAFRD) that were not used at year-end are recorded as assets (advances) on the EU's balance sheet. The Commission has estimated the value of these advances based on information provided by the Member States; the resulting amounts are included under the Aid Schemes sub-heading above.

2014-2020 Period:

The unused amounts at year-end were estimated at EUR 1 768 million for cohesion policy and for agriculture and rural development at EUR 1 649 million.

2007-2013 Period:

It is estimated that EUR 66 million paid in the context of rural development remains unused at the end of 2021.

2.6. EXCHANGE RECEIVABLES AND NON-EXCHANGE RECOVERABLES

EUR million

	Note	31.12.2021	31.12.2020
Non-current			
Recoverables from non-exchange transactions	2.6.1	*34 892*	*44 128*
Receivables from exchange transactions	2.6.2	*5 750*	*1 685*
		40 642	**45 813**
Current			
Recoverables from non-exchange transactions	2.6.1	*29 473*	*26 915*
Receivables from exchange transactions	2.6.2	*2 323*	*1 766*
		31 796	**28 681**
Total		**72 438**	**74 493**

2.6.1. Recoverables from non-exchange transactions

EUR million

	Note	31.12.2021	31.12.2020
Non-current			
Member States	2.6.1.1	*2 497*	*2 237*
UK Withdrawal Agreement	2.6.1.2	*30 839*	*40 629*
Accrued income and deferred charges	2.6.1.4	*1 556*	*1 261*
Other recoverables		*–*	*1*
		34 892	**44 128**
Current			
Member States	2.6.1.1	*5 682*	*7 213*
UK Withdrawal Agreement	2.6.1.2	*10 913*	*6 827*
Competition fines	2.6.1.3	*11 698*	*11 295*
Accrued income and deferred charges	2.6.1.4	*1 097*	*787*
Other recoverables	2.6.1.5	*83*	*792*
		29 473	**26 915**
Total		**64 365**	**71 043**

2.6.1.1. Recoverables from Member States

EUR million

	31.12.2021	31.12.2020
TOR A accounts	*6 137*	*5 297*
TOR separate accounts	*1 405*	*1 460*
Own resources to be received	*15*	*2 188*
Impairment	*(875)*	*(892)*
Other	*–*	*–*
Own resources recoverables	**6 683**	**8 053**
European Agricultural Guarantee Fund (EAGF)	*1 525*	*1 378*
European Agricultural Fund for Rural Development (EAFRD) and other rural development instruments	*668*	*720*
Impairment	*(843)*	*(837)*
EAGF and rural development recoverables	**1 350**	**1 260**
Pre-financing recovery	**26**	**53**
VAT paid and recoverable	**45**	**35**
Other recoverables from Member States	**73**	**49**
Total	**8 178**	**9 450**
Non-current	*2 497*	*2 237*
Current	*5 682*	*7 213*

The largest amount included under non-current relates to amounts due from Member States, specifically EUR 2.1 billion concerning the United Kingdom (UK) infringement case (explained below). 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.

Own resources recoverables

The 'A accounts' refer to the monthly statements in which the Member States communicate the established Traditional own resources (TOR) entitlements. The table lists the 'A accounts' amounts that have not yet been paid to the Commission. TOR are mainly customs duties collected by Member States on behalf of the Commission.

The 'A accounts' have tended to have a level in the range of EUR 3 to 3.5 billion at year-end. However, in the past two years 2021 and 2020, the total amount included additional TOR amounts related to the UK infringement case (see below) and other TOR inspection reports. As late payment interest of EUR 2.2 billion is applicable (2020: EUR 1.7 billion), those amounts are therefore also reported in these annual accounts (see notes **2.6.2** and **3.9**).

Concerning the UK 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 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 decided 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 had 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 the JRC and on the information available, the Commission estimated that the infringement 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). On 8 March 2022, the Court issued the related judgement and confirmed that the UK had infringed its obligations to protect the Union budget. However, it requested the Commission to re-calculate the amount claimed. The Commission will now assess the judgment and in particular the comments of the Court with respect to the determination of the amounts at stake. A detailed legal and operational analysis is thus currently being performed, the conclusions of which are not yet available. Therefore, both the principal of EUR 2.1 billion and the estimated late payment interest of EUR 2.1 billion accrued until end 2021 (compared to EUR 1.6 billion interest accrued and recognised until end 2020) continue to be classified as long-term assets, being the best estimate available.

This year, at 31 December 2021, the recoverables include also an amount of EUR 0.4 billion in estimated TOR losses due by some Member States for textile and footwear imports from China at significantly understated value. These estimates are subject to revision, in particular after the Court judgement for the UK infringement case.

In addition, the Commission included in the accounts a receivable of EUR 0.17 billion for established customs duties and late payment interest which is based on the latest available information.

'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 (i.e. guarantee) has been provided (or 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. The impairment amounts are generally at a similar level at each year-end, as can be seen from the table.

'Own resources to be received' in 2021 refer to recoverables as a result of the amending budget No 6/2021 adopted on 24 November 2021. The amounts were entered by Member States on the first working day of January 2022.

EAGF and Rural Development recoverables

This item primarily covers the amounts owed by Member States at 31 December 2021, as declared and certified by the Member States as at 15 October 2021. An estimation is made for the recoverables arising after this declaration and up to 31 December 2021. 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. UK Withdrawal Agreement

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' (ref. 2019/C 384 I/01) (the 'Withdrawal Agreement' or 'WA') signed between the EU and the UK establishes various financial obligations on both parties. As at 31 December 2021, the net receivable from the UK based on these obligations amounted to EUR 41 753 million (2020: EUR 47 456 million), of which EUR 10 913 million is to be paid within the 12 months following the reporting date (2020: EUR 6 827 million):

EUR million

	Article 140	Article 142	Other	31.12.2021	31.12.2020
Due from the UK	*28 620*	*14 751*	*610*	*43 982*	*49 579*
Due to the UK	*-*	*-*	*(2 229)*	*(2 229)*	*(2 122)*
Total	**28 620**	**14 751**	**(1 618)**	**41 753**	**47 456**
Non-current	*17 064*	*14 486*	*(711)*	*30 839*	*40 629*
Current	*11 556*	*265*	*(908)*	*10 913*	*6 827*

Adjustment of UK share (Article 139)

According to Article 139, the United Kingdom's share of the financial obligations arising out of the WA shall be a percentage calculated as the ratio between the own resources made available by the United Kingdom in the years 2014 to 2020 and the own resources made available during that period by all Member States and the United Kingdom. This had been calculated in March 2021 as being 12.358072326018200%. However, in accordance with Article 139, the share has to be adjusted by the amount of the VAT and GNI balances (2014-2020) communicated to the Member States before 1 February 2022. Therefore, the final UK share has been calculated to be 12.431681219587700%. Following the adjustment of the UK share in relation to the calculations underlying the amounts already invoiced to the UK in 2021, an additional amount of EUR 67 million was invoiced to the UK in April 2022.

Payments under the Withdrawal Agreement

The payment mechanism to be applied to the obligations provided for between the two parties is laid out in Article 148. In summary, the EU invoices the net amounts due from the UK in April and September of each year and the UK pays these on a monthly basis. The amounts reported in April of a given year are to be paid in four equal monthly instalments from June to September of that year. The amounts reported in September are to be paid in eight equal monthly instalments from October of that year to May of the following year. Since some amounts reported are necessarily based on forecasts and estimates, the reporting is updated each year based on actual figures.

In 2021 the total amount reported to the UK under Article 136, and Articles 140 to 147, was EUR 11 930 million, of which EUR 3 763 million was reported in April 2021 and EUR 8 166 million was reported in September 2021. The total payments received in 2021 amounted to EUR 6 826 million, of which EUR 3 763 million related to the April report (paid in four equal monthly instalments in the period June to September 2021) and EUR 3 062 related to the September report (paid in three equal instalments in the period October to December 2021):

EUR million

	April 2021 report (due and paid from June to September 2021)	September 2021 report: (due and paid from October to December 2021	Total
Article 140	*3 696*	*3 054*	*6 750*
Article 142	*-*	*11*	*11*
Article 136	*230*	*18*	*247*
Article 147	*21*	*-*	*21*
	3 946	*3 083*	*7 029*
Article 141	*-*	*(20)*	*(20)*
Article 143	*(93)*	*-*	*(93)*
Article 144	*(46)*	*-*	*(46)*
Article 145	*(37)*	*-*	*(37)*
Article 146	*(7)*	*-*	*(7)*
	(183)	*(20)*	*(203)*
Total	**3 763**	**3 062**	**6 826**

The remaining balance of the September 2021 invoice at the end of the year, amounting to EUR 5 104 million, was paid in five equal monthly instalments in the period January to May 2022.

Article 140 – Outstanding Commitments

The UK has committed to pay to the EU its share of the outstanding budgetary commitments at 31 December 2020 (the so called 'Brexit RAL'), as adjusted by the requirements of Article 140. At 31 December 2021, the total amount recognised as a receivable amounted to EUR 28 620 million (2020: EUR 34 966 million), of which EUR 11 556 million is payable within the 12 months following the year-end. The following table presents the main movements between the total amount recognised as a receivable at 31 December 2020 (calculated based on the unadjusted UK share) and the total amount recognised as a receivable at 31 December 2021:

EUR million

Amount owed by the UK at 31.12.2020 (based on unadjusted UK share)	**34 966**
Adjustment of UK share	*208*
Amount owed by the UK at 31.12.2020 (based on adjusted UK share)	**35 174**
Net financial corrections related to 2014-2020 or previous programme periods (including adjustment of 2020 deductions)	(58)
TOR relating to 2020 and made available to the Union in 2021 (including adjustment of 2020 deductions)	(82)
Net payments received from the UK in 2021	**(6 750)**
Adjustment of estimated non-implementation	**337**
Total	**28 620**
Non-current	*17 064*
Current	*11 556*

The year-on-year decrease of the total amount recognised as a receivable amounted to EUR 6 346 million and was mainly due to the payments received from the UK in 2021 (EUR 6 750 million).

The adjustment of the amount owed by the UK at 31 December 2020, resulting in an increase of EUR 208 million, reflects the adjustment of the UK share of the adjusted budgetary commitments at 31 December 2020 on which the UK share is applied (EUR 216.7 million). Also included are the adjustments of the deductions included in the 2020 EU Annual Accounts for net financial corrections related to 2014-2020 or previous programme periods and TOR relating to 2020 and made available to the Union in 2021 (EUR 2.4 million), and the adjustment of the deduction for the estimated non-implementation (EUR 6.0 million).

The total deduction for net financial corrections related to 2014-2020 or previous programme periods, amounting to EUR 58.5 million, comprises the amounts invoiced in September 2021 which were not yet included in the 2020 annual accounts (EUR 34.8 million, of which EUR 12.8 million was paid by the UK in the period October to December 2021 and EUR 22.0 million from January to May 2022), the adjustment of the UK share of these amounts (EUR 0.2 million) and the amounts to be invoiced in September 2022 and payable in October to December 2022 (EUR 23.5 million).

The total deduction for TOR relating to 2020 and made available to the Union in 2021, amounting to EUR 82.0 million, comprises the amounts invoiced in September 2021 which were not yet included in the 2020 annual accounts (EUR 16.7 million, of which EUR 6.3 million was paid by the UK in the period October to December 2021 and EUR 10.4 million from January to May 2022), the adjustment of the UK share of these amounts (EUR 0.1 million), and the amounts invoiced in April 2022 (EUR 65.2 million).

The amount to be paid within 12 months from the reporting date (EUR 11 556 million), comprises the remaining balance of the September 2021 invoice (EUR 5 090 million), the amount invoiced in April 2022 (EUR 4 029 million) and the amount to be invoiced in September 2022 and payable in the period October to December 2022 (EUR 2 437 million). The amount invoiced in April 2022 is composed of EUR 3 280 million relating to the UK's share of the estimated RAL implementation in 2022, EUR 65.2 million to the deductions for TOR, EUR 70.5 million to the adjustment of the UK share of the amounts invoiced in 2021, and EUR 743.6 million relating to the adjustment of the UK share of the RAL due to implementation in 2021. The amount to be invoiced in September 2022 and payable in the period October to December 2022 is made up of EUR 2 460 million relating to the UK's share of the estimated RAL implementation in 2022 and EUR 23.5 million relating to the deductions for net financial corrections.

Following the update of the official Commission forecast of decommitments of the entire stock of RAL at 31 December 2020, the UK amounts owed increased by EUR 337 million due to the updated estimated non-implementation.

Article 142 – Union liabilities at end 2020

The UK has committed to pay the EU its share of Union liabilities at end 2020 with the exception of liabilities: (a) with corresponding assets and (b) relating to the operation of the budget and the management of own resources (including amounts already covered by the outstanding commitments, see Article 140 above). The main amount here concerns the EU post-employment benefit liabilities (pensions and sickness insurance) existing at 31 December 2020.

Outstanding 2020 liabilities under Article 142 (6)

EUR million

	Pension Scheme of European Officials	Joint Sickness Insurance Scheme	31.12.2021	31.12.2020
Outstanding 2020 liabilities	*104 832*	*9 675*	*114 507*	*113 676*
UK Share	**13 032**	**1 203**	**14 235**	**14 048**
PSEO/JSIS contributions	**227**	**8**	**236**	**0**
Total	**13 260**	**1 211**	**14 471**	**14 048**
Non-current	*13 032*	*1 203*	*14 235*	*14 048*
Current	*227*	*8*	*236*	*0*

According to the default payment mode laid out in Article 142 (6), the UK contributes annually to the net payments made from the Union budget in the preceding year to each beneficiary of the Pension Scheme of European Officials (PSEO) and to the related contribution of the Union budget to the Joint Sickness Insurance Scheme (JSIS) for each beneficiary or person who benefits through a beneficiary. The payment of these annual contributions are scheduled to start as from June 2022 (with each annual instalment payable in four monthly instalments from June to September of the respective year).

The adjusted UK share of the net payments made from the Union budget in 2021 to the beneficiaries of the PSEO and to JSIS amounted to EUR 227 million and EUR 8 million, respectively. These amounts were communicated to the UK as part of the April 2022 invoice (and thus be payable in four equal monthly instalments in the period June to September 2022).

In addition, at 31 December 2021 the outstanding 2020 UK liabilities under Article 142 (6), relating to the Pension Scheme of the European Officials (PSEO) and the Joint Sickness Insurance Scheme (JSIS) amounted to EUR 13 032 million and EUR 1 203 million, respectively (2020: EUR 12 450 million and EUR

1 599 million). The increase for the PSEO scheme was primarily driven by the actuarial loss from changes in financial assumptions – see note **2.9** for more details. It is noted that while the actuarial loss from changes in financial assumptions impacts the present value of the outstanding 2020 liabilities calculated on the basis of IPSAS 39/EAR 12, it does not change either the amount of benefits that will have to be actually paid by the EU, or, by implication, the UK contributions to these payments as due under the default settlement mechanism of Article 142 (6).

As at 31 December 2021, the UK has not made use of the early settlement option providing for the payment of the outstanding 2020 PSEO and JSIS liabilities, calculated using actuarial valuations made in accordance with IPSAS 39/EAR 12, in five equal instalments following the procedure laid out in the last subparagraph of Article 142 (6).

Outstanding 2020 liabilities under Article 142 (5)

According to Article 142 (5), the UK contributes to the liabilities relating to the Other retirement (pension) schemes as they were recorded in the consolidated accounts of the Union for the financial year 2020 in 10 instalments starting on 31 October 2021 (with each annual instalment payable in eight monthly instalments from October to May the following year). These liabilities in the consolidated accounts of the Union for the financial year 2020 amounted to EUR 2 344 billion, resulting in an adjusted UK share at 31 December 2020 of EUR 291 million. Taking into account the amounts received from the UK during 2021, totalling EUR 11 million, the outstanding UK share of the Other retirement (pension) schemes decreased to EUR 281 million at 31 December 2021, of which EUR 29 million is to be paid within the 12 months following the year-end.

For more information regarding the employee benefit schemes, please see note **1.5.10** and note **2.9**.

Other articles

EUR million

	31.12.2021	31.12.2020
Due from the UK:		
Article 136	*557*	*230*
Article 147	*53*	*46*
	610	**275**
Due to the UK:		
Article 141	*(1 818)*	*(1 766)*
Article 143	*(163)*	*(93)*
Article 144	*(73)*	*(46)*
Article 145	*(148)*	*(183)*
Article 146	*(27)*	*(33)*
	(2 229)	**(2 122)**
Total	**(1 618)**	**(1 847)**
Non-current	*(711)*	*(1 894)*
Current	*(908)*	*47*

Article 136 – Provisions applicable in relation to own resources

Article 136 establishes the provisions applicable after 31 December 2020 in relation to own resources. The UK is entitled to receive or obliged to pay, as the case may be, its share where the own resources related to the financial years up to and including 2020 are to be made available, corrected or subject to adjustments after 31 December 2020. Furthermore, it will receive its share of adjustments related to the opt-out for the year 2020. It is also subject to any adjustments of VAT and GNI own resources that relate to the financial years up to and including 2020. These VAT and GNI adjustments will be calculated yearly until 31 December 2028. The updates of the UK correction of 2018-2019 are also to be taken into account.

The UK is required to pay the Traditional own resources collected by them after 28 February 2021, but related to the years 2020 and earlier. Their share of the total made available by them is then deducted from this amount. The separate account for Traditional own resources shall be fully liquidated at 31 December 2025.

The net amount due from the UK outstanding at 31 December 2021 is EUR 557 million, of which EUR 544 million will have to be paid to the UK within the 12 months following the year-end and EUR 1 101 million will have to be paid by the UK afterwards:

EUR million

Amount due from the UK at 31.12.2020	**230**
Adjustment of UK share	*(2)*
Amount invoiced to the UK in September 2021	*47*
Payments received in 2021	*(247)*
UK correction	*(497)*
Opt-out	*(105)*
VAT and GNI adjustments (related to 2020 and before)	*1 101*
UK net Traditional own resources after 28 February 2021	*31*
Amount due from the UK at 31.12.2021	**557**
Non-current	*1 101*
Current	*(544)*

Article 141 – Fines

The UK is entitled to its share of fines decided before 31 December 2020 and also those decided upon by the Union after 31 December 2020 in a procedure referred to in Article 92(1) when these become definitive. The amount of UK relevant fines which were outstanding at 31 December 2021 is EUR 13.8 billion (2020: EUR 14.3 billion). The decrease of EUR 0.5 billion is mainly due to the increase in the impairment of fines of EUR 0.9 billion, counterbalanced by the net increase in fines of EUR 0.3 billion (EUR 1.7 billion of fines issued in 2021 less EUR 1.4 billion of fines confirmed and paid, reduced or cancelled by court decisions during 2021). The adjusted UK share of these fines outstanding at 31 December 2021 is EUR 1.7 billion (2020 (unadjusted share): EUR 1.8 billion), out of which an amount of EUR 80.8 million will be included in the September 2022 invoice and paid to the UK in the period October 2022 to May 2023. In addition, the UK is entitled to the adjusted UK share of definitive fines which were not yet invoiced (EUR 69.2 million, also to be included in the September 2022 invoice and paid to the UK in the period October 2022 to May 2023), the unadjusted UK share of definitive fines that was invoiced in September 2021 but not yet paid at year-end (EUR 33.6 million, paid to the UK in the period January to May 2022), and the adjustment of the UK share of the fines which was invoiced in September 2021 (EUR 0.3 million, included in the April 2022 invoice and payable to the UK in the period June to September 2022). The total UK share of fines thus amounts to EUR 1.8 billion (2020: 1.8 billion), of which EUR 90.2 million is to be paid within the 12 months following the reporting date (2020 (unadjusted share): EUR 20 million).

Articles 143 – Contingent financial liabilities: loans for financial assistance, EFSI, EFSD & ELM

Under this article the UK shall be liable to fund its share of the contingent liabilities of the EU in relation to its borrowing, lending and guarantee activities should these crystallise and should they not be covered by existing guarantee funds – see note **4.1** for the related contingent liabilities. The EU will refund to the UK amounts which the UK has already contributed to guarantee funds and which are no longer needed. The UK also has a right to the reflows from operations for which it shares the liability. At 31 December 2021 the amount to be paid to the UK, all within the next 12 months, is EUR 163 million (2020 (unadjusted share): EUR 93 million).

Articles 144 – Financial instruments

Under this article, the EU has committed to refund to the UK its share of the reflows stemming from financial operations approved by the withdrawal date, as well as its share of the disbursements made to financial operations approved after the withdrawal date. At 31 December 2021 the amount to be paid to the UK, all within the next 12 months, is EUR 73 million (2020 (unadjusted share): EUR 46 million).

Article 145 – European Coal and Steel Community in Liquidation (ECSC i.L.)

The UK is entitled to its share of the net assets of ECSC in Liquidation at 31 December 2020, to be paid back in five instalments on 30 June each year, starting in 2021. The net assets of the ECSC in Liquidation at 31 December 2020 amounted to EUR 1.5 billion of which the adjusted UK share is EUR 184 million (2020 (unadjusted share): EUR 183 million). Following the payment of the first instalment of EUR 37 million in 2021, the outstanding amount at 31 December 2021 is EUR 148 million, of which EUR 37 million is to be paid within 12 months following the reporting date.

Article 146 – Investment in the European Investment Fund (EIF)

The UK is entitled to its share of the EU's investment in the paid-in share capital of the EIF at 31 December 2020, to be paid back in five instalments on 30 June each year, starting in 2021. The EU's investment in the EIF paid-in share capital at 31 December 2020 was EUR 267 million of which the adjusted UK share is EUR 33 million (2020 (unadjusted share): EUR 33 million). Following the payment of the first instalment of EUR 7 million, the outstanding amount at 31 December 2021 is EUR 27 million, of which EUR 7 million is to be paid within 12 months following the reporting date.

Article 147 – Legal cases

The UK has committed to contribute its share of EU payments arising from legal cases concerning the financial interests of the Union that become due, provided that the facts forming the subject matter of those cases occurred no later than 31 December 2020. Taking into account the provisions and accruals at year-end, as well as actual payments made by the EU for legal cases in 2021 (excluding those already reported to and paid by the UK in 2021) the estimated amount that the UK will have to pay is EUR 53 million (2020 (unadjusted share): EUR 46 million), of which EUR 6 million is to be paid within 12 months following the reporting date.

2.6.1.3. Recoverables from competition fines

EUR million

	31.12.2021	31.12.2020
Recoverable from fines gross amount	*14 922*	*14 503*
Provisional payments	*(2 100)*	*(3 023)*
Impairment	*(1 125)*	*(186)*
Total	**11 698**	**11 295**
Non-current	*–*	*–*
Current	*11 698*	*11 295*

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 the total outstanding fines at year-end, EUR 2 100 million (2020: EUR 3 023 million) has been received as provisional payments while EUR 11 067 million (2020: EUR 11 004 million) of guarantees have been received.

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

A contingent liability is disclosed for the possibility of having to pay back provisionally paid amounts to the fined companies – see note **4.2.1**.

2.6.1.4. Accrued income and deferred charges

EUR million

	31.12.2021	31.12.2020
Accrued income	*2 313*	*1 755*
Deferred charges relating to non-exchange transactions	*340*	*293*
Total	**2 653**	**2 048**
Non-current	*1 556*	*1 261*
Current	*1 097*	*787*

Accrued income includes EUR 2 billion (2020: EUR 1.7 billion) that the Commission expects to recover in the area of cohesion as a result of the examination and acceptance of the annual accounts submitted by the Member States. The biggest part of this amount (EUR 1.2 billion) is expected to be recovered at the closure of the underlying programmes only (as a consequence of the Coronavirus Response Investment Initiative measures) and therefore is classified as non-current. It also includes EUR 0.3 billion that concerns the undervaluation case mentioned in note **2.6.1.1**, specifically the estimates not yet provisionally paid by the Member States.

2.6.1.5. Other recoverables

EUR 744 million resulting from the transfer of the unspent NER300 funds to the Innovation Fund not yet recovered from the EIB at the end of 2020, and included in other recoverables at the end of 2020, has been recovered during 2021 – see note **2.4.2.1**.

2.6.2. Receivables from exchange transactions

EUR million

	31.12.2021	31.12.2020
Non-current		
Financial guarantee receivable leg	*2 630*	*–*
Late payment interest	*3 052*	*1 641*
Other receivables	*68*	*44*
	5 750	**1 685**
Current		
Financial guarantee receivable leg	*485*	*–*
Customers	*302*	*324*
Impairment on receivables from customers	*(172)*	*(188)*
Deferred charges relating to exchange transactions	*236*	*345*
Late payment interest	*1 127*	*1 085*
Other	*345*	*200*
	2 323	**1 766**
Total	**8 073**	**3 450**

The non-current late payment interest concerns the undervaluation cases mentioned in note **2.6.1.1** (EUR 1.8 billion relates to the UK and the remaining amount of EUR 1.3 billion relates to the other Member States), while the current late payment interest concerns mainly accrued income stemming from TOR inspection reports and accrued interest on guarantees provided by fined companies.

The financial guarantee contract (FGC) receivable leg represents the present value of premiums to be received as remuneration for guarantees given by the EU. The majority of the EU guarantees are non-remunerated or subsidized. Therefore the receivable is significantly smaller than the financial guarantee contract liability (see note **2.11.2**). An exception of this rule, is the EFSI guarantee that in 2021 constituted 94% of the FGC receivable leg, followed by the private sector lending mandate part of the EU external lending mandate guarantee to EIB (ELM) that in 2021 accounted for EUR 106 million and Horizon 2020 for EUR 59 million. Out of the total amount of EUR 3 115 million of the FGC receivable leg as at 31 December 2021, EUR 3 113 million is classified as financial assets measured at fair value through surplus or deficit (Fair value level 3). Compared to the opening balance as at 1 January 2021 of EUR 3 484 million, in total the receivable leg has decreased by EUR 357 million due to settlements in 2021 and by another EUR 12 million due to fewer future premiums than expected.

2.7. INVENTORIES

EUR million

	31.12.2021	31.12.2020
Scientific materials	*58*	*59*
Other	*26*	*21*
Total	**84**	**80**

2.8. CASH AND CASH EQUIVALENTS

EUR million

	Note	31.12.2021	31.12.2020
Accounts with Treasuries and Central Banks		*20 121*	*11 342*
Current accounts		*453*	*80*
Imprest accounts		*8*	*8*
Transfers (cash in transit)		*–*	*0*
Bank accounts for budget implementation	*2.8.1*	**20 582**	**11 430**
NGEU	*2.8.2*	**18 027**	**–**
Financial instruments	*2.8.3*	**2 838**	**2 446**
Fines	*2.8.4*	**1 953**	**1 458**
Other institutions, agencies and bodies		**1 396**	**1 362**
Trust funds		**65**	**46**
Total		**44 860**	**16 742**

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 2021 is driven by the following main elements:

- An amount of EUR 14.4 billion non-implemented at year-end, of which EUR 8.6 billion relates to assigned revenues, EUR 1.4 billion relates to NGEU credits and EUR 4.4 billion relates to payment appropriations (including EUR 1.4 billion of EAGF);
- An amount of EUR 2.2 billion belonging to agencies' treasuries managed by the Commission that has not been spent at year end;
- An amount of EUR 1.7 billion additional Traditional own resources cashed not budgeted; and
- An amount of EUR 1.1 billion of definitive fines not yet budgeted.

2.8.2. NGEU

NGEU holds cash on a bank account at the European Central Bank (ECB). With the implementation of the diversified funding strategy in the NGEU instrument – see note **2.11** – the cash balance in the NGEU instrument is substantial and reached EUR 18 billion as at 31 December 2021. The high cash balance is kept with the objective of ensuring that amounts held on the NGEU bank account are sufficient to meet all upcoming disbursement needs and maintain a defined safety buffer while avoiding any excess balances.

2.8.3. 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: EUR 1.8 billion as at 31 December 2021, of which EUR 0.6 billion relates to COSME Guarantee Facility – see note **4.1.3**. It also includes cash and cash equivalents held in the CPF and not yet invested in securities at year-end (EUR 1 billion as at 31 December 2021) and the cash belonging to the Innovation Fund managed by the EIB – see note **2.4.2.1.** This heading does not cover the CPF related liquidity buffer (EUR 91.6 million as at 31 December 2021), which is held in the Commission's central treasury. Cash belonging to financial instruments can only be used by the programmes concerned.

2.8.4. Fines

This is mainly 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 fined company, the underlying amount is shown as contingent liability in note **4.2.1**. Since 2010, all subsequent provisionally cashed fines are managed by the Commission in the BUFI fund and invested in financial instruments categorised as financial assets at FVSD non-derivatives (see note **2.4.2**). The increase of cash relating to fines at 2021 year-end is due to a higher cash balance held in BUFI as compared to the 2020 year-end. It should be noted that following the judgement of the General Court of the EU in the Intel Corporation vs Commission case in January 2022, the Commission has reimbursed in February 2022 an amount previously provisionally paid by Intel of EUR 1 060 million.

LIABILITIES

2.9. PENSION AND OTHER EMPLOYEE BENEFITS

2.9.1. Net employee benefit scheme liability

EUR million

	Pension Scheme of European Officials	Other retirement benefit schemes	Joint Sickness Insurance Scheme	31.12.2021 Total	31.12.2020 Total
Defined Benefit Obligation	*109 679*	*2 600*	*10 647*	*122 926*	*116 468*
Plan assets	*N/A*	*(74)*	*(386)*	*(460)*	*(448)*
Net liability	**109 679**	**2 526**	**10 261**	**122 466**	**116 020**

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 the underlying financial assumptions (see note **2.9.4**). This has been driven by an increase in the inflation rate, which led to a decrease of the real discount rate. The real discount rate remained negative for the third year running – meaning that any given amount in the future continued to be worth more today than when it actually occurs in the future. It must be noted that while a decrease in the real discount rate impacts the size of the liability, it does not change the amount of benefits that will have to be actually paid from the EU budget to the beneficiaries in future years. 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.

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 EUs budget. The scheme is notionally funded, and the Member States guarantee the payment of these benefits collectively. A compulsory pension contribution is deducted from the basic salaries of active members, currently 10.1%. These contributions are treated as budget revenue of the year and contribute to the funding of EU expenditure in general, see also note **3.8**.

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 2021 and on the rules of the Staff Regulations applicable at this date. This valuation was carried out in accordance with the accounting provisions of IPSAS 39 (and therefore also EU accounting rule 12).

Other retirement benefit schemes

This refers to the liability relating to the pension obligations towards Members and former Members of the Commission, European Court of Justice, and the Court of Auditors, the Council, the European Ombudsman, and the European Data Protection Supervisor. Also included under this heading are liabilities relating to the pensions of Members of the European Parliament.

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, IPSAS 39 has not been interpreted in a stricter sense when attributing the benefits to the periods of service. If the service cost were to be accrued for the JSIS scheme fully over 10 years for all officials, as opposed to the period of active service of the employee, the impact of such an approach on the defined benefit obligation at year-end would be an increase of EUR 3.1 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).

2.9.2. 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
Present value as at 31.12.2020	**100 741**	**2 438**	**13 289**	**116 468**
Recognised in statement of financial performance				
Current Service Cost	*4 095*	*110*	*363*	*4 567*
Interest cost	*401*	*5*	*66*	*473*
Past Service Cost	–	–	–	–
Recognised in net assets				
Remeasurements in employee benefits liabilities				
Actuarial (gains)/losses from experience	*1 457*	*26*	*(209)*	*1 273*
Actuarial (gains)/losses from demographic assumptions	–	–	–	–
Actuarial (gains)/losses from financial assumptions	*4 787*	*90*	*(2 774)*	*2 103*
Other				
Benefits paid	*(1 801)*	*(69)*	*(88)*	*(1 957)*
Present value as at 31.12.2021	**109 679**	**2 600**	**10 647**	**122 926**

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 2021 and what really occurred in 2021.

Actuarial gains and losses from changes in the values of the 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.

2.9.3. Plan assets

EUR million

	Other retirement benefit schemes	Joint Sickness Insurance Scheme	Total
Present value as at 31.12.2020	**94**	**354**	**448**
Net movement in plan assets	*(20)*	*32*	*12*
Present value as at 31.12.2021	**74**	**386**	**460**

2.9.4. 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:

	2021	2020
Pension Scheme of European Officials		
Nominal discount rate	*1.0%*	*0.4%*
Expected inflation rate	*2.0%*	*1.2%*
Real discount rate	*(1.0)%*	*(0.8)%*
Expected rate of future salary increases	*1.8%*	*1.8%*
Medical cost trend rates	*N/A*	*N/A*
Retirement age	*63/64/66*	*63/64/66*
Joint Sickness Insurance Scheme		
Nominal discount rate	*1.0%*	*0.5%*
Expected inflation rate	*2.0%*	*1.3%*
Real discount rate	*(1.0)%*	*(0.8)%*
Expected rate of future salary increases	*1.9%*	*1.8%*
Medical cost trend rates	*2.5%*	*2.6%*
Retirement age	*63/64/66*	*63/64/66*

Mortality rates for 2021 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 23 years as of December 2021 for the PSEO, and 25 years for the Joint Sickness Insurance Scheme). The inflation rate used is the expected inflation rate over the equivalent period. It must be determined empirically, based on prospective values as expressed by index-linked bonds on the European financial markets. The real discount rate is calculated from the nominal discount rate and the expected long-term inflation rate.

While in 2021 the nominal rates started recovering from the previously observed decline, the impact from their increase was counterbalanced by a significant increase in the inflation rate assumption. This resulted in an overall decrease in the real discount rate, thus continuing the negative trend and contributing to the actuarial loss from financial assumptions in the year.

2.9.5. Sensitivity analysis

The sensitivity analysis is based on simulations, which change, everything else being equal, the value of the concerned assumptions.

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

	2021		2020	
	Increase 0.1%	Decrease 0.1%	Increase 0.1%	Decrease 0.1%
Defined benefit obligation	*(2 464)*	*2 544*	*(2 247)*	*2 319*

A ten basis point (0.1%) change in expected salary increases would have the following effects:

EUR million

	2021		2020	
	Increase 0.1%	Decrease 0.1%	Increase 0.1%	Decrease 0.1%
Defined benefit obligation	*2 414*	*(2 345)*	*2 206*	*(2 143)*

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

EUR million

	2021		2020	
	One year increase	One year decrease	One year increase	One year decrease
Defined benefit obligation	*(1 155)*	*1 527*	*(1 104)*	*1 417*

Joint Sickness Insurance Scheme sensitivity

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

EUR million

	2021		2020	
	Increase 0.1%	Decrease 0.1%	Increase 0.1%	Decrease 0.1%
The aggregate of the current service cost and interest cost components of net periodic post-employment medical costs	*13*	*(12)*	*15*	*(14)*
Defined benefit obligation	*317*	*(307)*	*397*	*(385)*

A ten basis point (0.1%) change in the assumed discount rate would have the following effects:

EUR million

	2021		2020	
	Increase 0.1%	Decrease 0.1%	Increase 0.1%	Decrease 0.1%
Defined benefit obligation	*(265)*	*274*	*(348)*	*361*

A ten basis point (0.1%) change in expected salary increases would have the following effects:

EUR million

	2021		2020	
	Increase 0.1%	Decrease 0.1%	Increase 0.1%	Decrease 0.1%
Defined benefit obligation	*(42)*	*41*	*(38)*	*37*

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

EUR million

	2021		2020	
	One year increase	One year decrease	One year increase	One year decrease
Defined benefit obligation	*(317)*	*334*	*(401)*	*421*

2.10. PROVISIONS

EUR million

	Amount at 31.12.2020	Revision of EAR 11	Additional provisions	Unused amounts reversed	Amounts used	Transfer between categories	Change in estimation	Amount at 31.12.2021
Legal cases:								
Agriculture	*170*	*–*	*210*	*(25)*	*(1)*	*–*	*–*	*354*
Other	*31*	*–*	*5*	*(14)*	*(2)*	*–*	*2*	*22*
Nuclear site dismantlement	*2 426*	*–*	*–*	*–*	*(33)*	*–*	*46*	*2 440*
Financial	*2 523*	*(2 522)*	*1*	*–*	*(1)*	*–*	*–*	*1*
Other	*254*	*–*	*284*	*(26)*	*(19)*	*–*	*37*	*530*
Total	**5 405**	**(2 522)**	**500**	**(65)**	**(55)**	**–**	**86**	**3 348**
Non-current	**3 878**	**(1 165)**	**212**	**(25)**	**(1)**	**(35)**	**86**	**2 950**
Current	**1 527**	**(1 357)**	**288**	**(40)**	**(55)**	**35**	**(0)**	**398**

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 and the EAFRD.

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 2021, this resulted in a provision of EUR 2 440 million, split between amounts expected to be used in 2022 (EUR 35 million) and afterwards (EUR 2 405 million).

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

Financial provisions

Until 31 December 2020 most financial guarantees were accounted for as provisions or disclosed as contingent liabilities, depending on the probability of loss. As of 1 January 2021, with the entry into force of the revised EAR 11 Financial instruments, they have been reclassified as Financial Guarantee Liabilities and remeasured (see notes **1** and **2.11**).

The remaining balance as at 31 December 2021 is mainly related to the expected credit losses for undrawn irrevocable commitments.

2.11. FINANCIAL LIABILITIES

EUR million

	Note	31.12.2021	31.12.2020
Non-current			
Financial liabilities at amortised cost	*2.11.1*	*214 824*	*84 395*
Financial liabilities at fair value through surplus or deficit	*2.4.2.2*	*5*	*4*
Financial guarantee liabilities	*2.11.2*	*146*	*–*
		214 974	**84 399**
Current			
Financial liabilities at amortised cost	*2.11.1*	*23 501*	*10 559*
Financial liabilities at fair value through surplus or deficit	*2.4.2.2*	*–*	*0*
Financial guarantee liabilities	*2.11.2*	*7 648*	*90*
		31 149	**10 649**
Total		**246 123**	**95 048**

2.11.1. Financial liabilities at amortised cost

EUR million

	Note	31.12.2021	31.12.2020
Borrowings for NGEU and financial assistance	*2.11.1.1*	*236 720*	*93 192*
Other financial liabilities	*2.11.1.2*	*1 605*	*1 761*
Total		**238 325**	**94 954**
Non-Current		*214 824*	*84 395*
Current		*23 501*	*10 559*

2.11.1.1. Borrowings for NGEU and financial assistance

EUR million

	NGEU	SURE	EFSM	BOP	MFA	Euratom	Total
Total at 31.12.2020		*39 503*	*47 396*	*201*	*5 813*	*279*	*93 192*
Revision of EAR 11	*–*	*420*	*(114)*	*(1)*	*24*	*1*	*329*
New borrowings - nominal	*111 947*	*50 137*	*9 750*	*–*	*1 665*	*100*	*173 599*
Repayments	*(20 996)*	*–*	*(9 750)*	*–*	*(14)*	*(29)*	*(30 789)*
Changes in carrying amount	*49*	*507*	*(144)*	*0*	*(24)*	*–*	*388*
Total at 31.12.2021	**91 000**	**90 567**	**47 138**	**201**	**7 464**	**351**	**236 720**
Non-current	*70 960*	*90 502*	*43 969*	*200*	*7 425*	*327*	*213 383*
Current	*20 040*	*65*	*3 169*	*1*	*39*	*24*	*23 338*

Borrowings mainly refer to long term bonds for NGEU and financial assistance programmes, however as of 2021 the Commission is also issuing EU-bills with short maturities for the NGEU (EUR 20 billion as at 31 December 2021).

NGEU borrowings are financing RRF loans, RRF non-repayable support and other MFF programmes. For NGEU, the Commission does not borrow on a strict back-to-back basis i.e. in order to finance specific loans. There is an annual borrowing plan based on the forecasted outflows for loans and non-repayable support. The Commission follows a diversified funding strategy and uses different long and short term funding instruments. This allows the Commission to offer long-term loans on attractive terms to beneficiary Member States. The borrowing costs are then allocated – following a single unified approach – to beneficiaries of the loans and to the EU budget (for the non-repayable support).

The changes in carrying amount correspond to the change in accrued interests and to the change in premiums/discounts (new premiums/discounts and amortisation).

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)

	31.12.2021	31.12.2020
NGEU	*(0.95)% - 0.74%*	*-*
SURE	*(0.48)% - 0.77%*	*0.00% - 0.30%*
EFSM	*(0.03)% - 3.79%*	*0.50% - 3.75%*
BOP	*2.95%*	*2.88%*
MFA	*(0.14)% - 3.70%*	*0.00% - 3.69%*
Euratom	*(0.08)% - 1.58%*	*0.00% - 5.68%*

The 2020 figures refer to nominal interest rates, while 2021 figures are effective interest rates in line with the revised EAR 11.

2.11.1.2. Other financial liabilities

EUR million

	31.12.2021	31.12.2020
Non-current		
Finance lease liabilities	*1 017*	*1 130*
Buildings paid for in instalments	*291*	*346*
Other	*133*	*136*
	1 441	**1 612**
Current		
Finance lease liabilities	*103*	*101*
Buildings paid for in instalments	*54*	*38*
Fines to be reimbursed	*–*	*8*
Other	*6*	*2*
	164	**149**
Total	**1 605**	**1 761**

Finance lease liabilities

EUR million

	Future amounts to be paid			
	< 1 year	1-5 years	> 5 years	Total Liability
Land and buildings	*98*	*471*	*537*	*1 105*
Other fixed assets	*6*	*9*	*–*	*15*
Total at 31.12.2021	**103**	**480**	**537**	**1 120**
Interest element	*41*	*140*	*94*	*275*
Total future minimum lease payments at 31.12.2021	**145**	**619**	**631**	**1 395**
Total future minimum lease payments at 31.12.2020	*151*	*636*	*790*	*1 576*

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

2.11.2. Financial guarantee liabilities

EUR million

	31.12.2021 FGC receivable leg (Note 2.6.2)	Financial guarantee liabilities
EU budgetary guarantee programmes		
EFSI guarantee	*2 917*	*3 618*
EIB ELM guarantees	*106*	*2 569*
EFSD guarantee	*2*	*139*
InvestEU guarantee	*–*	*–*
NDICI EU guarantee	*–*	*4*
	3 024	**6 330**
EU financial instrument programmes		
COSME	*0*	*780*
Horizon 2020	*59*	*410*
CCS	*–*	*110*
Other	*32*	*165*
	90	**1 464**
Total	**3 115**	**7 794**
Non-current	*2 630*	*146*
Current	*485*	*7 648*

In previous years only guarantees with market-based remuneration were accounted for as financial guarantee contracts, being the EFSI guarantee on the debt portfolio disbursed by the EIB under the EFSI Innovation and Infrastructure window (IIW) and a small subset of the External Lending Mandate (ELM) guarantee limited to the EIB loans disbursed under the EIB Resilience Initiative (ERI).

The application of the revised EAR 11 as at 1 January 2021 led to a reclassification of financial guarantees, previously accounted for as provisions, to financial guarantee contracts ('FGC'). Moreover, the guarantee liabilities were remeasured in accordance with the new expected credit loss perspective. For the impact of the application of the revised EAR 11 please see note **1**.

As of 2021, the EU applies the gross presentation of the financial guarantee contracts, where the revenues still to be received under the guarantee are recognised as a FGC receivable leg (presented under the exchange receivables heading – see note **2.6.2**) and a FGC liability is recognised representing the EU liabililty for coverage of the future guarantee claims. Previously, the EFSI and ELM guarantees were shown net, i.e. netting the expected receivables and liabilities of the guarantee.

The EFSI guarantee remains the financially most significant of the financial guarantee programmes, with a financial guarantee contract liability of EUR 3 618 million, followed by the ELM guarantee having a liability of EUR 2 569 million. While in return for the EFSI guarantee, the EU is entitled to an expected remuneration of EUR 2 917 million recognised as a financial guarantee contract - receivable covering to a large extent the liability, for the ELM guarantee the expected receivable is just EUR 106 million, thus covering only a small fraction of the guarantee - this is due to a high share of EU subsidisation of the ELM.

Most of the remaining EU guarantee programmes, in particular those provided for higher-risk financing to SMEs or to the innovation sector, are non-remunerated. Please see note **2.4.2.1** for further information on guarantees under the H2020 programme and note **4.1.3** in relation to COSME.

2.12. PAYABLES

EUR million

	Gross Amount	Adjustments	Net Amount at 31.12.2021	Gross Amount	Adjustments	Net Amount at 31.12.2020
Cost claims and invoices received from:						
Member States						
EAFRD & other rural development instruments	*30*	*(0)*	*30*	*17*		*17*
ERDF & CF	*6 484*	*(1 878)*	*4 606*	*12 651*	*(2 698)*	*9 954*
ESF	*3 311*	*(596)*	*2 715*	*3 479*	*(370)*	*3 109*
RRF (NGEU)	*19 118*		*19 118*	*–*	*–*	*–*
Other	*663*	*(58)*	*605*	*792*	*(90)*	*701*
Private and public entities	*1 563*	*(320)*	*1 244*	*1 485*	*(182)*	*1 302*
Total cost claims and invoices received	**31 169**	**(2 851)**	**28 318**	**18 424**	**(3 341)**	**15 083**
EAGF	**15 650**	**N/A**	**15 650**	**16 160**	**N/A**	**16 160**
Sundry payables	**2 068**	**N/A**	**2 068**	**784**	**N/A**	**784**
Other	**335**	**N/A**	**335**	**381**	**N/A**	**381**
Total	**49 223**	**(2 851)**	**46 372**	**35 748**	**(3 341)**	**32 408**

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.

The significant increase compared to the previous year-end is caused primarily by the RRF (NGEU) instrument which began in 2021 and where payables outstanding at 31 December 2021 totalled EUR 19.1 billion.

In the 2014-2020 programming period, the Common Provisions Regulation 2013/1303 (CPR) applicable to the Structural Funds (ERDF and ESF), the 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 2021 totalled EUR 10.4 billion. A part of this amount (EUR 2.1 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'.

Overall, payables increased by EUR 14 billion primarily due to the starting of the RRF (NGEU) in 2021. This was partially offset by a decrease in amounts payable concerning ERDF, mainly caused by the lower amount of cost claims that were received towards the end of 2021 compared to the situation of the previous year.

The increase in sundry payables is mainly due to provisional payments received from fined companies which are to be repaid to the companies after the year end.

Requests for pre-financing

In addition to the above amounts, at the end of 2021, EUR 0.7 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.

2.13. ACCRUED CHARGES AND DEFERRED INCOME

EUR million

	31.12.2021	31.12.2020
Accrued charges	*77 819*	*64 383*
Deferred income	*126*	*128*
Other	*123*	*74*
Total	**78 068**	**64 584**

The split of accrued charges is as follows:

EUR million

	31.12.2021	31.12.2020
RRF (NGEU)	*8 263*	*–*
EAGF	*25 241*	*24 599*
EAFRD and other rural development instruments	*19 245*	*18 622*
ERDF and CF	*10 710*	*8 766*
ESF	*3 499*	*3 009*
Other	*10 859*	*9 386*
Total	**77 819**	**64 383**

Accrued charges refer to recognised expenses for which the Union has still to receive cost claims. For cohesion policy, the increase for ERDF & CF accrued charges relates mainly to the implentation of the 2014-2020 period. The RRF (NGEU) instrument only began activities in 2021 and is the main reason for the large increase in accruals since the previous year-end.

NET ASSETS

2.14. RESERVES

EUR million

	Note	31.12.2021	31.12.2020
Fair value reserve	*2.14.1*	*–*	*496*
Guarantee Fund reserve	*2.14.2*	*–*	*3 043*
Other reserves	*2.14.3*	*1 325*	*1 523*
Total		**1 325**	**5 062**

2.14.1. Fair value reserve

In accordance with the previous version of EAR 11, applicable until 31 December 2020, the adjustment to fair value of available for sale financial assets was accounted for through the fair value reserve. As of 1 January 2021, the available for sale financial assets were reclassified to financial assets at FVSD – see note **2.4**. The related fair value reserve is therefore released to Accumulated Result – see note **1**.

2.14.2. Guarantee Fund reserve

Until 31 December 2020 the 9% target amount of the outstanding amounts guaranteed by the EU budget under the EIB external lending mandate was recognised as the Guarantee Fund reserve in net assets. Following the revision of EAR 11, the EIB external lending mandate guarantee, covered by the Guarantee Fund for external actions, is accounted for as a financial guarantee liability. The liability for future guarantee calls under the EIB external lending mandate was therefore recognised on the balance sheet – see note **2.11.2** – and the Guarantee Fund reserve was released to accumulated result – see note **1**.

2.14.3. Other reserves

The amount relates primarily to the reserves of the ECSC in Liquidation (EUR 997 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 in Liquidation.

2.15. AMOUNTS TO BE CALLED FROM MEMBER STATES

EUR million

Amounts to be called from Member States at 31.12.2020	**38 480**
Impact of revised EAR 11 (see Note 1)	*(1 719)*
Balance as at 01.01.2021	**36 761**
2020 budget result credited to Member States	*1 769*
Movement in Guarantee Fund reserve	*–*
Remeasurements in employee benefits liabilities	*3 257*
Other	*(262)*
Economic result of the year	*42 100*
Total amounts to be called from Member States at 31.12.2021	**83 624**

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.

The considerable increase of the amounts to be called from Member States is primarily due to the borrowings in relation to non-repayable support taken out under NGEU in 2021.

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 115 955 million for 2021 (2020: EUR 125 393 million) and is the most significant of the four 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. it funds the part of the budget that is not covered by other sources of income. The decrease of GNI revenue between 2021 and 2020 is due to both the introduction of a new own resource (based on non-recycled plastic packaging waste) and the increase of other revenue.

3.2. TRADITIONAL OWN RESOURCES

Traditional own resources relate mainly to customs duties where Member States retain, by way of collection costs, 20% of the amounts, so the above figures are net of this deduction. The collection of customs duties has remained at a similar level compared to last year.

3.3. VAT RESOURCES

The VAT own resource is calculated based on Member States' VAT bases, which are harmonised for this purpose in accordance with EU rules. A uniform call rate of 0.30 % applies to each Member State's total amount of VAT receipts collected for all taxable supplies divided by the weighted average VAT rate. The VAT base is capped at 50 % of each Member State's GNI. The VAT resource has remained at a broadly similar level compared to last year.

3.4. PLASTICS OWN RESOURCES

A uniform call rate of EUR 0.80 per kilogram applies to the weight of plastic packaging waste generated in each Member State that is not recycled. The plastic packaging waste that is not recycled in a given year is calculated as the difference between the plastic packaging waste generated and the plastic packaging waste recycled in that year in a Member State. Bulgaria, Czechia, Estonia, Greece, Spain, Croatia, Italy, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Romania, Slovenia and Slovakia are entitled to specific annual lump sum reductions in their respective plastics own resource contributions. This is a new own resource that was introduced in 2021 with the entry into force of the new Own Resources Decision 2020/2053.

REVENUE FROM NON-EXCHANGE TRANSACTIONS: TRANSFERS

3.5. FINES

Revenue of EUR 1 990 million (2020: EUR 452 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 1 762 million). The biggest cases concern breaches of EU antitrust rules, i.e. fines imposed on BMW and the Volkswagen group (Volkswagen, Audi and Porsche) for a total amount of EUR 875 million for colluding on technical development in the area of nitrogen oxide cleaning, along with fines imposed on Nomura, UBS and UniCredit for a total amount of EUR 371 million for the participation of a group of traders in a cartel in the primary and secondary market for European Government Bonds.

3.6. RECOVERY OF EXPENSES

EUR million

	2021	2020
Shared management	*1 682*	*1 281*
Direct management	*61*	*53*
Indirect management	*51*	*21*
Total	**1 794**	**1 355**

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. The recovery orders are 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.

Cohesion policy

The main amounts related to cohesion policy correspond to accrued income of EUR 0.7 billion (2020: EUR 0.4 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 2022. The amounts to be recovered represent essentially the difference between amounts initially declared as eligible during the accounting year and the amounts confirmed as eligible in the annual accounts of the Member States. A low amount means that the controls in place at Member State level enabled the detection of ineligible amounts early in the process.

3.7. UK WITHDRAWAL AGREEMENT

This revenue relates to the net amounts owed by the UK under the WA signed following its departure from the Union in 2020 – see note **2.6.1.2**.

3.8. OTHER REVENUE FROM NON-EXCHANGE TRANSACTIONS

EUR million

	2021	2020
Contributions from Member States for the Innovation Fund	*2 187*	*2 080*
Staff taxes and contributions	*1 367*	*1 316*
Contributions from third countries	*1 056*	*1 592*
Contributions from Member States for ESI and external aid	*199*	*1 073*
Transfer of assets	*356*	*317*
Budgetary adjustments	*1 245*	*214*
Other	*326*	*524*
Total	**6 737**	**7 116**

Contributions from Member States to the Innovation Fund are revenues relating mainly to the sale of emission allowances that are to be used to support innovation in low-carbon technologies.

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

Contributions from third countries are mainly contributions from EFTA countries (EUR 460 million) as well as financial contributions of third states to Horizon Europe (EUR 379 million) and to ERASMUS+ (EUR 119 million).

Member States have contributed EUR 166 million to finance the Facility for Refugees in Turkey.

The budgetary adjustments mainly represent the budget surplus taken in from the previous year, which amounted to EUR 1 769 million (2020: EUR 3 218 million) and was counterbalanced by the annual adjustment of VAT and GNI, which amounted to EUR 534 million (2020: EUR 3 165 million). Other revenue from non-exchange transactions includes the ITER Host State and Membership contributions to Fusion for Energy, the European Joint Undertaking for ITER and the Development of Fusion Energy (EUR 135 million).

REVENUE FROM EXCHANGE TRANSACTIONS

3.9. FINANCIAL REVENUE

EUR million

	2021	2020
Interest on:		
Late payments	*1 529*	*1 129*
Loans	*1 160*	*1 167*
Borrowings	*220*	*–*
Other	*10*	*63*
Issue premiums	*2*	*674*
Revenue from financial guarantee contracts	*987*	*258*
Gains on financial assets or liabilities at FVSD:		
Non-derivatives	*324*	*-*
Derivatives	*815*	*70*
Realised gains on available for sale financial assets	*–*	*48*
Dividends	*30*	*22*
Other	*14*	*3*
Total	**5 092**	**3 434**

Interest revenue on late payments stems mainly from fines and own resources contributions due and not paid on time. The main amounts concern the undervaluation cases referred to in note **2.6.1.1** (EUR 1.4 billion).

Interest revenue on loans relates mainly to EFSM loans (EUR 1 billion) which have the highest effective interest rate – see note **2.4.1**. Interest revenue from borrowings mainly refers to NGEU and SURE and is due to the negative effective interest rates for certain transactions.

The issue premiums have decreased because, in accordance to the revised EAR 11, they are now being amortised over the life of the loans with the effective interest rate method instead of being directly recognised in the statement of financial performance, see previous paragraph and note **2.4.1.**

Revenue from financial guarantee contracts relates primarily to the amortization of the financial guarantee liabilities. It can be interpreted as a release of the EU from guarantee liabilities for the period the EU was standing ready to compensate the holders of the guarantees for their credit losses. Thus, the revenue recognition for financial guarantees reflects the passage of time and the guaranteed volume. The amortizations apply to both types of guarantees, those which are remunerated as well as those for which the EU charges no or nominal remuneration (see note **2.11.2**). Out of the remunerated guarantees, the most significant in the EFSI guarantee provided to the EIB for the Infrastructure and Innovation Window (‘IIW’) debt portfolio (see note **4.1.1**). In 2021, the revenue earned by the EFSI guarantee in relation to the IIW debt portfolio amounted to EUR 320 million.

The revenue related to financial guarantee liabilities of EUR 987 is off-set by impairment losses for financial guarantee liabilities amounting to EUR 947 million relating to guarantee calls net of recoveries (EUR 276 million) and unrealized impairment losses of EUR 671 million (see note **3.15**). In addition, the EC has subsidized financial guarantee programmes (EUR 233 million) by charging no or below market rate guarantee premiums (note **3.15**). In total, the net result from financial guarantee programmes is a deficit of EUR 193 million.

3.10. OTHER REVENUE FROM EXCHANGE TRANSACTIONS

EUR million

	2021	2020
Fee revenue for rendering of services (agencies)	*689*	*640*
Foreign exchange gains	*299*	*370*
Sales of goods	*53*	*48*
Share of net result of EIF	*169*	*38*
Fee and premium revenue related to financial instruments	*1*	*34*
Fixed assets related revenue	*2*	*5*
Other	*284*	*269*
Total	**1 497**	**1 404**

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

3.11. SHARED MANAGEMENT

EUR million

Implemented by Member States	2021	2020
European Agricultural Guarantee Fund	*40 829*	*40 461*
European Agricultural Fund for Rural Development and other rural development instruments	*15 451*	*14 467*
European Regional Development Fund and Cohesion Fund	*46 932*	*41 118*
European Social Fund	*16 727*	*13 677*
Other	*4 835*	*2 701*
Total	**124 774**	**112 425**

The increase mainly concerns cohesion policy (ERDF, CF) where almost all expenses relate to the 2014-2020 programming period, where the activities continue to advance. The increase is also a result of higher co-financing rates applied for the accounting year 2020-2021 in the context of the CRII+ package.

Other expenses mainly include: Brexit Adjustment Reserve (EUR 1.7 billion), Asylum and Migration (EUR 0.6 billion), Fund for European Aid to the Most Deprived (EUR 0.6 billion), Internal Security (EUR 0.4 billion), European Union Solidarity Fund (EUR 0.8 billion) and the European Maritime and Fisheries Fund (EUR 0.7 billion).

3.12. DIRECT MANAGEMENT

EUR million

	2021	2020
Implemented by the Commission	*48 265*	*11 429*
of which RRF (NGEU)	*42 940*	*–*
Implemented by EU Executive Agencies	*14 232*	*10 029*
Implemented by Trust funds	*503*	*636*
Total	**63 000**	**22 094**

Apart from the RRF expenses (EUR 43 billion) the rest of the amounts mainly concern the implementation of Research Policy (EUR 8.1 billion), Development Co-operation Instrument (EUR 1.1 billion), European Neighbourhood Policy (EUR 1.3 billion) and the Connecting Europe Facility, the common infrastructure fund to deploy smart networks in the area of transport, energy and telecommunications (EUR 2.1 billion).

The increase in direct management expenses implemented by the EU Executive Agencies stems mainly from the transfer of activities from Commission services to the executive agencies in the area of research.

3.13. INDIRECT MANAGEMENT

EUR million

	2021	2020
Implemented by other EU agencies & bodies	*3 154*	*3 530*
Implemented by third countries	*890*	*559*
Implemented by international organisations	*3 622*	*3 619*
Implemented by other entities	*3 225*	*3 257*
Total	**10 891**	**10 965**

Under indirect management expenses, EUR 3.9 billion relates to external actions (mainly the areas of pre-accession, humanitarian aid, international co-operation and neighbourhood). A further EUR 4.7 billion is related to increasing Europe's competitiveness (in areas such as research, space programmes and education).

3.14. STAFF AND PENSION COSTS

EUR million

	2021	2020
Staff costs	*7 377*	*7 028*
Pension costs	*5 040*	*4 967*
Total	**12 417**	**11 995**

Pension costs represent elements of the movements that have arisen following the actuarial valuation of the employee benefits liabilities other than those recognised in Net Assets. They do not therefore represent actual pension payments of the year, which are significantly lower at EUR 2.2 billion.

3.15. FINANCE COSTS

EUR million

	2021	2020
Interest expenses:		
Borrowings	*1 209*	*1 160*
Loans	*146*	*–*
Finance leases	*56*	*62*
Other	*103*	*24*
Issue costs	*–*	*672*
Financial guarantee contracts - subsidised remuneration	*233*	*–*
Net impairment losses on:		
Financial guarantee contracts	*947*	*70*
Loans and receivables	*1 244*	*110*
Available for sale financial assets	*–*	*41*
Loss on financial assets or liabilities at FVSD:		
Non-derivatives	*210*	*–*
Derivatives	*40*	*21*
Realised loss on available for sale financial assets	*–*	*5*
Other	*13*	*22*
Total	**4 201**	**2 188**

The amount of interest expense on borrowings corresponds mainly to EFSM transactions (EUR 1 billion), in line with the interest income from loans (back-to-back transactions). Interest expenses from loans mainly refer to SURE and are due to the negative effective interest rates for certain transactions.

The issue costs have decreased because, in accordance to the revised EAR 11, they are now being amortised over the life of the borrowings with the effective interest rate method instead of being directly recognised in the statement of financial performance, see note **2.4.1.**

For more details on expenses related to financial guarantees, see note **3.9**.

3.16. OTHER EXPENSES

EUR million

	2021	2020
Administrative and IT expenses	*2 105*	*1 984*
Adjustment of provisions	*583*	*1 390*
Fixed assets related expenses	*1 205*	*1 319*
Land and buildings management expenses	*591*	*661*
Foreign exchange losses	*171*	*578*
Operating lease expenses	*447*	*423*
Other	*660*	*593*
Total	**5 762**	**6 946**

The aggregate amount of research and development expenditure recognised as an expense during 2021 is as follows:

EUR million

	2021	2020
Research costs	*401*	*402*
Non-capitalised development costs	*122*	*118*
Total	**523**	**520**

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

EUR million

	Single Market, Innovation and Digital	Cohesion and Values	Natural Resources and Environment	Migration and Border Management	Resilience, Security and Defence	Neighbourhood and the World	European Public Administration	Not assigned to MFF heading*	Total
GNI resources	–	–	–	–	–	–	–	*115 955*	*115 955*
Traditional own resources	–	–	–	–	–	–	–	*20 590*	*20 590*
VAT	–	–	–	–	–	–	–	*18 340*	*18 340*
New Own Resources	–	–	–	–	–	–	–	*5 831*	*5 831*
Fines	–	–	–	–	–	–	–	*1 990*	*1 990*
Recovery of expenses	*24*	*809*	*893*	*8*	*0*	*27*	*0*	*34*	*1 794*
UK Withdrawal Agreement	–	–	–	–	–	–	–	*1 122*	*1 122*
Other	*384*	*132*	*46*	–	–	*41*	*1 559*	*4 574*	*6 737*
Revenue from non-exchange transactions	**408**	**941**	**939**	**8**	**0**	**68**	**1 559**	**168 434**	**172 357**
Financial revenue	*1 913*	*45*	*0*	–	*0*	*217*	*1*	*2 916*	*5 092*
Other	*257*	*(16)*	*(18)*	*0*	*(5)*	*8*	*329*	*941*	*1 497*
Revenue from exchange transactions	**2 170**	**29**	**(17)**	**0**	**(5)**	**225**	**330**	**3 857**	**6 589**
Total revenue	**2 578**	**970**	**922**	**8**	**(5)**	**293**	**1 889**	**172 291**	**178 946**
Expenses implemented by Member States:									
EAGF	–	–	*(40 829)*	–	–	–	–	–	*(40 829)*
EAFRD & other rural development instruments	–	–	*(15 451)*	–	–	–	–	–	*(15 451)*
ERDF & CF	–	*(46 932)*	–	–	–	–	–	–	*(46 932)*
ESF	–	*(16 727)*	–	–	–	–	–	–	*(16 727)*
Other	–	*24*	*(710)*	*(837)*	*(101)*	*(233)*	–	*(2 979)*	*(4 835)*
Implemented by the EC, executive agencies and trust funds	*(12 207)*	*(45 753)*	*(662)*	*(289)*	*(244)*	*(3 954)*	*(24)*	*132*	*(63 000)*
Implemented by other EU agencies and bodies	*(2 374)*	*(703)*	*(77)*	*(680)*	*(359)*	*(15)*	*(312)*	*1 365*	*(3 154)*
Implemented by third countries and int. org.	*(243)*	*37*	*113*	*(171)*	*(213)*	*(4 025)*	*(3)*	*(7)*	*(4 512)*
Implemented by other entities	*573*	*(3 301)*	*73*	*(7)*	*(103)*	*(460)*	*(0)*	*0*	*(3 225)*
Staff and Pension costs	*(453)*	*(9)*	*(1)*	*(0)*	*(1)*	*(136)*	*(10 487)*	*(1 330)*	*(12 417)*
Finance costs	*(771)*	*(43)*	*(24)*	*(0)*	*(0)*	*(445)*	*(95)*	*(2 823)*	*(4 201)*
Other expenses	*(1 609)*	*(134)*	*(251)*	*(5)*	*(52)*	*(240)*	*(3 069)*	*(401)*	*(5 762)*
Total expenses	**(17 083)**	**(113 541)**	**(57 820)**	**(1 990)**	**(1 071)**	**(9 507)**	**(13 990)**	**(6 042)**	**(221 046)**
Economic result of the year	**(14 505)**	**(112 571)**	**(56 899)**	**(1 982)**	**(1 076)**	**(9 215)**	**(12 101)**	**166 249**	**(42 100)**

**'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

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 guarantees given and to legal risks. **All contingent liabilities, except those relating to fines, guarantees and financial instruments up to the level they are covered by funds (see note 2.4.2.1), would be financed, should they fall due, by the EU budget (and thus the EU Member States) in the years to come.**

4.1. Guarantees given by the EU budget

4.1.1. Guarantees given under the EU budgetary guarantee programmes (nominal)

EUR million

	31.12.2021			
	Guarantees given			Assets
	Ceiling	Signed	Disbursed	provisioned*
EIB external lending mandate guarantees	*33 026*	*33 026*	*20 835*	*2 700*
EFSI guarantee	*25 826*	*24 730*	*20 358*	*8 602*
EFSD guarantee	*1 391*	*611*	*535*	*796*
NDICI external action guarantee	*200*	*200*	*200*	*–*
Total	**60 442**	**58 566**	**41 928**	**12 098**

** The EUR 2.7 bn of assets provisioned for the EIB external lending mandate guarantee also cover borrowings under MFA and Euratom (see note 4.1.2).*

EUR million

	31.12.2020			
	Guarantees given			Assets
	Ceiling	Signed	Disbursed	provisioned*
EIB external lending mandate guarantees	*35 372*	*32 530*	*20 050*	*2 813*
EFSI guarantee	*25 543*	*23 831*	*18 590*	*8 028*
EFSD guarantee	*1 370*	*438*	*34*	*804*
Total	**62 285**	**56 799**	**38 673**	**11 645**

** The EUR 2.8 bn of assets provisioned for the EIB external lending mandate guarantee also cover borrowings under MFA and Euratom (see note 4.1.2)*

The above tables show 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 16 638 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 2021, operations authorised to be signed but not yet signed (EUR 1 876 million) must be included. For the financial year 2020, the amounts are presented net of financial provisions or financial liabilities recognised for those programmes.

Budgetary guarantee programmes are backed by provisions gradually made from the budget and kept in the Common Provisioning Fund ('CPF') as a liquidity cushion to cover future guarantee calls (see note **2.4.2.1**). The amounts provisioned amounted to EUR 12 098 million at 31 December 2021. Please see note **6.2** for the measures put in place to ensure that the provisioning is sufficent to cover the guarantee calls in the medium term. Any losses incurred under the budgetary guarantee programmes, above the provisioning set aside, would need in any case to be covered by future budgets.

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 2021 the amount of loans outstanding and covered by the EU guarantee totalled EUR 20 835 million. The EU budget guarantees:

- EUR 20 268 million via the Guarantee Fund for external actions compartment of the CPF; and
- EUR 567 million directly for loans granted to Member States before accession.

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 2014-2021). 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.

With Decision (EU) 2018/412, a private sector lending mandate for projects directed to the long term economic resilience of refugees, migrants, host and transit communities under the EIB Resilience Initiative ('ERI') was set-up. The Union budget is remunerated for the risk taken in relation to guarantees granted for EIB financing operations under the ERI Private Mandate, which explains the premium receivable for the ELM guarantee, which is otherwise a non-remunerated guarantee (see note **2.11.2**).

The period authorised for the signature of the new operations under the ELM 2014-2020 expired in 2021, thus the available ceiling under the guarantee has lapsed for any unused amount. The new EIB mandate is foreseen to be covered by the External Action Guarantee set up by the NDICI Regulation (see below), however, it has not yet been signed.

EU guarantee payments are made from the Guarantee Fund for external actions compartment of the CPF: during 2021, EUR 93 million of guarantee calls have been paid out (2020: EUR 52 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 the '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 19 250 million) and the SME Window (SMEW) implemented by the EIF (EFSI EU guarantee of EUR 6 750 million), 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 an 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 and the SMEW debt portfolio (see note **2.11.2**) and as a derivative (financial asset or liability at fair value through surplus or deficit) for both equity portfolios (see note **2.4.2.2**). The EFSI guarantee given includes operations of the COSME, H2020, CCS LGF and EaSI programmes for the part covered by the EFSI EU guarantee under the SMEW debt portfolio.

During 2021, no guarantee calls have been paid out from the EFSI Guarantee Fund compartment of the CPF (2020: EUR 1 million).

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 sustainable development and to address specific socio-economic 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 CPF – see note **2.4.2.1**. As at 31 December 2021, sixteen EFSD guarantee agreements were effective with the total guarantee cover limit amounting at EUR 1 391 million, while the operations signed by the counterparties and guaranteed by the EU under those agreements totalled EUR 611 million.

NDICI external action guarantee

Regulation (EU) 2021/947 of the European Parliament and of the Council 9 June 2021, established the Neighbourhood, Development and International Cooperation Instrument – Global Europe (the 'Instrument'), including the European Fund for Sustainable Development Plus (the 'EFSD+') and the External Action Guarantee, for the period of the 2021-2027 MFF. The NDICI Regulation aims to increase the coherence and effectiveness of the EU's external actions, thus improving the implementation of the different external action policies.

The External Action Guarantee supports the EFSD+ operations covered by budgetary guarantees, macro-financial assistance and loans to third countries.

As at 31 December 2021 one budgetary guarantee agreement was signed, for a total ceiling of EUR 200 million.

InvestEU guarantee

The InvestEU Regulation (Regulation (EU) 2021/523 of the European Parliament and of the Council of 24 March 2021 establishing the InvestEU Programme and amending Regulation (EU) 2015/1017) provides for an EU guarantee up to EUR 26.2 billion that backs the finaciang and investments of implementing partners that contribute to objectives of the Union's internal policies in four policy windows: Sustainable infrastructure, Research, Innovation and digitalisation, Small and medium-sized companies, and Social investment and skills. The EU is gradually setting money aside ('provisioning') from the InvestEU budget to create a capital buffer for guarantee calls. The InvestEU Regulation has set the provisioning rate at 40% of the guarantee for the InvestEU EU compartment. Currently the amount is EUR 300 million, invested in the CPF (see note **2.4.2.1**). The first guarantee agreement under InvestEU was signed in March 2022 with the EIB Group providing for an EU guarantee up to the ceiling of EUR 19,6 billion. InvestEU Regulation also allows for the contributions from Member States (under Member States compartment) and from third countries.

UK obligations arising from its departure from the EU

In accordance with Article 143 of the Withdrawal Agreement, the UK shall be liable to the Union for its share of contingent financial liabilities related to EFSI, EFSD and the EIB external lending mandate operations approved by the withdrawal date, 31 January 2020. Article 143 requires that in case of a guarantee call for a financial operation that has been approved before the withdrawal date, the UK would be liable to the Union for its share of payments made by the Union under those operations, unless this could be covered by the UK share of provisioning held in the guarantee fund where this is relevant.

For EIB external lending mandate loans (ELM), the value of the EU budgetary guarantee at the withdrawal date, for the operations approved by the withdrawal date, was EUR 33.7 billion. At 31 December 2021 this had changed to EUR 27.6 billion. The UK share of this contingent liability at 31 December 2021 is thus EUR 3.4 billion. As stated above however, any default on these loans is first covered by the Guarantee Fund for external actions compartment of the CPF and amounts would only be called from the UK if the UK provisioning for this fund, of EUR 338 million at 31 December 2021, was not sufficient.

With respect to EFSI operations, the value of the EU budgetary guarantee at the withdrawal date, for the operations approved by the withdrawal date, was EUR 23.5 billion. At 31 December 2021 this had changed to EUR 18.8 billion. The UK share of this contingent liability at 31 December 2021 is thus EUR 2.3 billion. Any guarantee calls under EFSI are first covered by the EFSI guarantee fund compartment of the CPF and amounts would only be called from the UK if the UK provisioning for this fund, of EUR 1.1 billion at 31 December 2021, was not sufficient.

As no operations had been approved by the implementing partners in relation to the EFSD Guarantee before the withdrawal date, the UK has no obligations here.

The UK share of the payments made in 2021 for the operations approved on or after the withdrawal date and up to 31 December 2021 amounted to EUR 47 million (EUR 35 million for EFSI and EUR 12 million for ELM), reducing correspondingly the UK provisioning. The amount due to the UK in 2022, EUR 163 million (see note **2.6.1.2**) results from the UK share of the recoveries and net revenues collected in 2021 (EUR 70 million), from the excess in provisioning (EUR 92 million) as well as from the impact of the definitive UK share calculation on the amounts due in 2021 ('catch-up').

4.1.2. Guarantees given to cover NGEU and financial assistance borrowings

EUR million

	31.12.2021	31.12.2020
NGEU	*91 002*	*-*
SURE	*89 702*	*39 503*
EFSM	*47 270*	*47 396*
BOP	*201*	*201*
MFA	*7 466*	*5 813*
Euratom	*350*	*279*
Total	**235 991**	**93 193**

The borrowing amounts in this table are the nominal amounts and accrued interests. The EU budget guarantees the borrowings the Commission issues for the NGEU instrument and financial assistance programmes. Out of the NGEU borrowings outstanding at 31 December 2021, EUR 18 billion have been disbursed as RRF loans, EUR 46.4 billion as RRF non-repayable support and EUR 7.2 billion as contributions to MFF programmes, while the remaining EUR 19.4 billion has not yet been disbursed and remains in cash and cash equivalents (see note **2.8**).

Should there be a default on the loans given out with these borrowings, the EU budget, would have to eventually bear the full cost of the amount defaulted:

- NGEU borrowings and borrowings related to EFSM, BOP and Euratom loans to Member States, are guaranteed solely by the EU budget;
- Borrowings related to SURE are guaranteed by the EU budget and underpinned by Member States guarantees of EUR 25 billion (25% of the maximum financial assistance amount of EUR 100 billion); and
- MFA and Euratom borrowings for loans to third countries are firstly covered by the Guarantee Fund for external actions compartment of the CPF (see note **2.4.2**) and then by the EU budget.

UK obligations arising from its departure from the EU

In accordance with Article 143 of the Withdrawal Agreement, the UK shall be liable to the Union for its share of contingent financial liabilities related to the loans for financial assistance (EFSM, MFA, BOP and Euratom) approved/decided at the withdrawal date, 31 January 2020. Article 143 requires that in case of a default under a loan for financial assistance that has been approved before the withdrawal date, the UK would be liable to the Union for its share of payments made by the Union under the defaulted operation, unless this could be covered by the UK share of provisioning held in the Guarantee Fund for external actions compartment of the CPF where this is relevant (i.e. MFA and Euratom loans in third countries) – see note **4.1.1**.

The EU's outstanding contingent liability relating to the above loans for financial assistance amounted to EUR 53.9 billion as at withdrawal date. Following repayments since that date, the value of these loans covered by the EU guarantee at 31 December 2021 is EUR 53.0 billion – the UK's share of this is EUR 6.6 billion.

4.1.3. Guarantees given under EU financial instrument programmes (nominal)

EUR million

	31.12.2021
Horizon 2020	*2 590*
Connecting Europe Facility	*568*
COSME	*782*
Other	*653*
Total	**4 593**

EUR million

	31.12.2020
Horizon 2020	*1 860*
Connecting Europe Facility	*579*
Risk Sharing Finance Facility	*37*
Other	*49*
Total	**2 524**

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 amounts as at 31 December 2021 present the outstanding nominal amounts of the guarantees, while the contingent liabilities as at 31 December 2020 are shown net of financial provisions and financial liabilities recognised for these instruments – see notes **2.10** and **2.11.2.**

The COSME Loan Guarantee Facility (LGF) consists primarily of capped guarantees for portfolios of higher risk debt financing (mainly loans) offered by financial intermediaries to SMEs. The COSME LGF is implemented by the EIF on behalf of the EU.

For more details on Horizon 2020 and the Connecting Europe Facility see also note **2.4.2.1**.

UK obligations arising from its departure from the EU

With regard to the EU's contingent liabilities for amounts approved by the withdrawal date in relation to EU financial instruments, including those above, should any of these contingencies crystalise, they would be covered by the EU budget using monies held on fiduciary accounts. Thus in principle no amounts would be called from the UK other than its share in the budgetary RAL as outlined under Article 140 of the WA – see note **2.6.1.2**.

4.2. Contingent liabilities relating to legal cases

4.2.1. Legal cases in the area of fines

At 31 December 2021 the contingent liabilities relating to fines amounted to EUR 2 111 million (2020: EUR 2 985 million). 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).

4.2.2. Other legal cases

EUR million

	31.12.2021	31.12.2020
Agriculture	*79*	*66*
Cohesion	*210*	*341*
Other	*1 153*	*2 169*
Total	**1 443**	**2 576**

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.

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 considerable decrease from the previous year-end relates mainly to a damages claim against the Commission for a merger prohibition decision that was eventually dismissed by the Court.

UK obligations arising from its departure from the EU

Under Article 147 of the WA, the United Kingdom shall be liable for its share of the payments required to discharge the contingent liabilities of the Union that become due in relation to legal cases concerning the financial interests of the Union, provided that the facts forming the subject matter of those cases occurred no later than 31 December 2020. The estimated maximum UK exposure here is EUR 179 million (2020: EUR 318 million). For legal cases where it is considered probable that amounts will be paid from the EU budget (see note **2.10**), the UK share is included as part of the overall amount due from the UK – see details under note **2.6.1.2**.

4.3. CONTINGENT ASSETS

EUR million

	31.12.2021	31.12.2020
Guarantees received:		
Performance guarantees	*287*	*318*
Other guarantees	*8*	*8*
Other contingent assets	*98*	*58*
Total	**393**	**384**

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 2021.

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.

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 86 of the Common Provisions Regulation (CPR) (Regulation (EU) 2021/1060) 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 budgetary commitments of the Union in respect of each programme shall be made in annual instalments for each fund during the period between 1 January 2021 and 31 December 2027. 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 note **5.2** 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, which are 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 by 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.

The disclosures below thus represent amounts at 31 December 2021 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	31.12.2021	31.12.2020
Outstanding budgetary commitments not yet expensed	*5.1*	*266 526*	*249 309*
Significant legal commitments	*5.2*	*135 181*	*14 481*
Total		**401 707**	**263 790**

5.1. OUTSTANDING BUDGETARY COMMITMENTS NOT YET EXPENSED

EUR million

	31.12.2021	31.12.2020
Outstanding budgetary commitments not yet expensed	*266 526*	*249 309*

The amount disclosed above is the budgetary RAL ('Reste à Liquider') of EUR 341 634 million (see table 6.4 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 decommitments have not yet been made. This is the normal consequence of the existence of multi-annual programmes.

It should be noted that outstanding pre-financing advances at 31 December 2021 totalled EUR 93.4 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. SIGNIFICANT LEGAL COMMITMENTS

EUR million

	31.12.2021	31.12.2020
RRF (NGEU) non-repayable support commitments	*99 530*	*–*
ITER	*6 121*	*6 837*
*EAFRD**	*17 662*	*–*
Space Programmes	*4 189*	*–*
Fisheries agreements	*412*	*172*
HorizonEU	*382*	*–*
EURATOM	*445*	*–*
Brexit Adjustment Reserve	*3 072*	*–*
Connecting Europe Facility	*–*	*4 140*
Operating lease commitments	*2 492*	*2 547*
Other contractual commitments	*876*	*785*
Total	**135 181**	**14 481**

**The financial framework for the EAFRD has been extended to cover the period up to 2022 (Regulation (EU) 2020/2220).*

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

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:

NGEU (RRF) non-repayable support commitments

The RRF is a key programme of NGEU, the EU Recovery Instrument. It was established by Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021. It finances reforms and investments in Member States from the start of the coronavirus pandemic in February 2020 until 2026. The amount disclosed here refers to the part of the legal commitments for non-repayable support of the RRF which at year-end 2021 was not covered by budgetary commitments. Article 23 of Regulation (EU) 2021/241 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 2027. 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. The amount reflects the prospective financing under the MFF 2021-2027 established by Council decision (Euratom) 2021/281 of 22 February 2021 amending Decision 2007/198/Euratom establishing the European Joint Undertaking for ITER and the Development of Fusion Energy, 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 together with various other countries.

EAFRD

These are legal obligations that the EU has committed to pay when adopting the EAFRD programme which covers the period 2014-2022 according to Regulation (EU) 2020/2220. 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.

Space Programmes

The space programme includes the following components : Galileo, EGNOS, Copernicus, Govsatcom and SSA. The most significant are Galileo, which is developing the European Global Navigation Satellite System, and Copernicus, which is related to the European Earth observation. These commitments are made for the period until 2027. Based on Regulation (EU) 2021/696 of the EP and Council of 28 April 2021 (OJ L 170/69 of 12 May 2021), the Commission signed delegation agreements with the European Space Agency (ESA), EUMETSAT, Mercator and the European Centre for Medium Range weather forecasts. Article 11.6 of Regulation (EU) 2021/696 authorises the use of annual instalments.

Fisheries agreements

These represent commitments entered into with third countries for operations under international fisheries agreements up to 2026. The commitments made are based on Council decisions for each third country (e.g. Agreement between the EU and the Republic of Seychelles and the Implementation Protocol thereto; OJ L60, 28.2.2020) and are considered specific international treaties with multi-annual rights and obligations.

Horizon Europe

These are amounts committed to the Horizon Europe programme for upstream and downstream activities for the various space components. These commitments are made for the period until 2027. Based on Regulation (EU) 2021/695 of the EP and of the Council of 28 April 2021 (OJ L 170/1 of 12 May 2021), the Commission signed a delegation agreement with ESA and another one with EU Space Programme Agency (EUSPA). Article 12.8 of Regulation (EU) 2021/695 authorises the use of annual instalments.

EURATOM

EUROfusion (the European Consortium for Development of Fusion Energy) is a named beneficiary consortium of EU Laboratories and institutes whose mission is to pave the way for fusion power reactors. To do so, the consortium funds the research of its 30 members on the basis of the 'European Roadmap to the Realisation of Fusion Energy' as a joint programme within Euratom Co-funded European Partnership. The legal basis is the Council Regulation (Euratom) 2021/765 of 10 May 2021 establishing the Research and Training Programme of the European Atomic Energy Community (Euratom) for the period 2021-2025 complementing Horizon Europe, which foresees the use of the annual instalment in its Article 4.

Brexit Adjustment Reserve (BAR)

The Brexit Adjustment Reserve (BAR) aims to counter the economic and social consequences of the United Kingdom's withdrawal from the European Union (EU) in February 2020. It was established by Regulation (EU) 2021/1755 of the European Parliament and of the Council of 6 October 2021. The amount disclosed represents the legal commitments still to be implemented as part of the measures supported by the BAR. Only the part of the legal commitments not yet covered by budgetary commitments is disclosed here.

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 2024 for the CEF Transport and up to 31 December 2025 for CEF Energy. The legal basis of these commitments is Regulation (EU) No 1316/2013 of the EP 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 Text with EEA relevance (OJ L 348, 20 December 2013) which foresees the use of the annual instalment in its Article 19. At year-end 2021, the legal commitments are entirely covered by budgetary commitments.

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:

EUR million

	Minimum lease payments			
	< 1 year	1- 5 years	> 5 years	Total
Buildings	*414*	*953*	*1 074*	*2 442*
IT materials and other equipment	*14*	*27*	*9*	*50*
Total	**428**	**980**	**1 083**	**2 492**

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, 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 383 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 393 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 NGEU, EFSM, BOP, MFA, SURE 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 the Common Provisioning Fund for budgetary guarantees, and in the ECSC in liquidation;
- Financial instruments financed by the EU budget; and
- EU budgetary guarantee programmes.

With the start of NGEU in 2021, the Commission appointed a Chief Risk Officer, established an appropriate governance structure and adopted a risk policy covering NGEU activities.

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* (such as equity 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; and
- *Other price risk* is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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 an EU entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

6.2. RISK MANAGEMENT POLICIES

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 other than financial guarantee contract receivables when classified to financial assets at FVSD, borrowings, financial guarantee contracts and other financial liabilities measured at amortized 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 European Parliament 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 other than NGEU are financed by 'back-to-back' borrowings, which thus do not generate open interest rate or currency positions.

Loans provided under NGEU do not follow a back-to-back approach as is done for the other financial assistance instruments. Instead, a diversified and pooled funding strategy has been developed for the NGEU which combines a wide range of funding instruments. The diversified pooled strategy has required the development and implementation of efficient risk management guidelines and procedures for the NGEU instrument that actively address the related risks on a daily basis.

Treasury

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

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

- Own resources are paid by the Member States into accounts opened for this purpose in the name of the Commission with the treasury or national central bank. The Commission may draw on the above accounts solely to cover its cash requirements;

- Own resources are paid by Member States in their own national currencies, while the Commission's payments are mostly denominated in EUR;

- Bank accounts opened in the name of the Commission may not be overdrawn. This restriction does not apply to the Commission's own resource accounts in case of a default on loans contracted or guaranteed pursuant to EU Council regulations and decisions, and under certain conditions in case the cash resource requirements are in excess of the cash held in those accounts; and

- Funds held in bank accounts denominated in currencies other than EUR are either used for payments in the same currencies or periodically converted into 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.

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 received

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 **2.6.1.3**. 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.

EU budgetary guarantee programmes

The Financial Regulation has enshrined, in its Title X, several safeguards to protect the EU budget against the financial risks created through the use of budgetary guarantees. They can be grouped in four main categories:

1. Measures to limit the amount of the contingent liabilities

First, the size of the EU guarantee is as a rule capped in a clearly defined manner. The Financial Regulation states that the financial liability and the aggregate net payments from the budget cannot exceed the size of the budgetary guarantee, authorised by its basic act. The contingent liability generated by a budgetary guarantee can only exceed the financial assets provided to cover the EU financial liability if this is provided for in the underlying basic act and under the specific conditions it sets.

Secondly, the desired risk profile of the operations/financial products guaranteed by the EU is determined, as far as possible, *ex-ante*, i.e. at the time of the signature of the guarantee agreements.

2. Measures concerning the selection of implementing partners

Budgetary guarantee programmes are implemented with reliable, pillar-assessed, partners. This ensures the reliability of, *inter alia*, the accounting, financial and risk management systems of these implementing partners (IPs). Furthermore, these IPs are to commit own resources which leads to a further alignment of interests with the Union.

3. Measures to ensure adequate ex-ante budgetary capacity to absorb guarantee calls

Budgetary guarantee programmes are backed by provisions that are safely kept in the CPF. The provisioning rate is set, in the basic act of each program, at such a level as to allow the programming of budgetary appropriations to constitute a provision that would allow the absorption of losses without budgetary disruption. The provisioning is hence sufficient to cope with the expected and, to a certain level, also the unexpected losses of these budgetary guarantees.

Subsequently, the Commission will ensure (annually) that the amount of provisioning complies with the provisioning rate as defined in the basic act and is in line with the Financial Regulation principles and with the financial programming.

4. Measures to deal with realised losses exceeding the ex-ante estimation

The Financial Regulation introduces two early warning thresholds (i.e. when 50% and 30% of the provisioning target remain available). Those warning thresholds allow the Commission to anticipate a potential exhaustion of the provisioning before the termination of the budgetary guarantee and allow the Commission to evaluate whether it may exceptionally propose additional provisioning.

In addition, there is a regular review of the appropriateness of the provisioning rate (at least every three years). This review ensures the adequacy of the provisioning rate against the actual risk profile of the outstanding liabilities.

In case additional provisioning is needed there are procedures in place to ensure sufficient liquidity (transfers between CPF compartments and the use of central treasury liquidity) and budgetary space (commitment and payment appropriations) is available.

Furthermore, a Steering Committee on Contingent Liabilities arising from Budgetary Guarantees was established under the authority of the Commissioner for Budget in 2020. It intervenes in matters covering budgetary guarantees and financial assistance creating contingent liabilities to the budget generated from the implementation of Title X of the Financial Regulation, including those provisions laid down in the Internal Rules on the implementation of the general budget of the Union. This includes the risk management framework, relevant common horizontal provisions of the standard agreements and integrated reporting to establish corporate requirements for the sustainable management of contingent liabilities.

Common Provisioning Fund

By Commission Decision C(2020)1896 of 25 March 2020 on the asset management guidelines of the CPF (AMG), the responsibilities and tasks of the CPF financial manager were delegated to the Director General of the Directorate-General for Budget (DG BUDG). The CPF is kept separate from the other portfolios managed by DG BUDG. The Fund does not exist as a separate legal entity.

The CPF is managed according to the asset management guidelines. The objective is to ensure the necessary liquidity to meet all required outflows, such as guarantee calls, fully and promptly, and to provide capital preservation over the investment horizon of the fund, with a high confidence level.

To attain the general objective described above, the financial manager of the CPF shall manage the assets in accordance with prudential rules and the principles of sound financial management and in accordance with the rules and procedures set out by the accounting officer of the Commission. Written procedures manuals covering specific areas, such as treasury management, have been developed and are used by the relevant operating units. Financial and operational risks are identified and evaluated and compliance with internal guidelines and procedures are checked regularly.

The CPF portfolio shall be constituted so as to ensure a high degree of diversification across eligible asset classes, geographical areas, issuers and maturities in order to manage fluctuations in portfolio value.

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.

As the sole counterparty for all outstanding currency forwards as of 31 December 2021 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.

Financial instruments programmes

The implementation of the EU budget has relied for many years now on the use of financial instrument programmes. For more information on the amounts concerned - see note **2.4.2**.

Common to most financial instruments is the fact that the implementation is delegated either to 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 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 the 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.

6.3. CURRENCY RISK

Currency risk as at 31 December 2021
Financial instruments exposure of the EU to currency risk at year-end – net position

EUR million

	31.12.2021						
	USD	GBP	PLN	SEK	Other	EUR	Total
Financial assets							
*Financial assets at amortized cost**	*63*	*18*	*–*	*–*	*7*	*88*	*176*
Financial assets at FVSD							
Non-derivatives	*934*	*51*	*–*	*23*	*75*	*23 141*	*24 223*
Derivatives	*(646)*	*–*	*–*	*–*	*–*	*1 474*	*828*
*Receivables***	*109*	*98*	*108*	*4*	*88*	*7 372*	*7 780*
Cash and cash equivalents	*85*	*24*	*1 014*	*591*	*1 692*	*41 455*	*44 860*
	545	**192**	**1 121**	**618**	**1 862**	**73 529**	**77 866**
Financial liabilities							
Financial guarantee liability	*(1 047)*	*(0)*	*(62)*	*(19)*	*(248)*	*(6 418)*	*(7 794)*
Financial liabilities at FVSD	*(1)*	*–*	*–*	*–*	*(4)*	*–*	*(5)*
	(1 048)	**(0)**	**(62)**	**(19)**	**(251)**	**(6 418)**	**(7 798)**
Total	**(503)**	**192**	**1 059**	**599**	**1 611**	**67 111**	**70 068**

**Excluding loans for RRF (NGEU) and for financial assistance.*

***Excluding deferred charges.*

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

EUR million

	2021			
	USD	GBP	PLN	SEK
Economic result	*46*	*(17)*	*(96)*	*(54)*

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

EUR million

	2021			
	USD	GBP	PLN	SEK
Economic result	*(56)*	*21*	*118*	*67*

Borrowing and lending activities for NGEU and 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 mentioned 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, including USD, GBP 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, and 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 when they are held in the BUFI Fund.

Budgetary guarantees

Budgetary guarantees as a rule are extended with a maximum cap defined in EUR. However, some underlying operations may be denominated in other currencies (USD or other local currencies).

Currency risk is part of the considerations taken into account when determining the provisioning needs.

Common Provisioning Fund

The CPF 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.

The loans subrogated to the EU as result of calls on the fund following payment defaults by a loan beneficiary – see note **2.4.1.2** – 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.

Currency risk as at 31 December 2020
Financial instruments exposure of the EU to currency risk at year-end – net position

EUR million

	31.12.2020						
	USD	GBP	DKK	SEK	EUR	Other	Total
Financial assets							
Available for sale financial assets	*593*	*42*	*15*	*14*	*18 904*	*20*	*19 587*
Financial assets at fair value through surplus or deficit	*(417)*	*–*	*–*	*–*	*616*	*–*	*199*
*Loans**	*21*	*40*	*–*	*–*	*46*	*9*	*116*
Receivables and recoverables	*22*	*1 208*	*116*	*176*	*72 233*	*738*	*74 493*
Cash and cash equivalents	*115*	*64*	*178*	*367*	*14 429*	*1 589*	*16 742*
	334	**1 353**	**310**	**557**	**106 228**	**2 356**	**111 137**
Financial liabilities							
Financial liabilities at fair value through surplus or deficit	*–*	*–*	*–*	*–*	*(1)*	*(4)*	*(4)*
Payables	*(3)*	*(0)*	*(19)*	*(1)*	*(32 366)*	*(19)*	*(32 408)*
	(3)	**(0)**	**(19)**	**(1)**	**(32 367)**	**(22)**	**(32 412)**
Total	**331**	**1 353**	**291**	**556**	**73 861**	**2 333**	**78 725**

**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

	2020			
	USD	GBP	DKK	SEK
Economic result	*(13)*	*(119)*	*(27)*	*(49)*
Net assets	*(17)*	*(4)*	*(1)*	*(1)*

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

EUR million

	2020			
	USD	GBP	DKK	SEK
Economic result	*16*	*146*	*33*	*60*
Net assets	*21*	*5*	*2*	*2*

6.4. INTEREST RATE RISK

The following table illustrates the interest rate sensitivity of debt securities assuming a possible change in interest rates of +/- 100 basis points (1%).

EUR million

	Increase (+) / decrease (-) in basis points	Economic result
2021: Financial assets at FVSD	*+100*	*(622)*
	-100	*660*
2020: Available for sale financial assets	*+100*	*(479)*
	-100	*513*

Sensitivity to interest 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.

Borrowing and lending activities for NGEU and financial assistance

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

The NGEU instrument does not apply a strict back-to-back approach and, therefore, interest rate risk has to be covered by implementation of procedures and mechanisms that mitigate the interest rate risk. The underlying principle behind the NGEU diversified funding strategy is to allocate the cost of funding and all other NGEU related costs to beneficiaries (for loans) and to the EU budget (for non-repayable support) in a transparent way. The NGEU programme is guided by the principles of full cost recovery and not-for-profit operation. Therefore, the EU passes on the funding it obtains in the market in the most cost-effective and equitable way based on daily interest calculations. That ensures that Member States bear all costs related to the loan incurred by the Union.

The NGEU holds cash in order to maintain a defined safety buffer as part of a diversified funding strategy while avoiding any excess balances. The NGEU cash is kept at the European Central Bank. Based on a mutual agreement, the outstanding cash balance over EUR 20 billion is subject to negative interest at the ECB deposit facility rate, which was -0.5% in 2021. The NGEU cash is kept at the ECB.

Treasury

Except for the borrowing related to the NGEU programme, the Commission does not borrow money to fund its operational expenditure. Beyond the interest rate exposure on NGEU, interests are calculated on balances held on the different bank accounts. The Commission has therefore put in place measures to ensure that interests earned (positive or negative) on its bank accounts regularly reflect 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. Given the current negative interest environment, 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 and appropriate ceilings are respected according to the banks conditions. Own resources accounts are protected from any impact of negative interest in accordance with Council Regulation (EU, Euratom) No 609/2014 (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.

Fines

The provisionally cashed fines are invested in a portfolio of money market instruments and long-term bonds with an average portfolio duration of 1.75 years.

Common Provisioning Fund

The funds in the CPF are invested in a portfolio of money market instruments and long-term bonds with a total average portfolio duration of 3.10 years.

ECSC in liquidation

The ECSC in liquidation amounts are invested in a portfolio of money market instruments and long-term bonds with an average portfolio duration of 3.24 years.

6.5. CREDIT RISK

Credit risk as at 31 December 2021
Maximum credit risk exposure

EUR million

	31.12.2021
Financial assets	
Loans	*163 568*
Cash and cash equivalents	*44 860*
*Exchange receivables**	*7 780*
Financial assets at FVSD - debt securities	*19 326*
Financial assets at FVSD - derivatives	*828*
Guarantees given	
Financial guarantee contracts	*55 267*
Total at 31.12.2021	**291 628**

**excluding deferred charges*

Loans: credit quality

EUR million

	31.12.2021				
	Stage 1	Stage 2	Stage 3	POCI	Total
Credit rating					
Premium and high grade	*10 379*	–	–	–	*10 379*
Upper medium grade	*58 991*	–	–	–	*58 991*
Lower medium grade	*79 672*	–	–	–	*79 672*
Non-investment grade (incl. default)	*8 819*	*5 965*	*29*	*48*	*14 860*
Gross carrying amount	**157 861**	**5 965**	**29**	**48**	**163 903**
Minus loss allowance	(10)	(299)	(26)	–	*(336)*
Net carrying amount	**157 851**	**5 665**	**3**	**48**	**163 568**

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's P-1, Aaa – Aa3; S&P A-1+, A-1, AAA – AA -; Fitch F1+, F1, AAA – AA- and equivalent
- Upper medium grade: Moody's P-2, A1 – A3; S&P A-2, A+ - A-; Fitch F2, A+ - A- and equivalent
- Lower medium grade: Moody's P-3, Baa1 – Baa3, S&P A-3, BBB+ - BBB-; Fitch F3, BBB+ - BBB- and equivalent
- Non-investment grade: Moody's not prime, Ba1 – C; S&P B, C, D, BB+ – D; Fitch B, C, D, BB+ – D and equivalent
- The EU uses these external rating agencies' 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.

The amounts displayed above under loans categorised in the non-investment grade relate primarily to financial assistance loans disbursed by the Commission to partner countries in financial difficulties. All loans to Member States are in Stage 1. The POCI loans are the subrogated loans from the EFSI and ELM programmes.

Borrowing and lending activities for NGEU and financial assistance

Exposure to credit risk is managed by obtaining state guarantees in the case of Euratom (see note **2.4.1.1**).

Loans provided to Member States under the SURE instrument are underpinned by a system of voluntary guarantees from Member States, amounting to 25% of the maximum ceiling available for the related financial assistance.

In case of default of the debtors, and in order to service any related debt due, the Commssion may draw on the assets held in the CPF (for MFA and Euratom loans to third countries) and call upon Member States, while respecting the own resources ceilings (see note **6.6**).

Loans: Movement in impairment loss allowance

EUR million

	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance at 01.01.2021	*49*	*6*	*19*	*–*	*73*
Transfer to Stage 1	*0*	*–*	*–*	*–*	*0*
Transfer to Stage 2	*(41)*	*41*	*–*	*–*	*–*
Transfer to Stage 3	*(0)*	*(1)*	*1*	*–*	*(0)*
New loans	*4*	*69*	*0*	*–*	*73*
Derecognitions - repayments	*(0)*	*(0)*	*(0)*	*–*	*(0)*
Derecognitions - write offs	*–*	*–*	*–*	*–*	*–*
Loss allowance remeasurement	*(1)*	*185*	*6*	*–*	*189*
Other	*(0)*	*–*	*0*	*–*	*(0)*
Loss allowance at 31.12.2021	**10**	**299**	**26**	**–**	**336**

Loans: Staging assessment

As referred to in the significant accounting policies, the impairment allowance for the financial assets at amortized cost other than receivables depends on the stage to which a financial asset is classified.

The allocation to stages mainly depends on the counterparty’s credit rating. The staging model relies on a relative assessment of credit risk, that is, the EU may have different loans with the same counterparty in different stages, depending on the counterparty’s credit risk at origination. The EU, having a unique institutional status, lends money to its Member States or to sovereigns in difficulty. As a result, the EU also applies also a qualitative assessment of the credit risk based on monitoring the economic situation of borrowers in difficulty.

Stage 1 - no significant increase in credit risk

Loans to counterparties with credit ratings in the investment grade (i.e. between AAA (Aaa) and BBB- (Baa3) on the S&P/Fitch (Moody’s) rating scale or an equivalent external or internal rating) at the reporting date, are considered low credit risk loans, and thus held in stage 1, except if they are overdue for more than 30 days (see Stage 2). In addition, any loans for which a significant increase in credit risk did not occur, as defined below, are classified to Stage 1. For the financial assets in stage 1, the impairment allowance is measured at the level of the 12 month expected credit losses (‘ECL’).

Stage 2 - Significant increase in credit rating

In order to determine whether there has been a significant increase in the credit risk since origination, and a thus whether moved to Stage 2 applies, the EU applies a combination of quantitative and qualitative assessments.

All loans for which contractual payments are overdue by between 31 and 90 days, are moved to Stage 2.

For counterparties with credit ratings between AAA (Aaa) and BB- (Ba3) at the initial recognition date: Unless the low risk case (above in Stage 1) applies, the deterioration is considered significant if the difference between the rating at origination and that at the reporting date is equal or superior to 3 notches.

For counterparties with credit ratings of B+ (B1) or B (B2) at initial recognition date: The deterioration is considered significant if the difference between the initial rating and the current rating is equal or superior to 2 notches.

For counterparties with credit ratings of B- (B3) or lower (in CCC/Caa range): The deterioration is considered significant if the difference between the initial rating and the current rating at the reporting date is equal or superior to 1 notch.

Loans originated before the transtion to the revised EAR 11 (i.e. 1 January 2021), for which no information on the credit risk at initial recognition is available without unde cost and effort, are classified to stage 2.

For loans in Stage 2, the impairment allowance is measured at the level of life-time expected credit losses.

Stage 3 - Credit impaired loans

Loans are classified in Stage 3 when they are 90 days past due or when one or more events occur after the loan origination that have a detrimental impact on the estimated future cash flows of that financial asset. For example, a loan is classified to Stage 3, if:

- It is becoming probable that a borrower will enter bankruptcy or other financial reorganisation;
- The borrower has a rating class of D published by an external rating agency; and
- The borrower is in default under any financial obligation towards the EU, or in case of loans for financial assistance, if the borrower is in default to any other international organisation financing the programme.

For loans in Stage 3, the impairment allowance is measured at the level of life-time expected credit losses.

Purchased or originated as credit impaired ('POCI')

The EU also holds 'purchased or originated as credit impaired' ('POCI') loans. These are defaulted guaranteed loans where the EU paid a guarantee call to the implementing partner. For these loans all rights have been subrogated to the EU. The EU recognises them on its balance sheet at fair value at initial recognition. The EU classifies them as POCI loans and calculates an impairment allowance based on a lifetime ECL. Under the relevant agreements between the EU and the implementing partners, recovery proceedings are undertaken on behalf of the EU with the aim of recovering any sums due.

Loans: ECL measurement

The ECL measurement is a probability-weighted estimation of the difference between the contractual cash flows and the expected cash flows. The EU uses the following credit risk parameters for this estimation:

- Probability of default ('PD');
- Loss given default ('LGD'); and
- Exposure at default ('EAD').

The PD is a percentage and represents the likelihood of a counterparty defaulting on its financial obligation, either over the next 12 months (used for the '12 months ECL'), or over the remaining lifetime of the obligation (used for the 'Lifetime ECL').

The LGD is a percentage showing the expected cash shortfall i.e. the part of the exposure expected to be lost after a default, taking into account recoveries and collaterals. In order to estimate the LGD on sovereign exposures, the EU takes into account its de-facto preferred creditor status.

The EAD is the outstanding exposure (amount) at the time of a default.

The estimated cash flows over the expected life of the financial asset are discounted at the effective interest rate.

The EU considers reasonable and justified forward looking information, available without undue cost and effort, and adjusts the model parameters when necessary.

Cash and cash equivalents: credit quality

EUR million

	31.12.2021
Credit rating	
Premium and high grade	*40 716*
Upper medium grade	*3 650*
Lower medium grade	*306*
Non-investment grade	*189*
Gross carrying amount	**44 860**
Minus loss allowance	*-*
Net carrying amount	**44 860**

Treasury

The amounts of cash and cash equivalents in the table above relate mainly to the cash managed by the Commission 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 804/2016) on own resources, in the accounts opened by Member States for the payment of their own resources contributions (mainly GNI, VAT and TOR). 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 54 million on average, spread over around 25 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 2021 between EUR 1 billion and EUR 38 billion, and with an overall amount of payments made from Commission bank accounts in 2021 that exceeded EUR 170 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 long-term credit rating required for admission to the tendering procedures is S&P A- 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 regular basis; and

- 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.

NGEU

Lending and borrowing instruments for financial assistance do not, in general, keep any outstanding cash balances due to underlying back-to-back principle of the financial assistance loans. However, with implementation of diversified funding strategy in the NGEU instrument, NGEU holds cash with the objective of ensuring that amounts held on the NGEU bank account are sufficient to meet all upcoming disbursement needs and maintaining a defined safety buffer while avoiding any excess balances. The cash is placed on a bank account at the ECB, thus, the credit risk is very low.

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.

Receivables: credit quality

EUR million

	31.12.2021					
	Not due	Past due 0-30 days	Past due 31-90 days	Past due 91 days - 1 year	Past due > 1 year	Total
Gross carrying amount	2 785	15	9	578	1 453	*4 840*
Minus loss allowance	(2)	(1)	(4)	(18)	(147)	*(173)*
Net carrying amount	**2 783**	**14**	**5**	**560**	**1 305**	*4 667*

The amounts in this table do not include deferred charges and FGC receivable leg measured at FVSD (see note 2.6.2), as they are not subject to the impairment requirements.

On 10 July 2020 and 8 July 2021, the Commission took decisions to amend its internal provisions for the recovery of amounts receivable in order to alleviate the impact of the COVID-19 pandemic on Commission debtors. The decision temporarily extended the deadlines for payments for new debts and provided the possibility to grant additional time for payment for those debts that were pending.

Financial assets at FVSD – debt securities: Credit quality

Common Provisioning Fund

The weighted average credit rating of the CPF portfolio is A- (S&P or equivalent).

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 10% of the portfolio. The five countries with the highest exposure (Spain, France, Italy, Germany and the Netherlands) represent altogether 30% of the investment portfolio. The weighted average credit rating of the portfolio is A (S&P or equivalent).

Financial guarantees received

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.

ECSC in liquidation

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).

Financial assets at FVSD – derivatives: Credit quality

The derivative assets mainly relate to the guarantees on equity portfolios and to currency forward contracts. Therfore, the credit risk is limited to the counterparty risk. The guarantee on equity will be settled with the EU implementing partner, the EIB Group, which is rated AAA. The sole counterparty for all outstanding currency forwards as of 31 December 2021 is the Banque de France, hence no credit enhancements, such as collateral, netting agreements, or guarantees are put in place as of this date.

Financial guarantee contracts: credit quality

EUR million

	31.12.2021		
	Stage 1	Stage 2	Total
Long-term rating			
Prime and high grade	0	1	**1**
Upper medium grade	2	–	**2**
Lower medium grade	219	–	**219**
Non-investment grade	3 964	51 079	**55 043**
Managed on collective basis / not rated	2	–	**2**
Total	**4 187**	**51 080**	**55 267**

Financial guarantee contracts: Movement in the loss allowance

EUR million

	Stage 1	Stage 2	Total
Loss allowance at 01.01.2021	859	5 143	**6 002**
Transfer to Stage 2	(494)	494	**0**
Transfer to Stage 1	–	–	**–**
Additions	8	623	**630**
Release of guarantees	(0)	(0)	**(0)**
Remeasurement	112	789	**900**
Loss allowance at 31.12.2021	**485**	**7 048**	**7 533**
Financial guarantee liability carrying amount at 31.12.2021	**610**	**7 183**	**7 794**

** Transfers from and to stage 1 / stage 2 are measured at the opening balance impairment allowance, whereas the changes of the amount arising from the change of the stage (i.e. measuremet at 12-months or lifetime ECL) are part of re-measurement.*

Financial guarantee contracts: staging policies

The key risk indicator for the allocation of FGC to stages is the credit rating of the guaranteed debt. The staging model compares the credit rating at origination to the credit rating at the reporting date. For portfolio guarantees, the weighted average credit rating of the guaranteed portfolio is considered.

Stage 1 - no significant increase in credit risk

FGC with credit ratings in the investment grade (i.e. between AAA (Aaa) and BBB- (Baa3) on the S&P/Fitch (Moody's) rating scale or an equivalent external or internal rating) at the reporting date, are considered low credit risk independent of the initial credit rating and held in stage 1. In addition, any FGC for which a significant increase in credit risk did not occur, as defined below, are classified to Stage 1. For the FGC in Stage 1, the impairment allowance is measured at the level of the 12 month ECL.

Stage 2 - Significant increase in credit rating

The folowing deterioration of credit rating is considered significant and leads to a reclassification of a FGC to Stage 2:

- For guarantees with a credit rating between AAA (Aa1) and BB- (Ba3) on the S&P/Fitch (Moody's) rating scale or an equivalent external or internal rating at initial recognition, a rating deterioration is considered significant if the difference between the initial rating and the one at the reporting date is equal or superior to 3 notches for guarantees relating to a single debt instrument and 2 notches for guarantees relating to a portfolio of debt;
- For guarantees with a credit rating between B+ (B1) or B (B2) at initial recognition, a rating deterioration is considered significant if the difference between the initial rating and the one at the reporting date is equal or superior to 2 notches for guarantees relating to a single debt instrument and 1 notch for guarantees relating to a portfolio of debt; and
- For guarantees with a credit rating between B- (B3) or lower at initial recognition, a rating deterioration is considered significant if the difference between the initial rating and the one at the reporting date is equal or superior to 1 notch (single debt and portfolio).

If information on the credit rating is not available but an estimation of the expected annual claims has been made at initial recogniton, the actual level of claims compared to the initial planning is also considered a reasonable risk indicator for the assessment of SICR.

In addition to the above criteria, the EU may apply a qualitative assessment of the SICR, based on additional, reasonable and justified, information available.

FGC originated before the transtion to the revised EAR 11 (i.e. before 1 January 2021), for which no information on the credit risk at initial recognition is available without undue cost and effort, are classified to Stage 2.

For FGC in Stage 2, the impairment allowance is measured at the level of life-time expected credit losses.

Classification to Stage 3 and POCI does not apply to FGC.

Budgetary guarantees

The Union is mainly exposed to credit risk through the operations which it guarantees. When the credit quality of the underlying operations deteriorates, default events become more likely and hence also calls on EU guarantees.

In order to monitor and manage this risk, the Commission relies on a Credit Risk Model to assess potential losses, using, inter alia, the inputs provided by the Implementing Partners. The output of these models is interpreted and combined with expert judgment to derive a risk assessment that is coherent with the substance of the transaction and the relevant economic circumstances.

Credit risk as at 31 December 2020
Analysis of the age of financial assets that are not impaired

EUR million

31.12.2020	Total	Neither past due nor	Past due but not impaired < 1 year	Past due but not impaired 1-5 years	Past due but not impaired > 5 years
Loans	*93 309*	*93 308*	*0*	*–*	*–*
Receivables and recoverables	*74 493*	*59 702*	*505*	*14 030*	*257*
Financial assets at fair value	*199*	*199*	*–*	*–*	*–*
Total at 31.12.2020	**168 001**	**153 209**	**505**	**14 030**	**257**

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

EUR million

31.12.2020	AFS*	Financial assets at FVSD**	Loans	Receivables and recoverables	Cash	Total
Counterparties with external credit rating						
Prime and high grade	*9 005*	*199*	*2 040*	*52 817*	*13 896*	*77 956*
Upper medium grade	*3 415*	*–*	*35 040*	*1 535*	*1 011*	*41 001*
Lower medium grade	*2 133*	*–*	*48 139*	*1 886*	*1 651*	*53 809*
Non-investment grade	*310*	*–*	*7 964*	*142*	*165*	*8 580*
	14 862	**199**	**93 182**	**56 380**	**16 723**	**181 347**
Counterparties without external credit rating						
Debtors without defaults in the past	*–*	*–*	*126*	*3 318*	*19*	*3 463*
Debtors with defaults in the past	*–*	*–*	*–*	*4*	*–*	*4*
	–	**–**	**126**	**3 322**	**19**	**3 466**
Total	**14 862**	**199**	**93 309**	**59 702**	**16 742**	**184 814**

** Available for sale financial assets (excluding investments in money market funds and equity instruments).*
*** Financial assets at fair value through surplus or deficit.*

6.6. LIQUIDITY RISK

Liquidity risk as at 31 December 2021
Maturity analysis of non-derivative financial liabilities by remaining contractual maturity

EUR million

	31.12.2021 Undiscounted contractual cash-flows				Carrying amount
	< 1 year	1-5 years	> 5 years	Total	
Borrowings	*(23 769)*	*(45 030)*	*(180 660)*	*(249 459)*	*(236 720)*
Payables	*(46 372)*	–	–	*(46 372)*	*(46 372)*
Other	*(218)*	*(830)*	*(890)*	*(1 938)*	*(1 605)*
Total at 31.12.2021	**(70 358)**	**(45 860)**	**(181 550)**	**(297 769)**	**(284 697)**

Maturity analysis of derivative financial liabilities by remaining contractual maturity

EUR million

	31.12.2021 Undiscounted contractual cash-flows				Carrying amount
	< 1 year	1-5 years	> 5 years	Total	
Derivative pay leg	*(646)*	*(5)*	–	*(651)*	
Derivative receive leg	*648*	–	–	*648*	
Net cash flows at 31.12.2021	**2**	**(5)**	**–**	**(3)**	**(3)**

Maturity analysis of financial guarantee contracts issued by earliest period in which the guarantee could be called

EUR million

	31.12.2021 Maximum amount of guarantee				Carrying Amount
	< 1 year	1-5 years	> 5 years	Total	
Financial Guarantee Contracts	*(55 381)*	*(878)*	*(1)*	*(56 259)*	*(7 794)*
Total at 31.12.2021	**(55 381)**	**(878)**	**(1)**	**(56 259)**	**(7 794)**

Borrowing activities for NGEU and financial assistance

The first recourse for the repayment of borrowings for financial assistance is the timely collection of the related financial assistance and NGEU loan repayments. However, there are additional safeguards that could be applied in case of payment defaults or payment delays of borrowers.

For MFA and Euratom loans to third countries, the Guarantee Fund for external actions compartment of the CPF provides for a liquidity reserve. Therefore, the available assets of the Guarantee fund would be used first in order to repay the related borrowings (but only after a first recourse to third party guarantors for Euratom – see note **6.4**). If at any moment the available assets should prove insufficient to cover the actual losses, the Commission will activate measures to provide for additional resources (e.g. recourse to temporary use of Commission's treasury liquidity, recourse to temporary transfers and/or additional expenditure from the EU budget).

For NGEU, the Commission may also apply active cash management and short-term borrowing in order to service EU debts, while for SURE, the Commission may roll over the associated borrowings contracted on behalf of the Union.

For all financial assistance borrowings as well as for the NGEU borrowings, the Commission may call resources up to the available Own Resources margin in order to service the EU debts. The own resources legislation fixes the ceiling for own resources to cover annual appropriations for payment at 1.40% of Member States' GNI, plus an additional temporary increase of 0.6 percentage points for NGEU. The 2021 budget included a total of own resources to finance the expenditure of 1.12% of GNI. This means that at 31 December 2021 there existed an available margin of 0.88% to cover its liabilities. To this end, the EU is entitled to call upon Member States to ensure compliance with the EU's legal obligation towards its lenders.

Finally, loans provided to Member States under the SURE instrument are underpinned by a system of voluntary guarantees from Member States, amounting to 25% of the maximum ceiling available for the related financial assistance. Before calling on guarantees provided by the Member States, the Commission is expected to examine the scope for drawing on the margin available under the own resources ceiling for payments appropriation to the extent that it is deemed sustainable by the Commission, having regard, inter alia, to the total contingent liabilities of the Union and the sustainability of the general budget of the Union. Such examination shall not affect the irrevocable, unconditional and on-demand nature of the guarantees provided.

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 the Council Regulation (EU, Euratom) No 609/2014 (on the methods and procedure for making available own resources, amended by Council Regulation (EU, Euratom) 2016/804), Member States' contributions relating to amending budgets approved in a given month (N) only become available either on the first working day of the month N+1 (if approved before the 16th of the given month) or on the first working day of month N+2 (if approved on the 16th or later of that given month), while the related payment appropriations are immediately available.

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. Own resources or additional funding can be called up in advance from Member States if needed, up to certain limits and under certain conditions provisioned under Council Regulation (EU, Euratom) No 609/2014 amended by Council Regulation (EU, Euratom) 2016/804. Operational needs and overall budgetary restrictions in recent years have resulted in the need for increased monitoring of the rhythm of payments during the year. In addition to the above, in the context of the Commission's daily treasury operations, automated cash management tools ensure that sufficient liquidity is available on each of the Commission's bank accounts, on a daily basis.

Fines

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 above 50%.

Budgetary guarantees

The maturity analysis for financial guarantees is presented using the prudent approach, under which the maximum amount of the guarantee given is allocated to the earliest period in which the guarantee could be called. Given that most of the EU guarantees are on first demand, a significant amount is allocated to the first time band. However, the probability that the EU will be called under all guarantees for the entire amount in the first period is remote. Moreover, the amount that the EU expects to lose is often much lower then the guarantee ceilling, therefore the amount of the liquidity risk needs to be seen in the conjunction with the carrying amount of the guarantee liabilities.

A key objective of the risk management framework of contingent liabilities is to ensure that the EU budget can, at any time, honour its obligations without disrupting the normal implementation of the budget. This also entails the mitigation of the liquidity risk related to budgetary guarantees, i.e. the risk that the Union would have insufficient funds to fulfil in a timely manner all its guarantee-related payment obligations (which might then lead to for example the crowding out of other expenses and the postponement of payments to the following budgetary years).

In this respect, each budgetary guarantee is backed by sufficient provisioning paid into the CPF so as to ensure there is always enough liquidity to pay guarantee calls in a timely manner.

The EU monitors on a regular basis the adequacy of the provisioning rate of each budgetary guarantee programme and reports[17] every year on its estimate as to whether those amounts are sufficient to cover the risk for next 5 years with a defined level of certainty.

Furthermore, there are additional safeguard procedures in place (temporary transfers between CPF compartments and the use of central treasury liquidity) to ensure sufficient liquidity is available.

Common Provisioning Fund

The CPF 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 26%.

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 or margin requirements, as the current hedging counterparty accepts to operate with the Commission without any requirements for collateral or margin calls.

Liquidity risk as at 31 December 2020

Maturity analysis of financial liabilities by remaining contractual maturity

EUR million

31.12.2020	< 1 year	1-5 years	> 5 years	Total
Borrowings	*(10 410)*	*(20 230)*	*(62 553)*	*(93 192)*
Payables	*(32 408)*	*–*	*–*	*(32 408)*
Financial guarantee liabilities	*(90)*	*–*	*–*	*(90)*
Other financial liabilities	*(149)*	*(665)*	*(947)*	*(1 761)*
Total at 31.12.2020	**(43 057)**	**(20 895)**	**(63 500)**	**(127 451)**

Financial instruments at fair value through surplus or deficit

EUR million

31.12.2020	< 1 year	1-5 years	> 5 years	Total
Derivative pay leg	*(417)*	*(4)*	*(1)*	*(421)*
Derivative receive leg	*423*	*–*	*–*	*423*
Net cash flows at 31.12.2020	**5**	**(4)**	**(1)**	**1**

[17] For example in the Working Document XI attached to the Draft Budget that presents the implementation of Budgetary Guarantees, the Common Provisioning Fund and the assessment of the sustainability of the contingent liabilities arising from budgetary guarantees and financial assistance pursuant to Article 41(5) of the Financial Regulation.

6.7. OTHER PRICE RISK

As at 31 December 2021, the EU is exposed to other price risks (equity risk) arising from non-quoted equity investments (such as venture capital and other investment funds), money market funds (such as the EIB Unitary Fund) and investments in pooled portfolios (see note **2.4.2.1**), as well as through guarantees covering non-quoted equity and quasi equity investments, treated as derivatives at fair value through surplus or deficit (see note **2.4.2.2**).

Equity price risk refers to the risk that the fair values of equity investments change as the result of fluctuations in the levels of equity prices and/or the value of the guaranteed equity investments. The effect on surplus or deficit of a 10% value increase or decrease of the above-mentioned instruments would be as follows:

EUR million

	10%	(10)%
Equity investments	*238*	*(238)*
Money market funds and investments in pooled portfolios	*251*	*(251)*
*Guarantees on equity**	*415*	*(415)*
Total at 31.12.2021	**905**	**(905)**

*The risk of guarantees on equity is based on the notional amount that is covered by the guarantee.

The EU invests in, or guarantees, unquoted assets whose values are not publicly available. Most of these financial instruments are implemented by the entrusted entities, who are experts in the industry and they assess and monitor those assets on a regular basis.

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 personnel 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
Basic salary (per month)	*29 205.17*	*26 453.96 - 27 512.13*	*21 163.17 - 23 808.57*	*22 856.23 - 24 337.65*	*13 456.68 - 21 163.17*
Residential/Expatriation allowance	*15%*	*15%*	*15%*	*15%*	*0-4%-16%*
Family allowances:					
Household (% salary)	*2% + 196.44*	*2% + 196.44*	*2% + 196.44*	*2% + 196.44*	*2% + 196.44*
Dependent child	*429.24*	*429.24*	*429.24*	*429.24*	*429.24*
Pre-school	*104.86*	*104.86*	*104.86*	*104.86*	*104.86*
Education, or	*291.24*	*291.24*	*291.24*	*291.24*	*291.24*
Education outside place of work	*582.48*	*582.48*	*582.48*	*582.48*	*582.48*
Presiding judges allowance	*N/A*	*N/A*	*668.22*	*N/A*	*N/A*
Representation allowance	*1 582.67*	*1 017.17*	*668.22*	*N/A*	*N/A*
Annual travel costs	*N/A*	*N/A*	*N/A*	*N/A*	*Reimbursed*
Transfers to Member State:					
Education allowance*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*
% of salary*	*5%*	*5%*	*5%*	*5%*	*5%*
% of salary with no cc	*max 25%*	*max 25%*	*max 25%*	*max 25%*	*max 25%*
Representation expenses	*Reimbursed*	*Reimbursed*	*Reimbursed*	*N/A*	*N/A*
Taking up duty:					
Installation expenses (Cat. 1-4: two months of basic salary)	*58 410.36*	*52 907.93 - 55 024.27*	*42 326.35 - 47 617.14*	*45 712.46 - 48 675.31*	*Reimbursed*
Family travel expenses	*Reimbursed*	*Reimbursed*	*Reimbursed*	*Reimbursed*	*Reimbursed*
Moving expenses	*Reimbursed*	*Reimbursed*	*Reimbursed*	*Reimbursed*	*Reimbursed*
Leaving office:					
Resettlement expenses (Cat. 1-4: one month of basic salary)	*29 205.17*	*26 453.96 - 27 512.13*	*21 163.17 - 23 808.57*	*22 856.23 - 24 337.65*	*Reimbursed*
Family travel expenses	*Reimbursed*	*Reimbursed*	*Reimbursed*	*Reimbursed*	*Reimbursed*
Moving expenses	*Reimbursed*	*Reimbursed*	*Reimbursed*	*Reimbursed*	*Reimbursed*
Transition (% salary)**	*40% - 65%*	*40% - 65%*	*40% - 65%*	*40% - 65%*	*N/A*
Sickness insurance	*Covered*	*Covered*	*Covered*	*Covered*	*Covered*
Pension (% salary, before tax)	*Max 70%*	*Max 70%*	*Max 70%*	*Max 70%*	*Max 70%*
Deductions:					
Community tax	*8% - 45%*	*8% - 45%*	*8% - 45%*	*8% - 45%*	*8% - 45%*
Sickness insurance (% salary)	*1.7%*	*1.7%*	*1.7%*	*1.7%*	*1.7%*
Special levy on salary	*7%*	*7%*	*7%*	*7%*	*6-7%*
Pension deduction	*N/A*	*N/A*	*N/A*	*N/A*	*10.1%*
Number of persons at year-end	***3***	***8***	***93***	***27***	***118***

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

*** paid for the first 3 years following departure*

8. EVENTS AFTER THE BALANCE SHEET DATE

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

Ukraine

In accordance with EU accounting rule 19, Events After the Reporting Date, the war in Ukraine that began in February 2022 is considered as a non-adjusting event, thus not requiring adaptions to any amounts in these financial statements at 31 December 2021. As indicated in note **2.4**, the EU has loans outstanding (funded by borrowings, see note **2.11**) of EUR 4.7 billion (nominal value) at 31 December 2021 with Ukraine under the MFA and Euratom programmes.

Based on Decision (EU) 2022/313 of the European Parliament and the Council of 24 February 2022, the Commission granted to Ukraine a further EUR 1.2 billion of loans under the MFA programme of which EUR 600 million have been disbursed in March and another EUR 600 million in May 2022.

Additionally, the EIB had granted loans worth EUR 2.1 billion to Ukraine (outstanding principal disbursed at 31 December 2021) under its External Lending Mandate, which are guaranteed by the EU budget – see note **4.1**. The amounts concerned are assessed based on the situation at year-end, not at the time of preparation of these financial statements.

Based on the facts and circumstances at the time of preparation of these financial statements, in particular the evolving situation, the financial effect of the war in Ukraine on the EU finances cannot be reliably estimated.

9. SCOPE OF CONSOLIDATION

A. CONTROLLED ENTITIES (55)

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
European Committee of the Regions
Council of the European Union

2. EU Agencies (42)

2.1. Executive Agencies (7)

European Education and Culture Executive Agency (EACEA)
Consumers, Health, Agriculture and Food Executive Agency (CHAFEA) (up until 31 March 2021)
European Health and Digital Executive Agency (HaDEA) (as from 1 April 2021)
European Research Executive Agency (REA)
European Innovation Council and SMEs Executive Agency (EISMEA)
European Research Council Executive Agency (ERCEA)
European Climate, Infrastructure and Environment Executive Agency (CINEA)

2.2. Decentralised Agencies (35)

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 Union Agency for Cybersecurity (ENISA)
European Union Agency for Law Enforcement Training (CEPOL)
European Union Agency for the Space Programme (EUSPA)
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 Border and Coast Guard Agency (FRONTEX)
European Labour Authority (ELA) (as from 26 May 2021)
European Food Safety Authority (EFSA)
European Union Agency for Railways (ERA)
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 (CdT)
European Joint Undertaking for ITER and the Development of Fusion Energy (Fusion for Energy)
European Union Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA)
European Public Prosecutor's Office (EPPO) (as from 24 June 2021)

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 2021 EU consolidated financial statements on the basis of immateriality:

MINOR ENTITES (8)

Circular Bio-based Europe Joint Undertaking (CBE JU)
(legal and universal successor of the Bio-based Industries Joint Undertaking)

Clean Aviation Joint Undertaking (CAJU)
(legal and universal successor of the Clean Sky 2 Joint Undertaking)

Clean Hydrogen Joint Undertaking (Clean H2 JU)
(legal and universal successor of the Fuel Cells and Hydrogen 2 Joint Undertaking)

Europe's Rail Joint Undertaking (EU-RAIL JU)
(legal and universal successor of the Shift2Rail Joint Undertaking)

Innovative Health Initiative Joint Undertaking (IHI JU)
(legal and universal successor of the Innovative Medicines Initiative 2 Joint Undertaking)

Key Digital Technologies Joint Undertaking (KDT JU)
(legal and universal successor of the ECSEL Joint Undertaking)

Single European Sky ATM Research 3 Joint Undertaking (SESAR 3 JU)
(legal and universal successor of the SESAR Joint Undertaking)

EuroHPC Joint Undertaking (EuroHPC)

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

EUROPEAN UNION
FINANCIAL YEAR 2021

BUDGETARY IMPLEMENTATION REPORTS AND EXPLANATORY NOTES

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.

CONTENTS

1. EU BUDGET RESULT 143
2. STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS 144
3. NOTES TO THE BUDGETARY IMPLEMENTATION REPORTS 146
3.1. THE EU BUDGET FRAMEWORK 146
3.2. MULTIANNUAL FINANCIAL FRAMEWORK 2021-2027 146
3.3. MFF DETAILED HEADINGS (PROGRAMMES) 148
3.4. NextGenerationEU 148
3.5. ANNUAL BUDGET 149
3.6. REVENUE 151
3.7. RECONCILIATION OF ECONOMIC RESULT WITH BUDGET RESULT 153
4. IMPLEMENTATION OF THE 2021 EU BUDGET 155
5. IMPLEMENTATION OF EU BUDGET REVENUE 156
5.1. SUMMARY OF THE IMPLEMENTATION OF EU BUDGET REVENUE 156
6. IMPLEMENTATION OF EU BUDGET EXPENDITURE 157
6.1. MFF: BREAKDOWN & CHANGES IN COMMITMENT & PAYMENT APPROPRIATIONS 157
6.2. MFF: IMPLEMENTATION OF COMMITMENT APPROPRIATIONS 158
6.3. MFF: IMPLEMENTATION OF PAYMENT APPROPRIATIONS 159
6.4. MFF: MOVEMENTS IN OUTSTANDING COMMITMENTS (RAL) 160
6.5. MFF: OUTSTANDING COMMITMENTS BY YEAR OF ORIGIN 161
6.6. MFF: OUTSTANDING COMMITMENTS BY APPROPRIATIONS TYPE 162
6.7. DETAILED MFF: BREAKDOWN AND CHANGES IN COMMITMENT AND PAYMENT APPROPRIATIONS 163
6.8. DETAILED MFF: IMPLEMENTATION OF COMMITMENT APPROPRIATIONS 169
6.9. DETAILED MFF: IMPLEMENTATION OF PAYMENT APPROPRIATIONS 175
6.10. DETAILED MFF: MOVEMENTS IN OUTSTANDING COMMITMENTS (RAL) 182
6.11. DETAILED MFF: OUTSTANDING COMMITMENTS BY YEAR OF ORIGIN 188
6.12. DETAILED MFF: OUTSTANDING COMMITMENTS BY APPROPRIATIONS TYPE 192
7. IMPLEMENTATION OF THE BUDGET BY INSTITUTION 198
7.1. IMPLEMENTATION OF BUDGET REVENUE 198
7.2. IMPLEMENTATION OF COMMITMENT APPROPRIATIONS 199
7.3. IMPLEMENTATION OF PAYMENT APPROPRIATIONS 200
8. IMPLEMENTATION OF THE AGENCIES' BUDGETS 201
8.1. BUDGET REVENUE 201
8.2. COMMITMENT AND PAYMENT APPROPRIATIONS BY AGENCY 202

1. EU BUDGET RESULT

EUR million

Note		2021	2020
a	Revenue for the financial year	239 596	174 306
b	Payments against current year appropriations	(226 175)	(171 721)
c	Payment appropriations carried over to year N+1	(4 244)	(2 086)
d	Cancellation of unused appropriations carried over from year N-1	265	78
e	Evolution of assigned revenue (B)-(A)	(6 338)	1 398
	Unused appropriations at the end of current year (A)	*14 032*	*7 694*
	Unused appropriations at the end of previous year (B)	*7 694*	*9 092*
f	Exchange rate differences for the year	126	(207)
	Budget result	**3 230**	**1 768**

The budget result of the EU is returned to the Member States in 2021 through deduction of their amounts due. It is calculated in accordance with Article 1(1) of Council Regulation (EU, Euratom) No 608/2014 laying down implementing measures for the system of own resources. More information can be found under section **1.5** Calculation of the budget result.

a. Revenue for the financial year: table 5.1 "Summary of the implementation of EU Budget Revenue", column 8 "Total Revenue".

b. Payments against current year appropriations: table 6.3 "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: table 6.3 "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 the current year's "Payments made from carryovers" as in column 3 of table 6.3 "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 6.3 "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.

2. STATEMENTS OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget revenue

EUR million

		Initial budget adopted	Final adopted budget	Entitlements established	Revenue
1	Own resources	156 867	156 993	160 869	158 632
	11 - Sugar levies	*0*	*0*	*1*	*1*
	12 - Customs duties	*17 606*	*17 348*	*21 274*	*19 037*
	13 - VAT	*17 967*	*17 941*	*17 934*	*17 934*
	14 - GNI	*121 294*	*115 858*	*115 819*	*115 819*
	16 - Reduction of GNI-based contribution granted to certain Member States	*0*	*–*	*11*	*11*
	17 - Plastic packaging waste	*0*	*5 847*	*5 831*	*5 831*
2	Surpluses, balances and adjustments	0	1 769	1 779	1 772
3	Administrative revenue	1 726	1 726	2 306	2 230
4	Financial revenue, default interest and fines	119	515	18 494	1 633
5	Budgetary guarantees, borrowing and lending operations	0	0	55 501	55 501
6	Revenue, contributions and refunds related to Union policies	7 348	7 008	26 114	19 827
	Total	**166 060**	**168 011**	**265 063**	**239 596**
	of which Next Generation EU (NGEU)	*–*	*–*	*55 501*	*55 501*

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	Single Market, Innovation and Digital	20 817	20 817	34 960	25 683
2	Cohesion, Resilience and Values	52 862	53 219	452 326	151 947
	2a. Economic, social and territorial cohesion	*48 191*	*48 191*	*106 413*	*48 468*
	2b. Resilience and values	*4 671*	*5 029*	*345 913*	*103 479*
3	Natural Resources and Environment	58 569	58 574	79 377	59 723
	of which: Market related expenditure and direct payments	*40 368*	*40 371*	*41 518*	*40 818*
4	Migration and Border Management	2 279	2 303	2 368	1 644
5	Security and Defence	1 709	1 706	1 741	1 625
6	Neighbourhood and the World	16 097	17 031	17 474	15 372
7	European Public Administration	10 448	10 443	11 404	10 930
	of which: Administrative expenditure of the institutions	*4 313*	*4 307*	*4 879*	*4 590*
O	Outside MFF	–	–	3 922	199
S	Solidarity mechanisms within and outside the Union (Special instruments)	1 471	2 739	2 759	1 223
	Total	**164 251**	**166 833**	**606 331**	**268 345**
	of which Next Generation EU (NGEU)	*–*	*–*	*421 070*	*143 525*

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	*Single Market, Innovation and Digital*	*17 192*	*16 670*	*22 478*	*18 532*
2	Cohesion, Resilience and Values	66 154	67 614	131 414	126 454
	2a. Economic, social and territorial cohesion	*61 868*	*63 855*	*79 628*	*75 591*
	2b. Resilience and values	*4 286*	*3 758*	*51 787*	*50 863*
3	Natural Resources and Environment	56 804	56 021	58 310	56 831
	of which: Market related expenditure and direct payments	*40 354*	*40 303*	*41 467*	*40 760*
4	Migration and Border Management	2 686	2 519	2 734	2 547
5	Security and Defence	671	714	726	708
6	Neighbourhood and the World	10 811	11 455	12 258	10 935
7	European Public Administration	10 450	10 444	12 368	10 705
	of which: Administrative expenditure of the institutions	*4 313*	*4 307*	*5 492*	*4 436*
O	Outside MFF	–	–	3 931	61
S	Solidarity mechanisms within and outside the Union (Special instruments)	1 293	2 574	2 593	1 223
	Total	**166 060**	**168 011**	**246 812**	**227 996**
	of which Next Generation EU (NGEU)	*–*	*–*	*55 501*	*53 618*

Budget expenditure: outstanding commitments by multiannual financial (MFF) heading

EUR million

	MFF Heading	Outstanding commitments carried-over from 2020	Liquidation of outstanding commitm. carried from 2020	New outstanding commitments from 2021	Total outstanding commit-ments
		1	2	3	4=1+2+3
1	Single Market, Innovation and Digital	42 361	(14 410)	20 766	48 717
2	Cohesion, Resilience and Values	183 747	(70 192)	95 478	209 033
	2a. Economic, social and territorial cohesion	*180 084*	*(68 550)*	*41 305*	*152 839*
	2b. Resilience and values	*3 662*	*(1 641)*	*54 174*	*56 195*
3	Natural Resources and Environment	40 860	(15 330)	18 161	43 691
	of which: Market related expenditure and direct payments	*286*	*(86)*	*133*	*333*
4	Migration and Border Management	4 950	(1 872)	901	3 980
5	Security and Defence	1 503	(521)	1 415	2 397
6	Neighbourhood and the World	28 785	(8 507)	12 257	32 535
7	European Public Administration	981	(981)	1 075	1 076
	of which: Administrative expenditure of the institutions	*627*	*(627)*	*684*	*684*
O	Outside MFF	11	(4)	140	147
S	Solidarity mechanisms within and outside the Union (Special instruments)	0	(0)	–	–
	Total	**303 197**	**(111 816)**	**150 194**	**341 575**
	of which Next Generation EU (NGEU)	*–*	*–*	*89 907*	*89 907*
	of which excluding Next Generation EU (NGEU)	*303 197*	*(111 816)*	*60 288*	*251 668*

3. NOTES TO THE BUDGETARY IMPLEMENTATION REPORTS

3.1. 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 MFF in line with the legislative acts concerning multiannual programmes adopted under that framework.

3.2. MULTIANNUAL FINANCIAL FRAMEWORK 2021-2027

EUR million in current prices

	2021	2022	2023	2024	2025	2026	2027	Total
1. Single Market, Innovation and Digital	20 919	21 288	21 125	20 984	21 272	21 847	22 077	149 512
2. Cohesion, Resilience and Values	52 786	55 314	57 627	60 761	63 387	66 536	70 283	426 694
2a. Economic, social and territorial cohesion	*48 191*	*49 739*	*51 333*	*53 077*	*54 873*	*56 725*	*58 639*	*372 577*
2b. Resilience and Values	*4 595*	*5 575*	*6 294*	*7 684*	*8 514*	*9 811*	*11 644*	*54 117*
3. Natural Resources and Environment	58 624	56 519	56 849	57 003	57 112	57 332	57 557	400 996
of which: Market related expenditure and direct payments	*40 368*	*41 257*	*41 518*	*41 649*	*41 782*	*41 913*	*42 047*	*290 534*
4. Migration and Border Management	2 467	3 043	3 494	3 697	4 218	4 315	4 465	25 699
5. Security and Defence	1 805	1 868	1 918	1 976	2 215	2 435	2 705	14 922
6. Neighbourhood and the World	16 247	16 802	16 329	15 830	15 304	14 754	15 331	110 597
7. European Public Administration	10 635	11 058	11 419	11 773	12 124	12 506	12 959	82 474
of which: Administrative expenditure of the institutions	*8 216*	*8 528*	*9*	*9 006*	*9 219*	*9 464*	*9 786*	*62 991*
Commitment appropriations	**163 483**	**165 892**	**168 761**	**172 024**	**175 632**	**179 725**	**185 377**	**1 210 894**
Total payment appropriations	**166 140**	**167 585**	**165 542**	**168 853**	**172 230**	**175 674**	**179 187**	**1 195 211**

Council Regulation (EU, Euratom) 2020/2093 laying down the 2021-2027 MFF was adopted on 17 December 2020[18]. On 18 December 2020, the Commission adopted a Communication on the technical adjustment of the multiannual financial framework for the year 2021[19].The above table shows the MFF ceilings at current prices, in accordance with the fixed annual deflator of 2% set out in Article 4(2) of the MFF Regulation. 2021 was the first financial year covered by the MFF 2021-2027. The overall ceiling for commitment appropriations for 2021 was EUR 163 483 million, whilst the corresponding ceiling for payment appropriations was EUR 166 140 million.

Pursuant to Article 312(3) TFEU, the MFF determines the amounts of the annual ceilings for commitment appropriations by category of expenditure ('headings') and of the annual ceilings for payment

[18] Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027, OJ L 433I, 22.12.2020, p. 11.

[19] Technical adjustment of the financial framework for 2021 in accordance with Article 4 of Council Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027, COM(2020) 848 final, 18.12.2020.

appropriations. MFF headings correspond to the Union's major sectors of activity. The structure and the content of the headings changed significantly in comparison with the previous MFF 2014-2020. An explanation of the various headings of the 2021-2027 MFF is given below.

The MFF 2021-2027 will amount to EUR 1 211 billion (EUR 1 074 billion in 2018 prices), including the European Development Fund (EDF). In addition, NextGenerationEU will provide an additional amount of EUR 806.9 billion (EUR 750 billion in 2018 prices) up to 2023 in commitments and 2026 in payments.

For the annual budget procedure, the budget nomenclature is further structured by policy 'clusters', providing further clarity on how individual spending programmes contribute to the Union's policy goals.

Heading 1 – Single Market, Innovation and Digital

This heading includes key EU programmes supporting the areas of research and innovation, digital transformation, strategic infrastructure, strengthening the single market and strategic space projects. Programmes under this heading include Horizon Europe, the InvestEU Fund, Connecting Europe Facility, the Single market programme and the European space programme.

Programmes receiving contributions from NGEU (external assigned revenue) in this heading: Horizon Europe and InvestEU Fund.

Heading 2 – Sustainable growth: natural resources

This heading is divided in two sub-headings: Economic, social and territorial cohesion (2a), and Resilience and values (2b).

Spending under this heading aims at strengthening the resilience and cohesion between the EU Member States. The funding helps reduce disparities in and between EU regions, and within and across Member States, and promote sustainable territorial development (European Regional Development Fund, Cohesion Fund, European Social Fund Plus). It also supports the Union's solidarity and cooperation in preparedness and response to disasters (Union Civil Protection Mechanism and rescEU). In addition, programmes under this heading seek to make the EU more resilient to present and future challenges by investing in the green and digital transition, young people (Erasmus), health (EU4Health) and action to protect EU values (Justice, Rights and Values) and promote cultural diversity (Creative Europe).

This heading includes the RRF, powered by the vast majority of the funding provided by NGEU over the period 2021-2023. Other programmes receiving contributions from NGEU (external assigned revenue) in this heading: REACT-EU, Union Civil Protection Mechanism (rescEU).

EUR million

MFF programme	Commitment appropri-ations	Commit-ments made	Payment appropri-ations	Payments made	Outstanding commitm. at end of 2021
European Regional Development Fund (ERDF)	31 458	24 038	6 058	4 926	19 112
European Social Fund (ESF)	19 161	15 435	2 267	2 081	13 354
Total REACT-EU package	**50 620**	**39 473**	**8 325**	**7 007**	**32 466**

Heading 3 – Natural Resources and Environment

Expenditure under this heading invests in sustainable agriculture (common agricultural policy) and fisheries and maritime policy (Zuropean Maritime,Fisheries and Aquaculture Fund), as well programmes dedicated to environmental protection and climate action (LIFE programme, Just Transition Fund).

Programmes receiving contributions from NGEU (external assigned revenue) in this heading: rural development, Just Transition Fund.

Heading 4 – Migration and Border Management

The programmes (Asylum, Migration and Integration Fund, Integrated Border Management Fund) and the decentralised agencies (such as the European Border and Coast Guard Agency (Frontex) and the European Union Agency for Asylum) financed under this heading seek to tackle the challenges linked to migration and the management of the EU's external borders and to the safeguarding of the asylum system within the EU.

Heading 5 – Security and Defence

This heading reflects the increased need for cooperation at Union level to address security threats and increase its strategic autonomy. It includes programmes whose role is to improve the security and safety of Europe's citizens (Internal Security Fund), to strengthen Europe's defence capacities (European Defence Fund), and to provide the tools needed to respond to internal and external security challenges.

Heading 6 – Neighbourhood and the World

Programmes under this heading reinforce the EU socio-economic impact in its neighbourhood, in developing countries and the rest of the world. The new NDICI- Global Europe instrument merges several former EU external financing instruments, including cooperation with African, Caribbean and Pacific (ACP) countries previously financed by the European Development Fund. The heading also includes assistance for countries preparing for accession to the EU (Pre-accession assistance) and the Union's Humanitarian Aid programme.

Heading 7 - European Public Administration

This heading covers administrative expenditure for all institutions, pensions and the European Schools.

Heading 9 – Special instruments

Flexibility mechanisms in the EU budget enable the EU to mobilise the necessary funds to react to unforeseen events such as crisis and emergency situations. In the annual budgetary nomenclature and implementation, they are identified under 'heading 9', although they can be mobilised over and above the MFF expenditure ceilings. Their scope, financial allocation and operating modalities are provided for in the MFF Regulation and the Inter institutional Agreement. They ensure that budgetary resources can respond to evolving priorities, so that every euro is used where it is most needed.

3.3. 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 **6.7 - 6.12** below).

3.4. NextGenerationEU

With a budget of EUR 421.1 billion for the non-repayable support (grants), NGEU has a major impact on the total EU annual budgets 2021 through to 2026 and on their implementation. In 2021, this amount has been fully inscribed as assigned revenue appropriations. All commitments for the non-repayable support will be entered by the 31 December 2023 and will be honoured by payments by 31 December 2026, in accordance with the Articles 3(4) and 3(9) of the EURI Regulation[20].

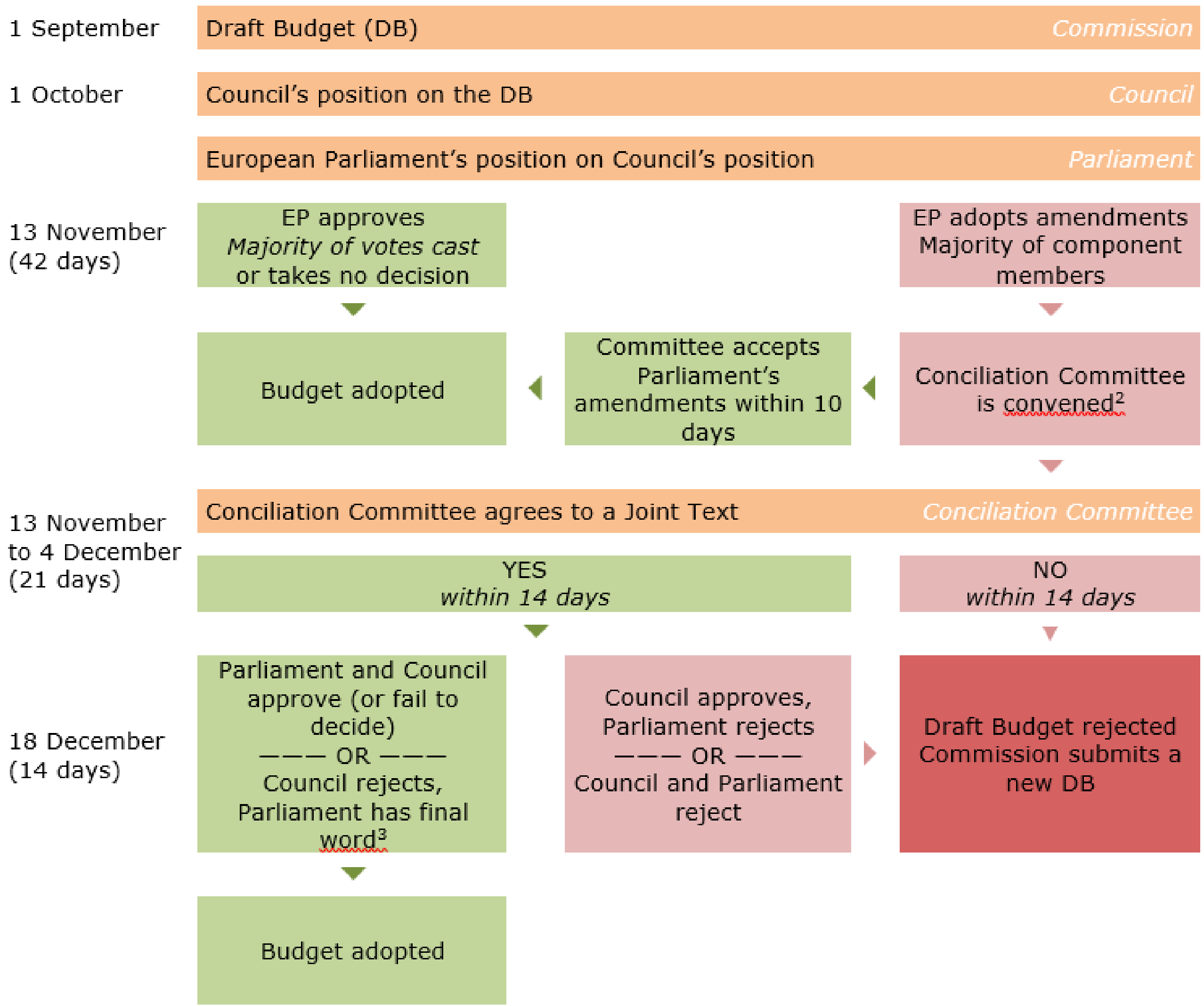
For a comprehensive overview of the NGEU activities, consult sections **2.2** and **2.3** of the Financial Highlights of the Year.

[20] Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis.

3.5. ANNUAL BUDGET

The budget adoption procedure is laid down in Article 314 of the Treaty on the Functioning of the EU. The following diagram presents the deadlines as well as the steps of the budget adoption.

Treaty timetable[1]



1) In practice, the three institutions endeavour to present their respective documents earlier in the year in order to smooth the process.

2) The Conciliation Committee is composed of the members of the Council or their representatives and an equal number of members representing the European Parliament. The Commission takes part in the Conciliation Committee's proceedings and takes all the necessary initiatives to reconcile the positions of the European Parliament and the Council.

3) The European Parliament approves the joint text and then, within 14 days of the Council's rejection, decides (by a majority of its component members and 3/5 of the votes cast) to confirm all or some of its amendments.

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; these are assigned directly to the corresponding expenditure budget lines and constitute the third pillar of funding.

All funding types together form the available appropriations.

3.6. REVENUE

3.6.1. Own resources revenue

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

(1) Traditional own resources (TOR): accounted for around 12% of own resources revenue in 2021.

(2) Value added tax (VAT) based resource: accounted for around 11% of own resources revenue in 2021.

(3) Resource based on plastic packaging waste that is not recycled: accounted for around 4% of own resources revenue in 2021.

(4) Gross national income (GNI) based resource: accounted for around 73% of own resources revenue in 2021.

Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the EU (Own Resources Decision 2020) specifies the categories of own resources and lays down the methods for their calculation. This decision entered into force on 1 June 2021 and was applied retroactively from 1 January 2021.

The Own Resources Decision 2020 stipulates that the total amount of own resources allocated to the Union to cover annual appropriations for payments shall not exceed 1.40% of the sum of all the Member States' GNIs. In addition, the decision empowers the Commission on an exceptional basis to borrow temporarily up to EUR 750 billion in 2018 prices on the capital markets on behalf of the Union to address the consequences of the COVID-19 pandemic through the recovery instrument NextGenerationEU. The own resources ceiling for appropriations for payments will be increased temporarily by 0.6 percentage points to cover all liabilities resulting from this borrowing.

From 2021 the other revenues of the EU budget include the financial contributions from the United Kingdom to cover its liabilities towards the EU and the EU liabilities towards the United Kingdom arising from the 2014-2020 period.

3.6.2. Traditional own resources (TOR)

TOR consist of customs duties levied on imports from third countries, which are collected by Member States on behalf of the EU. However, Member States retain 25% to cover their collection costs. All established TOR amounts must be entered in one of the following accounts kept by the competent authorities:

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

Member States must book TOR to the Commission's account via their treasury or national central bank no later than the first working day after the 19th day of the second month following the month in which the entitlement was established (or recovered in the case of the separate account).

3.6.3. Value added tax (VAT)

The VAT own resource is calculated based on Member States' VAT bases, which are harmonised for this purpose in accordance with EU rules. A uniform call rate of 0.30% applies to each Member State's total amount of VAT receipts collected for all taxable supplies divided by the weighted average VAT rate. The VAT base is capped at 50% of each Member State's GNI.

3.6.4. Non-recycled plastic packaging waste

A uniform call rate of EUR 0.80 per kilogram applies to the weight of plastic packaging waste generated in each Member State that is not recycled. The plastic packaging waste that is not recycled in a given year is calculated as the difference between the plastic packaging waste generated and the plastic packaging waste recycled in that year in a Member State. Bulgaria, the Czechia, Estonia, Greece, Spain, Croatia, Italy, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Romania, Slovenia and Slovakia are entitled to specific annual lump sum reductions in their respective plastics own resource contributions.

3.6.5. Gross national income (GNI)

The resource based on gross national income (GNI) is used to finance that part of the budget that is not covered by other revenue sources. A uniform call rate is levied on each Member State's 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 prepared. These forecasts are subsequently revised and updated during the budget year concerned, by means of an amending budget. Differences between the amounts due by the Member States with reference to the actual bases, and the amounts 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 concerned. Corrections may still be made to the actual VAT and GNI bases during the subsequent four years, unless a reservation is issued. These reservations represent potential claims on the Member States for uncertain amounts, as their financial impact cannot be accurately estimated. 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.

3.6.6. Gross reduction

For the period 2021-2027, the following Member States benefit from a gross reduction in their annual GNI-based contributions of EUR 565 million for Austria, EUR 377 million for Denmark, EUR 3 671 million for Germany, EUR 1 921 million for the Netherlands and EUR 1 069 million for Sweden. These gross reductions are measured in 2020 prices and financed by all Member States.

3.7. RECONCILIATION OF ECONOMIC RESULT WITH BUDGET RESULT

EUR million

	2021	2020
ECONOMIC RESULT OF THE YEAR	**(42 100)**	**57 416**
Revenue		
Entitlements established in current year but not yet collected	*(7 068)*	*(1 295)*
Entitlements established in previous years and collected in current year	*64 356*	*3 886*
Accrued revenue (net)	*(5 434)*	*(48 762)*
	51 854	**(46 171)**
Expenses		
Accrued expenses (net)	*53 108*	*8 258*
Expenses prior year paid in current year	*(1 046)*	*(457)*
Net-effect pre-financing	*(47 608)*	*(17 547)*
Payment appropriations carried over to next year	*(4 449)*	*(2 268)*
Payments made from carry-overs & cancellation of unused payment	*(4 047)*	*3 248*
Movement in provisions	*1 032*	*3 873*
Other	*(3 577)*	*(4 441)*
	(6 587)	**(9 334)**
Economic result Agencies and ECSC i.L.	**61**	**(142)**
BUDGET RESULT OF THE YEAR	**3 230**	**1 768**

In accordance with the Financial Regulation, the economic result of the year is calculated on the basis of accrual accounting principles and the 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 – 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 related to the UK's withdrawal from the EU, financial corrections, 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.

4. IMPLEMENTATION OF THE 2021 EU BUDGET

Please see section **4**, "Summary of budget implementation" in the Financial Highlights of the Year for explanatory notes on the 2021 budget implementation for revenue and expenditure, outstanding commitments and budget result.

5. IMPLEMENTATION OF EU BUDGET REVENUE

5.1. SUMMARY OF THE IMPLEMENTATION OF EU BUDGET REVENUE

EUR million

		Income appropriations		**Entitlements established**			**Revenue**				
	Title	Initial adopted budget	Final adopted budget	Current year	Carried over	Total	On entitle-ments of current year	On entitle-ments carried over	Total	Receipts as % of budget	Out-standing
		1	2	3	4	5=3+4	6	7	8=6+7	9=8/2	10=5-8
1	Own resources	156 867	156 993	158 629	2 241	160 869	158 624	8	158 632	101 %	2 237
	11 - Sugar levies	*0*	*0*	*1*	–	*1*	*1*	–	*1*	-	*(0)*
	12 - Customs duties	*17 606*	*17 348*	*19 033*	*2 241*	*21 274*	*19 028*	*8*	*19 037*	*110 %*	*2 237*
	13 - VAT	*17 967*	*17 941*	*17 934*	–	*17 934*	*17 934*	–	*17 934*	*100 %*	–
	14 - GNI	*121 294*	*115 858*	*115 819*	–	*115 819*	*115 819*	–	*115 819*	*100 %*	–
	16 - Reduction of GNI-based contribution granted to certain Member States	*0*	–	*11*	–	*11*	*11*	–	*11*	-	–
	17 - Plastic packaging waste	*0*	*5 847*	*5 831*	–	*5 831*	*5 831*	–	*5 831*	*100 %*	–
2	Surpluses, balances and adjustments	0	1 769	1 772	7	1 779	1 772	–	1 772	100 %	7
3	Administrative revenue	1 726	1 726	2 254	52	2 306	2 195	35	2 230	129 %	76
4	Financial revenue, default interest and fines	119	515	2 082	16 412	18 494	1 060	573	1 633	317 %	16 861
5	Budgetary guarantees, borrowing and lending operations	0	0	55 501	–	55 501	55 501	–	55 501	-	–
6	Revenue, contributions and refunds related to Union policies	7 348	7 008	25 403	711	26 114	19 359	468	19 827	283 %	6 287
	Total	**166 060**	**168 011**	**245 641**	**19 422**	**265 063**	**238 511**	**1 085**	**239 596**	**143 %**	**25 467**

6. IMPLEMENTATION OF EU BUDGET EXPENDITURE

6.1. MFF: BREAKDOWN & CHANGES IN COMMITMENT & 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	Single Market, Innovation and Digital	20 817	1	20 817	33	14 110	34 960	17 192	(521)	16 670	137	5 671	22 478
2	Cohesion, Resilience and Values	52 862	358	53 219	9	399 098	452 326	66 154	1 460	67 614	426	63 375	131 414
	2a. Economic, social and territorial cohesion	*48 191*	*0*	*48 191*	*8*	*58 215*	*106 413*	*61 868*	*1 987*	*63 855*	*13*	*15 760*	*79 628*
	2b. Resilience and values	*4 671*	*358*	*5 029*	*1*	*340 883*	*345 913*	*4 286*	*(527)*	*3 758*	*413*	*47 615*	*51 787*
3	Natural Resources and Environment	58 569	5	58 574	475	20 328	79 377	56 804	(783)	56 021	499	1 790	58 310
	of which: Market-related expenditure and direct payments	*40 368*	*4*	*40 371*	*475*	*672*	*41 518*	*40 354*	*(51)*	*40 303*	*493*	*672*	*41 467*
4	Migration and Border Management	2 279	24	2 303	–	65	2 368	2 686	(167)	2 519	4	210	2 734
5	Security and Defence	1 709	(3)	1 706	–	35	1 741	671	43	714	0	12	726
6	Neighbourhood and the World	16 097	934	17 031	–	443	17 474	10 811	644	11 455	37	766	12 258
7	European Public Administration	10 448	(5)	10 443	85	876	11 404	10 450	(5)	10 444	1 045	879	12 368
	of which: Administrative expenditure of the institutions	*4 313*	*(6)*	*4 307*	*85*	*488*	*4 879*	*4 313*	*(6)*	*4 307*	*695*	*489*	*5 492*
O	Outside MFF	–	–	–	–	3 922	3 922	–	–	–	–	3 931	3 931
S	Solidarity mechanisms within and outside the Union (Special instruments)	1 471	1 269	2 739	–	20	2 759	1 293	1 280	2 574	0	20	2 593
	Total	**164 251**	**2 582**	**166 833**	**602**	**438 896**	**606 331**	**166 060**	**1 951**	**168 011**	**2 149**	**76 653**	**246 812**

6.2. MFF: IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

EUR million

	MFF Heading	Total appropr. available	Commitments made					Appropriations carried over to 2022			Appropriations lapsing			
			from final adopted budget	from carry-overs	from assigned revenue	Total	%	from final adopted budget	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=7+8	10	11	12	13=10+11+12
1	Single Market, Innovation and Digital	34 960	20 700	33	4 950	25 683	73 %	113	9 160	9 273	4	–	1	4
2	Cohesion, Resilience and Values	452 326	6 760	9	145 178	151 947	34 %	0	253 653	253 653	46 460	–	267	46 726
	2a. Economic, social and territorial cohesion	*106 413*	*1 751*	*8*	*46 709*	*48 468*	*46 %*	–	*11 240*	*11 240*	*46 439*	–	*265*	*46 705*
	2b. Resilience and values	*345 913*	*5 009*	*1*	*98 469*	*103 479*	*30 %*	*0*	*242 413*	*242 413*	*20*	–	*1*	*22*
3	Natural Resources and Environment	79 377	56 094	470	3 160	59 723	75 %	686	16 779	17 466	1 794	5	389	2 188
	of which: Market-related expenditure and direct payments	*41 518*	*39 679*	*470*	*669*	*40 818*	*98 %*	*686*	*2*	*689*	*6*	*5*	*0*	*11*
4	Migration and Border Management	2 368	1 626	–	19	1 644	69 %	–	47	47	677	–	0	677
5	Security and Defence	1 741	1 597	–	28	1 625	93 %	–	7	7	109	–	0	109
6	Neighbourhood and the World	17 474	15 130	–	242	15 372	88 %	1 900	200	2 100	2	–	1	2
7	European Public Administration	11 404	10 286	85	559	10 930	96 %	22	315	337	135	–	2	137
	of which: Administrative expenditure of the institutions	*4 879*	*4 171*	*85*	*335*	*4 590*	*94 %*	*22*	*153*	*175*	*114*	–	*1*	*115*
O	Outside MFF	3 922	–	–	199	199	5 %	–	3 723	3 723	–	–	–	–
S	Solidarity mechanisms within and outside the Union (Special instruments)	2 759	1 223	–	–	1 223	44 %	1 343	7	1 350	173	–	13	186
	Total	**606 331**	**113 415**	**596**	**154 334**	**268 345**	**44 %**	**4 065**	**283 891**	**287 956**	**49 354**	**5**	**671**	**50 030**

6.3. MFF: IMPLEMENTATION OF PAYMENT APPROPRIATIONS

EUR million

	MFF Heading	Total appropr. available	Payments made					Appropriations carried over to 2022			Appropriations lapsing			
			from final adopted budget	from carry-overs	from assigned revenue	Total	%	from final adopted budget	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=7+8	10	11	12	13=10+11+12
1	Single Market, Innovation and Digital	22 478	16 495	115	1 922	18 532	82 %	151	3 744	3 895	25	22	5	51
2	Cohesion, Resilience and Values	131 414	67 577	239	58 639	126 454	96 %	27	4 733	4 760	10	187	3	200
	2a. Economic, social and territorial cohesion	*79 628*	*63 849*	*11*	*11 731*	*75 591*	*95 %*	*3*	*4 029*	*4 032*	*3*	*2*	*0*	*5*
	2b. Resilience and values	*51 787*	*3 728*	*228*	*46 908*	*50 863*	*98 %*	*24*	*704*	*728*	*7*	*185*	*3*	*195*
3	Natural Resources and Environment	58 310	55 312	492	1 027	56 831	97 %	693	762	1 455	17	7	0	24
	of which: Market-related expenditure and direct payments	*41 467*	*39 605*	*486*	*669*	*40 760*	*98 %*	*687*	*2*	*689*	*11*	*7*	*0*	*18*
4	Migration and Border Management	2 734	2 515	3	29	2 547	93 %	3	181	184	2	1	0	3
5	Security and Defence	726	703	0	4	708	97 %	5	7	12	6	0	0	6
6	Neighbourhood and the World	12 258	10 443	34	458	10 935	89 %	1 008	308	1 317	3	3	0	6
7	European Public Administration	12 368	9 316	938	452	10 705	87 %	991	422	1 412	138	108	5	251
	of which: Administrative expenditure of the institutions	*5 492*	*3 537*	*618*	*281*	*4 436*	*81 %*	*653*	*205*	*858*	*117*	*77*	*3*	*198*
O	Outside MFF	3 931	–	–	61	61	2 %	–	3 870	3 870	–	–	–	–
S	Solidarity mechanisms within and outside the Union (Special instruments)	2 593	1 208	0	14	1 223	47 %	1 365	5	1 371	–	–	–	–
	Total	**246 812**	**163 568**	**1 821**	**62 607**	**227 996**	**92 %**	**4 244**	**14 032**	**18 275**	**199**	**327**	**14**	**541**

6.4. 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. outstanding at year-end	Commitm. made during the year	Payments	Cancellation of commitm. which cannot be carried over	Commitm. outstanding at year-end	
		1	2	3	4=1+2+3	5	6	7	8=5+6+7	9=4+8
1	Single Market, Innovation and Digital	42 361	(777)	(13 632)	27 951	25 683	(4 900)	(17)	20 766	48 717
2	Cohesion, Resilience and Values	183 747	(205)	(69 986)	113 555	151 947	(56 468)	(1)	95 478	209 033
	2a. Economic, social and territorial cohesion	*180 084*	*(123)*	*(68 428)*	*111 534*	*48 468*	*(7 163)*	*(0)*	*41 305*	*152 839*
	2b. Resilience and values	*3 662*	*(82)*	*(1 559)*	*2 021*	*103 479*	*(49 305)*	*(0)*	*54 174*	*56 195*
3	Natural Resources and Environment	40 860	(61)	(15 269)	25 530	59 723	(41 562)	(0)	18 161	43 691
	of which: Market-related expenditure and direct payments	*286*	*(10)*	*(76)*	*200*	*40 818*	*(40 685)*	*–*	*133*	*333*
4	Migration and Border Management	4 950	(68)	(1 804)	3 078	1 644	(743)	–	901	3 980
5	Security and Defence	1 503	(23)	(498)	981	1 625	(209)	(0)	1 415	2 397
6	Neighbourhood and the World	28 785	(687)	(7 821)	20 278	15 372	(3 115)	(0)	12 257	32 535
7	European Public Administration	981	(124)	(857)	0	10 930	(9 848)	(6)	1 075	1 076
	of which: Administrative expenditure of the institutions	*627*	*(92)*	*(535)*	*–*	*4 590*	*(3 901)*	*(6)*	*684*	*684*
O	Outside MFF	11	(2)	(3)	6	199	(58)	–	140	147
S	Solidarity mechanisms within and outside the Union (Special instruments)	0	–	(0)	–	1 223	(1 223)	–	–	–
	Total	**303 197**	**(1 946)**	**(109 870)**	**191 381**	**268 345**	**(118 126)**	**(24)**	**150 194**	**341 575**

6.5. MFF: OUTSTANDING COMMITMENTS BY YEAR OF ORIGIN

EUR million

		<2015	2015	2016	2017	2018	2019	2020	2021	Total
1	Single Market, Innovation and Digital	579	497	1 020	2 025	3 632	8 014	11 812	21 138	48 717
2	Cohesion, Resilience and Values	2 546	404	911	8 637	16 907	33 036	51 058	95 534	209 033
3	Natural Resources and Environment	328	1 222	1 128	1 065	2 486	7 231	12 071	18 161	43 691
4	Migration and Border Management	17	2	66	195	517	865	1 414	904	3 980
5	Security and Defence	37	4	47	129	159	241	364	1 415	2 397
6	Neighbourhood and the World	1 258	642	1 185	2 139	3 458	5 493	6 041	12 319	32 535
7	European Public Administration	–	–	–	0	–	0	0	1 075	1 076
O	Outside MFF	–	–	–	–	–	1	6	140	147
S	Solidarity mechanisms within and outside the Union (Special instruments)	–	–	–	–	–	–	–	–	–
	Total	**4 765**	**2 771**	**4 357**	**14 190**	**27 158**	**54 881**	**82 766**	**150 687**	**341 575**

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.

6.6. MFF: OUTSTANDING COMMITMENTS BY APPROPRIATIONS TYPE

EUR million

		From budget appropriations					From assigned revenue appropriations					Total commitm. outstanding at the end of 2021
		Commitm. carried forward from 2020	Adjust-ments	Commitm. made	Payments made	Amount remaining to be settled	Commitm. carried forward from 2020	Adjust-ments	Commitm. made	Payments made	Amount remaining to be settled	
		1	2	3	4	5=1+2+3-4	6	7	8	9	10=6+7+8-9	11=5+10
1	Single Market, Innovation and Digital	37 889	(580)	20 733	16 702	41 340	4 472	(215)	4 950	1 830	7 377	48 717
2	Cohesion, Resilience and Values	160 278	(198)	6 769	71 281	95 569	23 468	(8)	145 178	55 174	113 465	209 033
	2a. Economic, social and territorial cohesion	*157 017*	*(123)*	*1 759*	*67 174*	*91 479*	*23 067*	*(0)*	*46 709*	*8 416*	*61 360*	*152 839*
	2b. Resilience and values	*3 261*	*(75)*	*5 009*	*4 106*	*4 090*	*401*	*(8)*	*98 469*	*46 757*	*52 105*	*56 195*
3	Natural Resources and Environment	40 438	(61)	56 563	56 086	40 854	423	(0)	3 160	745	2 837	43 691
	of which: Market related expenditure and direct payments	*286*	*(10)*	*40 149*	*40 091*	*333*	*–*	*–*	*669*	*669*	*–*	*333*
4	Migration and Border Management	4 679	(64)	1 626	2 480	3 760	271	(3)	19	67	219	3 980
5	Security and Defence	1 489	(22)	1 597	700	2 364	13	(1)	28	8	33	2 397
6	Neighbourhood and the World	27 712	(670)	15 130	10 506	31 666	1 074	(17)	242	429	869	32 535
7	European Public Administration	901	(92)	10 371	10 215	964	80	(37)	559	490	111	1 076
	of which: Administrative expenditure of the institutions	*591*	*(66)*	*4 256*	*4 155*	*626*	*36*	*(32)*	*335*	*281*	*57*	*684*
O	Outside MFF			–	–	–	11	(2)	199	61	147	147
S	Solidarity mechanisms within and outside the Union (Special instruments)	0	–	1 223	1 223	–						–
	Total	**273 386**	**(1 687)**	**114 011**	**169 192**	**216 518**	**29 811**	**(283)**	**154 334**	**58 805**	**125 057**	**341 575**

6.7. DETAILED MFF: BREAKDOWN AND CHANGES IN COMMITMENT AND 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 Horizon Europe	11 507	1	11 508	20	6 750	18 278	9 835	(905)	8 930	81	3 926	12 937
Euratom	266	(1)	265	12	73	349	254	18	272	45	127	444
Thermonuclear Experimental Reactor (ITER)	864	–	864	–	17	881	614	–	614	0	45	659
Other actions	–	–	–	–	490	490	–	–	–	–	377	377
Pilot projects and prep. actions	10	(0)	10	–	–	10	14	(2)	12	–	–	12
InvestEU Fund	654	3	657	–	6 511	7 168	1 081	(142)	939	–	724	1 662
CEF - Transport	1 785	0	1 786	–	21	1 807	1 428	(49)	1 380	1	18	1 398
CEF - Energy	785	–	785	–	9	794	471	71	543	1	12	556
CEF - Digital	277	–	277	–	1	279	207	(50)	158	1	6	164
Digital Europe	1 130	1	1 130	–	31	1 161	159	(69)	90	0	4	94
Decentralised agencies	188	1	189	–	13	203	188	1	189	–	13	203
Other actions	375	(3)	372	–	–	372	375	(3)	372	–	–	372
Pilot projects and prep. actions	17	–	17	1	–	18	23	(6)	18	0	–	18
Actions under prerogatives of Commission	26	(1)	25	–	8	33	21	6	27	–	0	27
Single Market	575	8	583	–	44	627	547	(121)	427	4	57	488
EU Anti-Fraud	24	–	24	–	1	25	24	(8)	16	–	1	17
Taxation	36	(1)	35	–	1	36	33	3	36	0	3	38
Customs	127	(1)	126	–	4	130	86	6	93	0	8	100
Decentralised agencies	121	(3)	118	–	10	128	121	(3)	118	–	10	128
Other actions	8	1	9	–	0	9	8	(1)	7	–	0	7
Pilot projects and prep. actions	8	(3)	5	–	–	5	14	(5)	9	–	–	9
European Space Programme	1 997	(20)	1 977	–	125	2 102	1 652	728	2 379	4	339	2 722

EUR million

Programme	Commitment appropriations: Budget appropriations: Initial adopted budget	Commitment appropriations: Budget appropriations: Amending budgets & transfers	Commitment appropriations: Budget appropriations: Final adopted budget	Commitment appropriations: Additional appropriations: Carry-overs	Commitment appropriations: Additional appropriations: Assigned revenue	Commitment appropriations: Total approp. available	Payment appropriations: Budget appropriations: Initial adopted budget	Payment appropriations: Budget appropriations: Amending budgets & transfers	Payment appropriations: Budget appropriations: Final adopted budget	Payment appropriations: Additional appropriations: Carry-overs	Payment appropriations: Additional appropriations: Assigned revenue	Payment appropriations: Total approp. available
	1	2	3=1+2	4	5	6=3+4+5	7	8	9=7+8	10	11	12=9+10+11
Decentralised agencies	36	20	56	–	1	57	36	7	43	–	1	44
Pilot projects & preparatory actions	1	(1)	–	–	–	–	0	(0)	–	–	–	–
Total Heading 1: Single Market, Innovation and Digital	20 817	1	20 817	33	14 110	34 960	17 192	(521)	16 670	137	5 671	22 478
2 Regional Development (ERDF) *	29 240	(0)	29 240	–	35 562	64 803	33 871	3 505	37 376	5	10 076	47 457
Cohesion Fund	4 696	0	4 696	–	1 363	6 059	10 595	(2 097)	8 498	2	1 351	9 852
Cohesion Fund contrib. to CEF-Transport	1 442	–	1 442	–	12	1 455	1 250	(228)	1 022	–	13	1 035
Pilot projects and prep. actions	–	–	–	–	0	0	4	(1)	3	–	0	3
European Social Fund Plus (ESF+) *	12 812	0	12 812	8	21 277	34 097	16 147	809	16 956	6	4 319	21 280
Support to Turkish-Cypriot Community	32	–	32	–	2	34	35	4	39	0	1	40
European Recovery and Resilience	116	–	116	–	337 969	338 086	109	(27)	82	1	46 386	46 469
Pericles IV	1	–	1	–	0	1	1	(0)	0	–	0	0
EU Recovery	40	(35)	5	–	–	5	40	(35)	5	–	–	5
RescEU	90	92	183	–	2 085	2 267	194	(29)	165	17	23	204
EU4Health	327	2	329	–	10	339	128	(68)	60	1	4	66
Emergency support within the Union (ESI)	–	232	232	–	439	671	90	224	314	379	439	1 132
Decentralised agencies	258	67	324	–	18	343	248	68	316	–	18	334
Pilot projects and prep. actions	–	–	–	–	–	–	2	1	3	–	–	3
Actions under prerogatives of Commission	11	–	11	–	1	13	10	(0)	10	–	2	12
Employment and Social Innovation	102	0	103	–	12	114	85	(30)	55	1	13	69
Erasmus+	2 663	0	2 663	–	305	2 968	2 408	(419)	1 989	7	680	2 676
European Solidarity Corps (ESC)	136	–	136	–	12	147	127	(30)	96	2	17	115
Creative Europe	306	–	306	–	14	320	237	(104)	133	2	16	151
Justice	46	0	47	–	6	53	45	(10)	35	0	6	42
Rights and Values	97	2	99	–	2	101	88	(27)	60	1	2	63
Decentralised agencies	220	(1)	220	1	4	225	220	(17)	203	2	5	210

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
	Other actions	9	–	9	–	1	10	7	(1)	7	–	1	8
	Pilot projects and prep. actions	32	(2)	30	–	0	30	51	(23)	28	–	0	28
	Actions under prerogatives of Commission	184	–	184	–	2	185	162	(4)	158	–	2	160
	Total Heading 2: Cohesion, Resilience and Values	52 862	358	53 219	9	399 098	452 326	66 154	1 460	67 614	426	63 375	131 414
3	Agricultural Guarantees	40 368	4	40 371	475	672	41 518	40 354	(51)	40 303	493	672	41 467
	Other progr. of Natural Resources and Environment	75	(75)	–	–	–	–	72	(72)	–	–	–	–
	Agricultural Fund for Rural Development	15 345	(4)	15 341	–	8 492	23 833	15 022	(673)	14 349	2	817	15 168
	Maritime and Fisheries	761	(2)	759	–	239	998	829	(134)	695	1	151	847
	Fisheries (SFPA and RFMO)	74	78	152	–	–	152	73	77	150	–	–	150
	Decentralised agencies	17	4	21	–	1	22	17	4	21	–	1	22
	Pilot projects and prep. actions	–	–	–	–	–	–	6	(3)	3	–	–	3
	Environment and Climate (LIFE)	739	0	739	–	3	742	371	72	443	4	2	449
	Just Transition Fund	1 137	(0)	1 137	–	10 868	12 005	0	1	1	–	94	96
	Loan facility under Just Transition Mechanism	–	–	–	–	46	46	–	–	–	–	46	46
	Decentralised agencies	51	(0)	50	–	7	57	51	(0)	50	–	7	57
	Pilot projects and prep. actions	4	(0)	4	–	–	4	9	(4)	5	–	–	5
	Total Heading 3: Natural Resources and Environment	58 569	5	58 574	475	20 328	79 377	56 804	(783)	56 021	499	1 790	58 310
4	Asylum, Migration and Integration	873	22	895	–	8	903	1 301	(76)	1 225	2	9	1 236
	Decentralised agencies	138	–	138	–	22	160	138	–	138	–	22	160
	Pilot projects and prep. actions	–	–	–	–	0	0	–	0	0	–	0	0
	Border Mngmt. (IBMF) - Border mngmt and visa	398	34	432	–	9	442	488	(86)	402	2	154	558
	Border Mngmt. (IBMF) - Customs equipment	135	–	135	–	–	135	33	(33)	0	–	–	0
	Decentralised agencies	734	(32)	703	–	25	728	726	28	754	–	25	779

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
	Total Heading 4: Migration and Border Management	2 279	24	2 303	–	65	2 368	2 686	(167)	2 519	4	210	2 734
5	Internal Security Fund (ISF)	176	2	178	–	3	182	181	(15)	165	0	4	169
	Nuclear decommissioning	73	–	73	–	–	73	50	(4)	46	–	–	46
	Nuclear Safety and decommissioning	69	–	69	–	1	70	78	3	81	–	1	82
	Decentralised agencies	198	(5)	193	–	7	200	198	(5)	193	–	7	200
	Pilot projects and prep. actions	–	–	–	–	–	–	–	1	1	–	–	1
	Actions under prerogatives of Commission	22	(1)	21	–	0	21	21	–	21	–	0	21
	European Defence (Research)	283	40	323	–	7	330	13	(12)	1	–	0	2
	European Defence (Non Research)	662	(40)	623	–	17	639	109	90	199	0	0	199
	Military Mobility	227	–	227	–	–	227	17	(15)	2	–	–	2
	Pilot projects and prep. actions	–	–	–	–	–	–	5	0	5	–	0	5
	Total Heading 5: Security and Defence	1 709	(3)	1 706	–	35	1 741	671	43	714	0	12	726
6	Neighbourhood, Developm. and Intl. Cooperation	12 071	340	12 411	–	216	12 627	6 514	167	6 681	24	234	6 939
	Instrument for Nuclear Safety (EINS)	38	–	38	–	3	40	33	(16)	17	1	3	20
	Humanitarian Aid (HUMA)	1 503	665	2 168	–	39	2 207	1 900	507	2 407	5	61	2 473
	Common Foreign and Security Policy (CFSP)	352	0	352	–	57	409	329	18	346	0	41	388
	Overseas Countries and Territories (OCT)	67	–	67	–	–	67	33	(26)	8	–	–	8
	Other actions	72	(53)	19	–	0	19	42	(24)	17	–	0	17
	Pilot projects and prep. actions	0	(0)	–	–	0	0	0	2	2	–	0	2
	Actions under prerogatives of Commission	93	(1)	92	–	1	94	78	(7)	71	–	1	72
	Pre-Accession Assistance (IPA III)	1 901	(18)	1 884	–	127	2 011	1 882	22	1 905	7	427	2 338
	Pilot projects and prep. actions	–	–	–	–	–	–	–	–	–	–	–	–
	Total Heading 6: Neighbourhood and the World	16 097	934	17 031	–	443	17 474	10 811	644	11 455	37	766	12 258

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
7 Staff Pensions	2 179	–	2 179	–	–	2 179	2 179	–	2 179	–	–	2 179
(Pensions former Members) EP	11	–	11	–	–	11	11	–	11	–	–	11
(Pensions former Members) ECC	1	0	1	–	–	1	1	0	1	–	–	1
(Pensions former Members) Commission	7	–	7	–	–	7	7	–	7	–	–	7
(Pensions former Members) CJEU	12	(1)	12	–	–	12	12	(1)	12	–	–	12
(Pensions former Members) ECA	5	0	5	–	–	5	5	0	5	–	–	5
(Pensions former Members) Ombudsman	0	–	0	–	–	0	0	–	0	–	–	0
(Pensions former Members) EDPS	0	0	0	–	–	0	0	0	0	–	–	0
European schools	197	–	197	–	20	216	197	–	197	1	20	217
Remuneration statutory staff	2 509	(14)	2 495	–	67	2 561	2 509	(14)	2 495	0	67	2 561
Remuneration external staff	242	6	248	–	64	312	242	6	248	38	64	350
Members - Salaries and allowances	15	–	15	–	0	15	15	–	15	0	0	15
Members - Temporary allowances	3	–	3	–	–	3	3	–	3	–	–	3
Recruitment costs	29	(3)	26	–	1	27	29	(3)	26	3	1	31
Termination of service	8	–	8	–	–	8	8	–	8	–	–	8
Training costs	18	(0)	17	–	5	23	18	(0)	17	11	5	34
Social and Mobility	22	2	24	–	28	52	22	2	24	12	29	64
Information and comm. technology	242	55	298	–	84	381	242	55	298	142	84	523
Rents and purchases	302	16	318	–	39	357	302	16	318	5	39	361
Linked to buildings	100	(13)	86	–	28	114	100	(13)	86	51	28	165
Security	63	(0)	63	–	11	75	63	(0)	63	26	11	100
Mission and representation	61	(36)	25	–	3	28	61	(36)	25	7	3	35
Meetings, committees, conference	31	(25)	6	–	4	9	31	(25)	6	6	4	16
Official journal	3	(0)	2	–	0	2	3	(0)	2	1	0	3
Publications	10	3	13	–	4	17	10	3	13	7	4	24
Acquisition of information	4	(0)	4	–	0	4	4	(0)	4	1	0	5

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
	Studies and investigations	4	2	6	–	0	6	4	2	6	11	0	17
	General equipment, vehicle, furniture	11	13	24	–	8	32	11	13	24	16	8	48
	Linguistic external services	28	(3)	24	–	17	41	28	(3)	24	3	17	44
	Other administrative expenditure	20	(2)	18	–	7	25	20	(2)	18	8	7	33
	Pilot projects and prep. actions	–	–	–	–	–	–	1	0	1	0	–	1
	Administrative expenditure of Other Institutions	4 313	(6)	4 307	85	488	4 879	4 313	(6)	4 307	695	489	5 492
	Total Heading 7: European Public Administration	10 448	(6)	10 443	85	876	11 404	10 450	(5)	10 444	1 045	879	12 368
O	Innovation Fund (IF)	–	–	–	–	3 816	3 816	–	–	–	–	3 819	3 819
	Other actions	–	–	–	–	106	106	–	–	–	–	112	112
	Total Heading O: Outside MFF	–	–	–	–	3 922	3 922	–	–	–	–	3 931	3 931
S	Solidarity and Emergency Aid (SEAR)	1 273	(429)	844	–	–	844	1 273	(408)	866	–	–	866
	European Globalisation Adjustment (EGF)	197	–	197	–	20	217	20	(10)	10	0	20	30
	Brexit Adjustment Reserve	–	1 698	1 698	–	–	1 698	–	1 698	1 698	–	–	1 698
	Total Heading S: Solidarity mechanisms within and outside the Union (Special instruments)	1 471	1 269	2 739	–	20	2 759	1 293	1 280	2 574	0	20	2 593
	Total	**164 251**	**2 582**	**166 833**	**602**	**438 896**	**606 331**	**166 060**	**1 951**	**168 011**	**2 149**	**76 653**	**246 812**

*This MFF programme includes the complementary financial envelope from the NextGenerationEU for the REACT-EU package. Please consult the chapter 1.1 Multiannual Financial Framework 2021-2027 of the Notes to the Budgetary Implementation Reports. The paragraph on Heading 2 details the contribution of this MFF programme to the REACT-EU package.

6.8. DETAILED MFF: IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

EUR million

	Programme	Total appropr. available	Commitments made					Appropriations carried over to 2022			Appropriations lapsing			
			from final adopted budget	from carry-overs	from assigned revenue	Total	%	from final adopted budget	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=7+8	10	11	12	13=10+11+12
1	Horizon Europe	18 278	11 394	20	2 484	13 897	76 %	113	4 263	4 376	1	–	0	1
	Euratom	349	265	12	11	288	82 %	–	61	61	0	–	0	0
	Thermonuclear Experimental Reactor (ITER)	881	864	–	1	865	98 %	–	16	16	0	–	–	0
	Other actions	490	–	–	82	82	17 %	–	408	408	–	–	0	0
	Pilot projects and prep. actions	10	10	–	–	10	100 %	–	–	–	–	–	–	–
	InvestEU Fund	7 168	657	–	2 176	2 833	40 %	–	4 338	4 338	0	–	0	0
	CEF - Transport	1 807	1 786	–	20	1 806	100 %	–	1	1	0	–	(0)	0
	CEF - Energy	794	784	–	5	789	99 %	–	4	4	1	–	–	1
	CEF - Digital	279	277	–	0	277	100 %	–	1	1	0	–	–	0
	Digital Europe	1 161	1 129	–	31	1 160	100 %	–	0	0	1	–	0	1
	Decentralised agencies	203	189	–	8	197	97 %	–	5	5	–	–	–	–
	Other actions	372	372	–	–	372	100 %	–	–	–	–	–	–	–
	Pilot projects and prep. actions	18	17	1	–	18	100 %	–	–	–	0	–	–	0
	Actions under prerogatives of Commission	33	25	–	6	31	96 %	–	1	1	–	–	(0)	(0)
	Single Market	627	582	–	17	600	96 %	–	26	26	1	–	0	1
	EU Anti-Fraud	25	24	–	–	24	98 %	–	1	1	0	–	0	0
	Taxation	36	35	–	0	35	97 %	–	1	1	0	–	–	0
	Customs	130	126	–	0	126	97 %	–	4	4	–	–	–	–
	Decentralised agencies	128	118	–	5	123	96 %	–	5	5	0	–	–	0
	Other actions	9	9	–	0	9	100 %	–	0	0	0	–	–	0
	Pilot projects and prep. actions	5	5	–	–	5	100 %	–	–	–	0	–	–	0
	European Space Programme	2 102	1 977	–	102	2 079	99 %	–	23	23	0	–	(0)	0
	Decentralised agencies	57	56	–	1	57	100 %	–	0	0	–	–	–	–
	Pilot projects & preparatory actions	–	–	–	–	–	-	–	–	–	–	–	–	–

EUR million

Programme	Total appropr. available	Commitments made					Appropriations carried over to 2022			Appropriations lapsing			
		from final adopted budget	from carry-overs	from assigned revenue	Total	%	from final adopted budget	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=7+8	10	11	12	13=10+11+12
Total Heading 1: Single Market, Innovation and Digital	34 960	20 700	33	4 950	25 683	73 %	113	9 160	9 273	4	–	1	4
2 Regional Development (ERDF) *	64 803	238	–	28 028	28 266	44 %	–	7 449	7 449	29 002	–	86	29 088
Cohesion Fund	6 059	16	–	1 307	1 323	22 %	–	44	44	4 679	–	12	4 691
Cohesion Fund contrib. to CEF-Transport	1 455	1 442	–	0	1 442	99 %	–	12	12	0	–	–	0
Pilot projects and prep. actions	0	–	–	–	–	–	–	0	0	–	–	0	0
European Social Fund Plus (ESF+) *	34 097	54	8	17 374	17 437	51 %	–	3 735	3 735	12 758	–	168	12 925
Support to Turkish-Cypriot Community	34	32	–	1	33	97 %	–	1	1	–	–	–	–
European Recovery and Resilience	338 086	116	–	98 034	98 150	29 %	–	239 935	239 935	0	–	–	0
Pericles IV	1	1	–	0	1	96 %	–	0	0	–	–	–	–
EU Recovery	5	5	–	–	5	100 %	–	–	–	–	–	–	–
RescEU	2 267	183	–	153	336	15 %	0	1 932	1 932	0	–	0	0
EU4Health	339	329	–	9	338	100 %	–	0	0	0	–	0	0
Emergency support within the Union (ESI)	671	232	–	70	301	45 %	–	370	370	0	–	–	0
Decentralised agencies	343	324	–	10	335	98 %	–	8	8	–	–	–	–
Pilot projects and prep. actions	–	–	–	–	–	-	–	–	–	–	–	–	–
Actions under prerogatives of Commission	13	11	–	1	12	94 %	–	–	–	1	–	0	1
Employment and Social Innovation	114	89	–	6	95	83 %	–	6	6	14	–	0	14
Erasmus+	2 968	2 663	–	169	2 832	95 %	–	135	135	0	–	1	1
European Solidarity Corps (ESC)	147	136	–	0	136	92 %	–	11	11	0	–	0	0
Creative Europe	320	306	–	9	316	99 %	–	5	5	0	–	–	0
Justice	53	47	–	1	47	89 %	–	6	6	0	–	0	0
Rights and Values	101	99	–	1	100	99 %	–	1	1	0	–	–	0
Decentralised agencies	225	220	1	3	223	99 %	–	2	2	–	–	0	0
Other actions	10	6	–	0	6	65 %	–	1	1	3	–	–	3

EUR million

	Programme	Total appropr. available	Commitments made					Appropriations carried over to 2022			Appropriations lapsing			
			from final adopted budget	from carry-overs	from assigned revenue	Total	%	from final adopted budget	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=7+8	10	11	12	13=10+11+12
	Pilot projects and prep. actions	30	30	–	0	30	99 %	–	–	–	–	–	0	0
	Actions under prerogatives of Commission	185	181	–	1	182	98 %	–	1	1	2	–	0	2
	Total Heading 2: Cohesion, Resilience and Values	452 326	6 760	9	145 178	151 947	34 %	0	253 653	253 653	46 460	–	267	46 726
3	Agricultural Guarantees	41 518	39 679	470	669	40 818	98 %	686	2	689	6	5	0	11
	Other progr. of Natural Resources and Environment	–	–	–	–	–	-	–	–	–	–	–	–	–
	Agricultural Fund for Rural Development	23 833	15 339	–	2 366	17 705	74 %	–	5 866	5 866	2	–	260	262
	Maritime and Fisheries	998	107	–	110	217	22 %	–	0	0	652	–	129	781
	Fisheries (SFPA and RFMO)	152	152	–	–	152	100 %	–	–	–	0	–	–	0
	Decentralised agencies	22	21	–	0	21	97 %	–	1	1	–	–	–	–
	Pilot projects and prep. actions	–	–	–	–	–	-	–	–	–	–	–	–	–
	Environment and Climate (LIFE)	742	739	–	3	741	100 %	–	1	1	0	–	0	0
	Just Transition Fund	12 005	4	–	5	9	0 %	–	10 863	10 863	1 133	–	–	1 133
	Loan facility under Just Transition Mechanism	46	–	–	0	0	0 %	–	46	46	–	–	–	–
	Decentralised agencies	57	50	–	6	57	99 %	–	0	0	–	–	0	0
	Pilot projects and prep. actions	4	4	–	–	4	100 %	–	–	–	–	–	–	–
	Total Heading 3: Natural Resources and Environment	79 377	56 094	470	3 160	59 723	75 %	686	16 779	17 466	1 794	5	389	2 188
4	Asylum, Migration and Integration	903	497	–	2	499	55 %	–	6	6	398	–	–	398
	Decentralised agencies	160	138	–	4	142	89 %	–	18	18	–	–	0	0
	Pilot projects and prep. actions	0	–	–	–	–	–	–	0	0	–	–	–	–
	Border Mngmt. (IBMF) - Border mngmt and visa	442	153	–	3	156	35 %	–	7	7	279	–	–	279
	Border Mngmt. (IBMF) - Customs equipment	135	135	–	–	135	100 %	–	–	–	–	–	–	–
	Decentralised agencies	728	703	–	10	712	98 %	–	16	16	–	–	–	–
	Total Heading 4: Migration and Border Management	2 368	1 626	–	19	1 644	69 %	–	47	47	677	–	0	677

EUR million

	Programme	Total appropr. available	Commitments made: from final adopted budget	Commitments made: from carry-overs	Commitments made: from assigned revenue	Commitments made: Total	Commitments made: %	Appropriations carried over to 2022: from final adopted budget	Appropriations carried over to 2022: from assigned revenue	Appropriations carried over to 2022: Total	Appropriations lapsing: from final adopted budget	Appropriations lapsing: from carry-overs	Appropriations lapsing: from assigned revenue	Appropriations lapsing: Total
		1	2	3	4	5=2+3+4	6=5/1	7	8	9=7+8	10	11	12	13=10+11+12
5	Internal Security Fund (ISF)	182	70	–	1	71	39 %	–	2	2	108	–	–	108
	Nuclear decommissioning	73	73	–	–	73	100 %	–	–	–	–	–	–	–
	Nuclear Safety and decommissioning	70	69	–	0	69	99 %	–	0	0	0	–	0	0
	Decentralised agencies	200	193	–	3	196	98 %	–	4	4	–	–	0	0
	Pilot projects and prep. actions	–	–	–	–	–	-	–	–	–	–	–	–	–
	Actions under prerogatives of Commission	21	20	–	0	20	96 %	–	0	0	1	–	–	1
	European Defence (Research)	330	323	–	7	330	100 %	–	–	–	0	–	–	0
	European Defence (Non Research)	639	623	–	17	639	100 %	–	–	–	–	–	–	–
	Military Mobility	227	227	–	–	227	100 %	–	–	–	0	–	–	0
	Pilot projects and prep. actions	–	–	–	–	–	-	–	–	–	–	–	–	–
	Total Heading 5: Security and Defence	1 741	1 597	–	28	1 625	93 %	–	7	7	109	–	0	109
6	Neighbourhood, Developm. and Intl. Cooperation	12 627	10 833	–	127	10 960	87 %	1 578	89	1 667	–	–	0	0
	Instrument for Nuclear Safety (EINS)	40	38	–	0	38	94 %	0	2	2	–	–	–	–
	Humanitarian Aid (HUMA)	2 207	2 168	–	28	2 196	100 %	–	11	11	–	–	0	0
	Common Foreign and Security Policy (CFSP)	409	352	–	56	408	100 %	–	1	1	0	–	0	0
	Overseas Countries and Territories (OCT)	67	63	–	–	63	94 %	4	–	4	–	–	–	–
	Other actions	19	17	–	–	17	94 %	–	0	0	1	–	–	1
	Pilot projects and prep. actions	0	–	–	–	–	–	–	–	–	–	–	0	0
	Actions under prerogatives of Commission	94	92	–	1	93	99 %	–	0	0	0	–	–	0
	Pre-Accession Assistance (IPA III)	2 011	1 566	–	30	1 596	79 %	318	97	415	(0)	–	0	0
	Pilot projects and prep. actions	–	–	–	–	–	-	–	–	–	–	–	–	–
	Total Heading 6: Neighbourhood and the World	17 474	15 130	–	242	15 372	88 %	1 900	200	2 100	2	–	1	2
7	Staff Pensions	2 179	2 173	–	–	2 173	100 %	–	–	–	5	–	–	5

EUR million

Programme	Total appropr. available	Commitments made					Appropriations carried over to 2022			Appropriations lapsing			
		from final adopted budget	from carry-overs	from assigned revenue	Total	%	from final adopted budget	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=7+8	10	11	12	13=10+11+12
(Pensions former Members) EP	11	11	–	–	11	99 %	–	–	–	0	–	–	0
(Pensions former Members) ECC	1	1	–	–	1	100 %	–	–	–	0	–	–	0
(Pensions former Members) Commission	7	7	–	–	7	98 %	–	–	–	0	–	–	0
(Pensions former Members) CJEU	12	12	–	–	12	99 %	–	–	–	0	–	–	0
(Pensions former Members) ECA	5	5	–	–	5	100 %	–	–	–	0	–	–	0
(Pensions former Members) Ombudsman	0	0	–	–	0	94 %	–	–	–	0	–	–	0
(Pensions former Members) EDPS	0	0	–	–	0	94 %	–	–	–	0	–	–	0
European schools	216	197	–	15	212	98 %	–	5	5	0	–	–	0
Remuneration statutory staff	2 561	2 494	–	31	2 526	99 %	–	35	35	1	–	0	1
Remuneration external staff	312	238	–	33	271	87 %	–	31	31	10	–	0	10
Members - Salaries and allowances	15	15	–	0	15	98 %	–	0	0	0	–	–	0
Members - Temporary allowances	3	3	–	–	3	98 %	–	–	–	0	–	–	0
Recruitment costs	27	26	–	1	27	98 %	–	0	0	0	–	–	0
Termination of service	8	8	–	–	8	99 %	–	–	–	0	–	–	0
Training costs	23	17	–	3	20	87 %	–	3	3	0	–	0	0
Social and Mobility	52	24	–	17	41	79 %	–	11	11	0	–	0	0
Information and comm. technology	381	298	–	50	347	91 %	–	34	34	0	–	0	0
Rents and purchases	357	318	–	27	345	97 %	–	12	12	0	–	0	0
Linked to buildings	114	86	–	19	105	92 %	–	9	9	0	–	0	0
Security	75	63	–	6	69	92 %	–	6	6	0	–	0	0
Mission and representation	28	24	–	1	25	88 %	–	2	2	1	–	1	2
Meetings, committees, conference	9	5	–	1	6	66 %	–	2	2	1	–	0	2
Official journal	2	2	–	0	2	100 %	–	–	–	–	–	–	–
Publications	17	13	–	3	16	93 %	–	1	1	0	–	–	0

EUR million

	Programme	Total appropr. available	Commitments made					Appropriations carried over to 2022			Appropriations lapsing			
			from final adopted budget	from carry-overs	from assigned revenue	Total	%	from final adopted budget	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=7+8	10	11	12	13=10+11+12
	Acquisition of information	4	4	–	0	4	100 %	–	0	0	0	–	0	0
	Studies and investigations	6	5	–	0	5	88 %	–	0	0	1	–	0	1
	General equipment, vehicle, furniture	32	24	–	3	27	86 %	–	4	4	0	–	0	0
	Linguistic external services	41	24	–	10	35	85 %	–	6	6	–	–	–	–
	Other administrative expenditure	25	18	–	4	22	88 %	–	3	3	0	–	0	0
	Pilot projects and prep. actions	–	–	–	–	–	-	–	–	–	–	–	–	–
	Administrative expenditure of Other Institutions	4 879	4 171	85	335	4 590	94 %	22	153	175	114	–	1	115
	Total Heading 7: European Public Administration	11 404	10 286	85	559	10 930	96 %	22	315	337	135	–	2	137
O	Innovation Fund (IF)	3 816	–	–	147	147	4 %	–	3 670	3 670	–	–	–	–
	Other actions	106	–	–	52	52	49 %	–	53	53	–	–	–	–
	Total Heading O: Outside MFF	3 922	–	–	199	199	5 %	–	3 723	3 723	–	–	–	–
S	Solidarity and Emergency Aid (SEAR)	844	791	–	–	791	94 %	53	–	53	–	–	–	–
	European Globalisation Adjustment (EGF)	217	24	–	–	24	11 %	–	7	7	173	–	13	186
	Brexit Adjustment Reserve	1 698	407	–	–	407	24 %	1 291	–	1 291	–	–	–	–
	Total Heading S: Solidarity mechanisms within and outside the Union (Special instruments)	2 759	1 223	–	–	1 223	44 %	1 343	7	1 350	173	–	13	186
	Total	**606 331**	**113 415**	**596**	**154 334**	**268 345**	**44 %**	**4 065**	**283 891**	**287 956**	**49 354**	**5**	**671**	**50 030**

*This MFF programme includes the complementary financial envelope from the NextGenerationEU for the REACT-EU package. Please consult the chapter 1.1 Multiannual Financial Framework 2021-2027 of the Notes to the Budgetary Implementation Reports. The paragraph on Heading 2 details the contribution of this MFF programme to the REACT-EU package.

6.9. DETAILED MFF: IMPLEMENTATION OF PAYMENT APPROPRIATIONS

EUR million

	Programme	Total appropr. available	Payments made					Appropriations carried over to 2022			Appropriations lapsing			
			from final adopted budget	from carry-overs	from assigned revenue	Total	%	from final adopted budget	from 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=7+8	10	11	12	13=10+11+12
1	Horizon Europe	12 937	8 818	73	997	9 888	76 %	110	2 926	3 036	2	8	4	14
	Euratom	444	256	33	13	301	68 %	16	115	130	0	12	–	13
	Thermonuclear Experimental Reactor (ITER)	659	612	0	1	613	93 %	1	45	46	0	0	–	0
	Other actions	377	–	–	74	74	20 %	–	303	303	–	–	0	0
	Pilot projects and prep. actions	12	12	–	–	12	98 %	–	–	–	0	–	–	0
	InvestEU Fund	1 662	938	–	574	1 512	91 %	1	149	150	0	–	0	0
	CEF - Transport	1 398	1 377	1	13	1 391	99 %	1	4	5	2	0	–	2
	CEF - Energy	556	540	1	12	552	99 %	1	0	2	1	1	(0)	2
	CEF - Digital	164	157	1	5	162	99 %	1	1	2	0	0	–	0
	Digital Europe	94	80	0	4	84	89 %	6	0	6	3	0	0	4
	Decentralised agencies	203	189	–	8	197	97 %	–	5	5	–	–	–	–
	Other actions	372	372	–	–	372	100 %	–	–	–	–	–	–	–
	Pilot projects and prep. actions	18	11	0	–	12	66 %	–	–	–	6	–	–	6
	Actions under prerogatives of Commission	27	25	–	0	25	90 %	–	0	0	3	–	0	3
	Single Market	488	413	4	16	432	89 %	8	41	49	6	0	0	7
	EU Anti-Fraud	17	15	–	0	15	91 %	–	1	1	1	–	–	1
	Taxation	38	35	0	1	37	96 %	0	1	2	0	0	–	0
	Customs	100	92	0	4	97	96 %	0	4	4	0	–	–	0
	Decentralised agencies	128	118	–	5	123	96 %	–	5	5	0	–	–	0
	Other actions	7	7	–	0	7	100 %	–	0	0	–	–	–	–

EUR million

	Programme	Total appropr. available	Payments made					Appropriations carried over to 2022			Appropriations lapsing			
			from final adopted budget	from carry-overs	from assigned revenue	Total	%	from final adopted budget	from 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=7+8	10	11	12	13=10+11+12
	Pilot projects and prep. actions	9	9	–	–	9	100 %	–	–	–	–	–	–	–
	European Space Programme	2 722	2 374	4	195	2 573	95 %	5	143	148	0	0	0	0
	Decentralised agencies	44	43	–	1	44	100 %	–	0	0	–	–	–	–
	Pilot projects & preparatory actions	–	–	–	–	–	-	–	–	–	–	–	–	–
	Total Heading 1: Single Market, Innovation and Digital	22 478	16 495	115	1 922	18 532	82 %	151	3 744	3 895	25	22	5	51
2	Regional Development (ERDF) *	47 457	37 374	5	8 034	45 412	96 %	2	2 043	2 044	1	0	(0)	1
	Cohesion Fund	9 852	8 498	2	1 219	9 719	99 %	0	133	133	0	0	0	0
	Cohesion Fund contrib. to CEF-Transport	1 035	1 022	–	9	1 031	100 %	–	4	4	–	–	–	–
	Pilot projects and prep. actions	3	3	–	–	3	99 %	–	0	0	–	–	–	–
	European Social Fund Plus (ESF+) *	21 280	16 952	4	2 470	19 426	91 %	2	1 849	1 850	2	2	0	4
	Support to Turkish-Cypriot Community	40	38	0	1	40	98 %	1	0	1	(0)	0	(0)	0
	European Recovery and Resilience	46 469	79	1	46 375	46 455	100 %	2	11	13	2	0	(0)	2
	Pericles IV	0	0	–	0	0	90 %	–	0	0	0	–	–	0
	EU Recovery	5	3	–	–	3	66 %	2	–	2	–	–	–	–
	RescEU	204	165	17	15	196	96 %	–	8	8	0	–	0	0
	EU4Health	66	57	1	4	61	93 %	3	0	4	0	0	0	1
	Emergency support within the Union (ESI)	1 132	314	195	70	579	51 %	–	370	370	–	183	–	183
	Decentralised agencies	334	316	–	10	326	98 %	–	8	8	0	–	–	0
	Pilot projects and prep. actions	3	3	–	–	3	100 %	–	–	–	0	–	–	0
	Actions under prerogatives of Commission	12	9	–	2	11	93 %	–	–	–	1	–	–	1

EUR million

	Programme	Total appropr. available	Payments made					Appropriations carried over to 2022			Appropriations lapsing			
			from final adopted budget	from carry-overs	from assigned revenue	Total	%	from final adopted budget	from 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=7+8	10	11	12	13=10+11+12
	Employment and Social Innovation	69	52	1	6	59	85 %	2	6	8	2	1	0	2
	Erasmus+	2 676	1 981	7	409	2 397	90 %	7	268	276	0	0	2	3
	European Solidarity Corps (ESC)	115	93	2	3	97	84 %	4	14	18	0	0	0	0
	Creative Europe	151	131	2	8	141	93 %	2	8	10	0	0	0	0
	Justice	42	35	0	0	35	83 %	1	6	7	0	0	0	0
	Rights and Values	63	59	0	1	61	96 %	1	1	2	0	0	–	0
	Decentralised agencies	210	203	2	3	208	99 %	–	2	2	–	–	0	0
	Other actions	8	6	–	0	6	84 %	–	1	1	0	–	–	0
	Pilot projects and prep. actions	28	28	–	0	28	97 %	–	–	–	1	–	0	1
	Actions under prerogatives of Commission	160	157	–	1	158	99 %	–	1	1	1	–	0	1
	Total Heading 2: Cohesion, Resilience and Values	131 414	67 577	239	58 639	126 454	96 %	27	4 733	4 760	10	187	3	200
3	Agricultural Guarantees	41 467	39 605	486	669	40 760	98 %	687	2	689	11	7	0	18
	Other progr. of Natural Resources and Environment	–	–	–	–	–	-	–	–	–	–	–	–	–
	Agricultural Fund for Rural Development	15 168	14 345	2	306	14 652	97 %	0	512	512	4	0	–	4
	Maritime and Fisheries	847	693	1	44	739	87 %	1	107	108	1	0	0	1
	Fisheries (SFPA and RFMO)	150	150	–	–	150	100 %	–	–	–	–	–	–	–
	Decentralised agencies	22	21	–	0	21	97 %	–	1	1	–	–	–	–
	Pilot projects and prep. actions	3	3	–	–	3	100 %	–	–	–	–	–	–	–
	Environment and Climate (LIFE)	449	437	4	2	442	99 %	5	1	6	1	0	0	1
	Just Transition Fund	96	1	–	0	1	1 %	–	94	94	0	–	–	0

EUR million

	Programme	Total appropr. available	Payments made					Appropriations carried over to 2022			Appropriations lapsing			
			from final adopted budget	from carry-overs	from assigned revenue	Total	%	from final adopted budget	from 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=7+8	10	11	12	13=10+11+12
	Loan facility under Just Transition Mechanism	46	–	–	0	0	0 %	–	46	46	–	–	–	–
	Decentralised agencies	57	50	–	6	57	99 %	–	0	0	–	–	0	0
	Pilot projects and prep. actions	5	5	–	–	5	100 %	–	–	–	–	–	–	–
	Total Heading 3: Natural Resources and Environment	58 310	55 312	492	1 027	56 831	97 %	693	762	1 455	17	7	0	24
4	Asylum, Migration and Integration	1 236	1 223	2	3	1 228	99 %	2	5	7	1	0	–	1
	Decentralised agencies	160	138	–	4	142	89 %	–	18	18	–	–	0	0
	Pilot projects and prep. actions	0	0	–	–	0	57 %	–	0	0	–	–	–	–
	Border Mngmt. (IBMF) - Border mngmt and visa	558	400	1	12	414	74 %	1	142	143	1	1	–	1
	Border Mngmt. (IBMF) - Customs equipment	0	–	–	–	–	–	0	–	0	–	–	–	–
	Decentralised agencies	779	754	–	10	764	98 %	–	16	16	0	–	–	0
	Total Heading 4: Migration and Border Management	2 734	2 515	3	29	2 547	93 %	3	181	184	2	1	0	3
5	Internal Security Fund (ISF)	169	164	0	2	166	98 %	1	2	3	0	0	–	0
	Nuclear decommissioning	46	46	–	–	46	100 %	–	–	–	0	–	–	0
	Nuclear Safety and decommissioning	82	76	–	0	76	92 %	2	1	3	4	–	–	4
	Decentralised agencies	200	193	–	3	196	98 %	–	4	4	–	–	0	0
	Pilot projects and prep. actions	1	1	–	–	1	100 %	–	–	–	–	–	–	–
	Actions under prerogatives of Commission	21	19	–	0	19	91 %	–	0	0	2	–	–	2
	European Defence (Research)	2	1	–	0	1	43 %	1	–	1	0	–	0	0
	European Defence (Non Research)	199	198	0	0	199	100 %	1	–	1	0	0	0	0

EUR million

	Programme	Total appropr. available	Payments made					Appropriations carried over to 2022			Appropriations lapsing			
			from final adopted budget	from carry-overs	from assigned revenue	Total	%	from final adopted budget	from 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=7+8	10	11	12	13=10+11+12
	Military Mobility	2	1	–	–	1	58 %	1	–	1	0	–	–	0
	Pilot projects and prep. actions	5	5	–	0	5	98 %	–	–	–	0	–	–	0
	Total Heading 5: Security and Defence	726	703	0	4	708	97 %	5	7	12	6	0	0	6
6	Neighbourhood, Developm. and Intl. Cooperation	6 939	5 690	22	78	5 789	83 %	989	156	1 145	3	2	0	5
	Instrument for Nuclear Safety (EINS)	20	16	1	1	17	87 %	1	2	2	0	0	0	0
	Humanitarian Aid (HUMA)	2 473	2 400	5	45	2 451	99 %	6	15	22	0	0	0	0
	Common Foreign and Security Policy (CFSP)	388	346	0	41	387	100 %	0	1	1	0	–	0	0
	Overseas Countries and Territories (OCT)	8	7	–	–	7	86 %	1	–	1	–	–	–	–
	Other actions	17	17	–	–	17	100 %	–	0	0	0	–	–	0
	Pilot projects and prep. actions	2	2	–	–	2	99 %	–	–	–	–	–	0	0
	Actions under prerogatives of Commission	72	71	–	1	72	100 %	–	0	0	–	–	–	–
	Pre-Accession Assistance (IPA III)	2 338	1 894	6	292	2 192	94 %	11	135	145	0	1	0	1
	Pilot projects and prep. actions	–	–	–	–	–	-	–	–	–	–	–	–	–
	Total Heading 6: Neighbourhood and the World	12 258	10 443	34	458	10 935	89 %	1 008	308	1 317	3	3	0	6
7	Staff Pensions	2 179	2 173	–	–	2 173	100 %	–	–	–	5	–	–	5
	(Pensions former Members) EP	11	11	–	–	11	99 %	–	–	–	0	–	–	0
	(Pensions former Members) ECC	1	1	–	–	1	100 %	–	–	–	0	–	–	0
	(Pensions former Members) Commission	7	7	–	–	7	98 %	–	–	–	0	–	–	0
	(Pensions former	12	12	–	–	12	99 %	–	–	–	0	–	–	0

EUR million

Programme	Total appropr. available	Payments made					Appropriations carried over to 2022			Appropriations lapsing			
		from final adopted budget	from carry-overs	from assigned revenue	Total	%	from final adopted budget	from 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=7+8	10	11	12	13=10+11+12
Members) CJEU													
(Pensions former Members) ECA	5	5	–	–	5	100 %	–	–	–	0	–	–	0
(Pensions former Members) Ombudsman	0	0	–	–	0	94 %	–	–	–	0	–	–	0
(Pensions former Members) EDPS	0	0	–	–	0	94 %	–	–	–	0	–	–	0
European schools	217	196	1	13	210	97 %	0	6	7	0	–	–	0
Remuneration statutory staff	2 561	2 494	–	31	2 526	99 %	0	35	35	1	0	0	1
Remuneration external staff	350	200	32	32	264	75 %	38	32	70	10	6	0	16
Members - Salaries and allowances	15	13	0	0	13	83 %	2	0	2	0	0	–	0
Members - Temporary allowances	3	3	–	–	3	98 %	–	–	–	0	–	–	0
Recruitment costs	31	24	2	0	27	88 %	2	1	2	0	1	–	1
Termination of service	8	8	–	–	8	99 %	–	–	–	0	–	–	0
Training costs	34	6	10	2	17	51 %	11	4	15	0	2	0	2
Social and Mobility	64	15	10	11	36	56 %	8	18	26	0	2	0	2
Information and comm. technology	523	155	139	30	323	62 %	143	54	197	0	2	0	2
Rents and purchases	361	300	5	26	331	92 %	18	12	30	0	0	0	0
Linked to buildings	165	47	50	7	104	63 %	39	20	60	0	1	0	2
Security	100	36	25	2	62	61 %	28	10	37	0	1	0	1
Mission and representation	35	12	1	0	14	39 %	11	2	13	1	6	1	8
Meetings, committees, conference	16	1	1	1	3	17 %	3	2	6	1	6	1	7
Official journal	3	2	1	0	3	79 %	1	–	1	–	0	–	0
Publications	24	7	6	1	15	62 %	6	2	9	0	0	–	0
Acquisition of information	5	2	1	0	4	68 %	2	0	2	0	0	0	0

EUR million

	Programme	Total appropr. available	Payments made					Appropriations carried over to 2022			Appropriations lapsing			
			from final adopted budget	from carry-overs	from assigned revenue	Total	%	from final adopted budget	from 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=7+8	10	11	12	13=10+11+12
	Studies and investigations	17	1	11	–	12	70 %	4	0	4	1	0	0	1
	General equipment, vehicle, furniture	48	13	15	2	30	63 %	11	6	17	0	1	0	1
	Linguistic external services	44	21	3	10	33	75 %	4	7	11	–	0	–	0
	Other administrative expenditure	33	12	7	3	22	65 %	6	4	11	0	1	0	1
	Pilot projects and prep. actions	1	1	0	–	1	98 %	–	–	–	0	0	–	0
	Administrative expenditure of Other Institutions	5 492	3 537	618	281	4 436	81 %	653	205	858	117	77	3	198
	Total Heading 7: European Public Administration	12 368	9 316	938	452	10 705	87 %	991	422	1 412	138	108	5	251
O	Innovation Fund (IF)	3 819	–	–	11	11	0 %	–	3 808	3 808	–	–	–	–
	Other actions	112	–	–	50	50	45 %	–	62	62	–	–	–	–
	Total Heading O: Outside MFF	3 931	–	–	61	61	2 %	–	3 870	3 870	–	–	–	–
S	Solidarity and Emergency Aid (SEAR)	866	791	–	–	791	91 %	75	–	75	–	–	–	–
	European Globalisation Adjustment (EGF)	30	10	0	14	24	81 %	–	5	5	–	–	–	–
	Brexit Adjustment Reserve	1 698	407	–	–	407	24 %	1 291	–	1 291	–	–	–	–
	Total Heading S: Solidarity mechanisms within and outside the Union (Special instruments)	2 593	1 208	0	14	1 223	47 %	1 365	5	1 371	–	–	–	–
	Total	**246 812**	**163 568**	**1 821**	**62 607**	**227 996**	**92 %**	**4 244**	**14 032**	**18 275**	**199**	**327**	**14**	**541**

*This MFF programme includes the complementary financial envelope from the NextGenerationEU for the REACT-EU package. Please consult the chapter 1.1 Multiannual Financial Framework 2021-2027 of the Notes to the Budgetary Implementation Reports. The paragraph on Heading 2 details the contribution of this MFF programme to the REACT-EU package.

6.10. 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	9=4+8
1	Horizon Europe	24 186	(608)	(8 526)	15 052	13 897	(1 361)	(17)	12 519	27 571
	Euratom	338	(7)	(98)	233	288	(203)	(0)	85	317
	Thermonuclear Experimental Reactor (ITER)	1 062	(0)	(350)	712	865	(263)	(0)	601	1 313
	Other actions	109	(11)	(40)	58	82	(34)	–	48	106
	Pilot projects and prep. actions	26	(2)	(12)	12	10	(0)	–	10	22
	InvestEU Fund	2 753	(20)	(923)	1 810	2 833	(590)	–	2 243	4 053
	CEF - Transport	6 807	(39)	(1 380)	5 388	1 806	(11)	–	1 795	7 183
	CEF - Energy	3 692	(25)	(552)	3 115	789	(0)	–	789	3 904
	CEF - Digital	328	(8)	(160)	161	277	(2)	–	275	436
	Digital Europe	65	(1)	(58)	6	1 160	(26)	–	1 133	1 140
	Decentralised agencies	36	(0)	(36)	–	197	(162)	–	36	36
	Other actions	–	–	–	–	372	(372)	–	–	–
	Pilot projects and prep. actions	45	(0)	(10)	35	18	(1)	–	17	52
	Actions under prerogatives of Commission	36	(1)	(20)	15	31	(5)	–	26	41
	Single Market	827	(45)	(344)	438	600	(88)	–	512	950
	EU Anti-Fraud	28	(4)	(13)	11	24	(3)	–	21	33
	Taxation	36	(1)	(26)	8	35	(10)	–	25	33
	Customs	95	(2)	(75)	18	126	(22)	–	104	122
	Decentralised agencies	0	(0)	–	–	123	(123)	–	–	–
	Other actions	4	(0)	(4)	0	9	(3)	–	5	6
	Pilot projects and prep. actions	22	(2)	(9)	11	5	(0)	–	4	16
	European Space Programme	1 865	(2)	(996)	867	2 079	(1 577)	–	502	1 369

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	9=4+8
	Decentralised agencies	2	–	(2)	–	57	(42)	–	15	15
	Pilot projects & preparatory actions	–	–	–	–	–	–	–	–	–
	Total Heading 1: Single Market, Innovation and Digital	42 361	(777)	(13 632)	27 951	25 683	(4 900)	(17)	20 766	48 717
2	Regional Development (ERDF) *	101 349	(53)	(40 365)	60 931	28 266	(5 047)	(0)	23 219	84 149
	Cohesion Fund	26 838	(42)	(9 714)	17 083	1 323	(4)	(0)	1 319	18 402
	Cohesion Fund contrib. to CEF-Transport	6 635	(21)	(1 020)	5 594	1 442	(11)	–	1 431	7 026
	Pilot projects and prep. actions	9	(1)	(3)	5	–	–	–	–	5
	European Social Fund Plus (ESF+) *	45 252	(7)	(17 325)	27 921	17 437	(2 101)	–	15 336	43 257
	Support to Turkish-Cypriot Community	129	(5)	(36)	88	33	(4)	(0)	29	117
	European Recovery and Resilience	108	(2)	(54)	52	98 150	(46 401)	–	51 749	51 801
	Pericles IV	1	(0)	–	0	1	(0)	–	0	1
	EU Recovery	–	–	–	–	5	(3)	–	2	2
	RescEU	464	(7)	(149)	308	336	(47)	–	288	596
	EU4Health	144	(9)	(49)	86	338	(12)	–	327	412
	Emergency support within the Union (ESI)	469	–	(375)	94	301	(204)	–	97	191
	Decentralised agencies	11	(0)	–	11	335	(326)	–	9	20
	Pilot projects and prep. actions	4	(0)	(3)	1	–	–	–	–	1
	Actions under prerogatives of Commission	9	(1)	(7)	1	12	(4)	–	8	9
	Employment and Social Innovation	165	(14)	(58)	93	95	(1)	–	94	187
	Erasmus+	1 346	(16)	(531)	798	2 832	(1 866)	–	966	1 765
	European Solidarity Corps (ESC)	113	(4)	(22)	87	136	(75)	–	61	148
	Creative Europe	236	(11)	(80)	145	316	(60)	–	255	400
	Justice	64	(1)	(14)	49	47	(21)	–	26	75

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	9=4+8
	Rights and Values	121	(4)	(41)	76	100	(20)	–	80	156
	Decentralised agencies	18	(0)	(4)	13	223	(204)	–	19	33
	Other actions	11	(0)	(6)	4	6	(0)	–	6	10
	Pilot projects and prep. actions	87	(5)	(26)	56	30	(1)	–	28	85
	Actions under prerogatives of Commission	165	(2)	(104)	59	182	(54)	–	128	187
	Total Heading 2: Cohesion, Resilience and Values	183 747	(205)	(69 986)	113 555	151 947	(56 468)	(1)	95 478	209 033
3	Agricultural Guarantees	286	(10)	(76)	200	40 818	(40 685)	–	133	333
	Other progr. of Natural Resources and Environment	–	–	–	–	–	–	–	–	–
	Agricultural Fund for Rural Development	35 164	(2)	(14 023)	21 139	17 705	(630)	(0)	17 075	38 215
	Maritime and Fisheries	3 459	(15)	(727)	2 716	217	(11)	(0)	206	2 922
	Fisheries (SFPA and RFMO)	21	–	(12)	9	152	(137)	–	14	23
	Decentralised agencies	–	–	–	–	21	(21)	–	–	–
	Pilot projects and prep. actions	12	(0)	(3)	9	–	–	–	–	9
	Environment and Climate (LIFE)	1 888	(34)	(419)	1 435	741	(23)	–	718	2 154
	Just Transition Fund	–	–	–	–	9	(1)	–	8	8
	Loan facility under Just Transition Mechanism	–	–	–	–	0	(0)	–	–	–
	Decentralised agencies	3	–	(3)	–	57	(54)	–	3	3
	Pilot projects and prep. actions	26	–	(5)	21	4	(1)	–	3	24
	Total Heading 3: Natural Resources and Environment	40 860	(61)	(15 269)	25 530	59 723	(41 562)	(0)	18 161	43 691
4	Asylum, Migration and Integration	3 122	(30)	(1 182)	1 909	499	(45)	–	453	2 363
	Decentralised agencies	20	–	–	20	142	(142)	–	–	20
	Pilot projects and prep. actions	0	–	(0)	0	–	–	–	–	0
	Border Mngmt. (IBMF) - Border mngmt and visa	1 436	(37)	(413)	985	156	(0)	–	155	1 141

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	9=4+8
	Border Mngmt. (IBMF) - Customs equipment	–	–	–	–	135	–	–	135	135
	Decentralised agencies	372	–	(208)	164	712	(555)	–	157	321
	Total Heading 4: Migration and Border Management	4 950	(68)	(1 804)	3 078	1 644	(743)	–	901	3 980
5	Internal Security Fund (ISF)	471	(16)	(166)	290	71	(0)	–	71	360
	Nuclear decommissioning	351	(0)	(46)	305	73	–	–	73	377
	Nuclear Safety and decommissioning	324	(3)	(70)	251	69	(6)	–	64	315
	Decentralised agencies	0	(0)	–	0	196	(196)	–	–	0
	Pilot projects and prep. actions	2	–	(1)	1	–	–	–	–	1
	Actions under prerogatives of Commission	26	(3)	(14)	9	20	(5)	–	15	24
	European Defence (Research)	–	–	–	–	330	(1)	(0)	329	329
	European Defence (Non Research)	322	(0)	(198)	124	639	(1)	–	639	762
	Military Mobility	–	–	–	–	227	(1)	–	226	226
	Pilot projects and prep. actions	7	(0)	(5)	2	–	–	–	–	2
	Total Heading 5: Security and Defence	1 503	(23)	(498)	981	1 625	(209)	(0)	1 415	2 397
6	Neighbourhood, Developm. and Intl. Cooperation	18 739	(456)	(4 511)	13 772	10 960	(1 278)	–	9 682	23 453
	Instrument for Nuclear Safety (EINS)	117	(9)	(16)	91	38	(1)	–	37	128
	Humanitarian Aid (HUMA)	1 354	(16)	(1 058)	280	2 196	(1 393)	(0)	804	1 084
	Common Foreign and Security Policy (CFSP)	160	(3)	(86)	70	408	(301)	–	107	178
	Overseas Countries and Territories (OCT)	9	–	(6)	3	63	(1)	–	63	65
	Other actions	1	(0)	(0)	0	17	(17)	–	0	0
	Pilot projects and prep. actions	4	(0)	(2)	2	–	–	–	–	2
	Actions under prerogatives of Commission	153	(20)	(47)	86	93	(25)	–	68	154
	Pre-Accession Assistance (IPA III)	8 249	(182)	(2 093)	5 974	1 596	(99)	–	1 497	7 471

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	9=4+8
	Pilot projects and prep. actions	0	(0)	–	–	–	–	–	–	–
	Total Heading 6: Neighbourhood and the World	28 785	(687)	(7 821)	20 278	15 372	(3 115)	(0)	12 257	32 535
7	Staff Pensions	–	–	–	–	2 173	(2 173)	–	–	–
	(Pensions former Members) EP	–	–	–	–	11	(11)	–	–	–
	(Pensions former Members) ECC	–	–	–	–	1	(1)	–	–	–
	(Pensions former Members) Commission	–	–	–	–	7	(7)	–	–	–
	(Pensions former Members) CJEU	–	–	–	–	12	(12)	–	–	–
	(Pensions former Members) ECA	–	–	–	–	5	(5)	–	–	–
	(Pensions former Members) Ombudsman	–	–	–	–	0	(0)	–	–	–
	(Pensions former Members) EDPS	–	–	–	–	0	(0)	–	–	–
	European schools	1	–	(1)	–	212	(210)	–	2	2
	Remuneration statutory staff	0	(0)	–	–	2 526	(2 526)	(0)	0	0
	Remuneration external staff	38	(6)	(32)	–	271	(232)	(0)	39	39
	Members - Salaries and allowances	0	(0)	(0)	–	15	(13)	–	2	2
	Members - Temporary allowances	–	–	–	–	3	(3)	–	–	–
	Recruitment costs	3	(1)	(2)	–	27	(25)	–	2	2
	Termination of service	–	–	–	–	8	(8)	–	–	–
	Training costs	11	(2)	(10)	–	20	(7)	–	12	12
	Social and Mobility	14	(4)	(10)	0	41	(26)	–	15	15
	Information and comm. technology	142	(2)	(139)	–	347	(184)	–	163	163
	Rents and purchases	5	(0)	(5)	–	345	(327)	–	18	18
	Linked to buildings	51	(1)	(50)	–	105	(54)	–	51	51
	Security	26	(1)	(25)	–	69	(37)	–	32	32
	Mission and representation	7	(6)	(1)	–	25	(13)	–	12	12

EUR million

	Programme	Commitments outstanding at the end of previous year				Commitments of the current year				
		Commitm. carried forward from previous year	Decommitm./ Revaluations/ Cancellations	Payments	Commitm. outstanding at year-end	Commitm. made during the year	Payments	Cancellation of commitm. which cannot be carried over	Commitm. outstanding at year-end	Total commitm. outstanding at the end of the year
		1	2	3	4=1+2+3	5	6	7	8=5+6+7	9=4+8
	Meetings, committees, conference	6	(6)	(1)	–	6	(2)	–	4	4
	Official journal	1	(0)	(1)	–	2	(2)	–	1	1
	Publications	7	(0)	(6)	–	16	(9)	–	7	7
	Acquisition of information	1	(0)	(1)	–	4	(2)	–	2	2
	Studies and investigations	11	(0)	(11)	–	5	(1)	–	4	4
	General equipment, vehicle, furniture	16	(1)	(15)	–	27	(15)	–	13	13
	Linguistic external services	3	(0)	(3)	–	35	(30)	–	4	4
	Other administrative expenditure	8	(1)	(7)	–	22	(14)	–	8	8
	Pilot projects and prep. actions	2	(0)	(1)	0	–	–	–	–	0
	Administrative expenditure of Other Institutions	627	(92)	(535)	–	4 590	(3 901)	(6)	684	684
	Total Heading 7: European Public Administration	981	(124)	(857)	0	10 930	(9 848)	(6)	1 075	1 076
O	Innovation Fund (IF)	4	(1)	(3)	0	147	(9)	–	138	138
	Other actions	7	(1)	(0)	6	52	(50)	–	2	8
	Total Heading O: Outside MFF	11	(2)	(3)	6	199	(58)	–	140	147
S	Solidarity and Emergency Aid (SEAR)	–	–	–	–	791	(791)	–	–	–
	European Globalisation Adjustment (EGF)	0	–	(0)	–	24	(24)	–	–	–
	Brexit Adjustment Reserve	–	–	–	–	407	(407)	–	–	–
	Total Heading S: Solidarity mechanisms within and outside the Union (Special instruments)	0	–	(0)	–	1 223	(1 223)	–	–	–
	Total	**303 197**	**(1 946)**	**(109 870)**	**191 381**	**268 345**	**(118 126)**	**(24)**	**150 194**	**341 575**

*This MFF programme includes the complementary financial envelope from the NextGenerationEU for the REACT-EU package. Please consult the chapter 1.1 Multiannual Financial Framework 2021-2027 of the Notes to the Budgetary Implementation Reports. The paragraph on Heading 2 details the contribution of this MFF programme to the REACT-EU package.

6.11. DETAILED MFF: OUTSTANDING COMMITMENTS BY YEAR OF ORIGIN

EUR million

	Programme	<2015	2015	2016	2017	2018	2019	2020	2021	Total
1	Horizon Europe	355	381	663	1 173	2 129	3 710	6 279	12 881	27 571
	Euratom	8	16	6	5	32	57	109	85	317
	Thermonuclear Experimental Reactor (ITER)	–	–	–	–	6	369	336	601	1 313
	Other actions	0	2	1	4	11	13	28	48	106
	Pilot projects and prep. actions	–	–	0	0	2	6	4	10	22
	InvestEU Fund	141	20	144	195	207	444	659	2 243	4 053
	CEF - Transport	6	6	170	166	635	2 162	2 244	1 795	7 183
	CEF - Energy	46	60	23	446	460	938	1 132	800	3 904
	CEF - Digital	0	5	2	9	42	37	67	275	436
	Digital Europe	–	–	0	0	0	1	5	1 133	1 140
	Decentralised agencies	–	–	–	–	–	–	–	36	36
	Other actions	–	–	–	–	–	–	–	–	–
	Pilot projects and prep. actions	–	–	–	0	1	5	28	17	52
	Actions under prerogatives of Commission	–	–	0	0	1	4	9	26	41
	Single Market	21	8	10	24	44	117	213	512	950
	EU Anti-Fraud	–	0	–	0	1	3	7	21	33
	Taxation	–	–	–	–	1	1	6	25	33
	Customs	–	0	0	0	1	5	11	104	122
	Decentralised agencies	–	–	–	–	–	–	–	–	–
	Other actions	–	–	–	–	–	0	0	5	6
	Pilot projects and prep. actions	–	–	–	0	3	3	6	4	16
	European Space Programme	0	0	1	2	57	139	668	502	1 369
	Decentralised agencies	–	–	–	–	–	–	–	15	15
	Pilot projects & preparatory actions	–	–	–	–	–	–	–	–	–
	Total Heading 1: Single Market, Innovation and Digital	579	497	1 020	2 025	3 632	8 014	11 812	21 138	48 717
2	Regional Development (ERDF)	1 822	61	76	4 266	9 416	18 213	27 076	23 219	84 149
	Cohesion Fund	172	11	0	1 422	2 787	5 051	7 639	1 319	18 402
	Cohesion Fund contrib. to CEF-Transport	120	225	498	759	917	1 376	1 700	1 431	7 026
	Pilot projects and prep. actions	–	–	–	1	1	–	3	–	5
	European Social Fund Plus (ESF+)	423	93	299	2 125	3 617	7 981	13 382	15 336	43 257
	Support to Turkish-Cypriot Community	4	4	22	8	9	15	26	29	117
	European Recovery and Resilience	–	–	–	0	2	14	35	51 749	51 801

EUR million

	Programme	<2015	2015	2016	2017	2018	2019	2020	2021	Total
	Pericles IV	–	–	–	–	–	0	0	0	1
	EU Recovery	–	–	–	–	–	–	–	2	2
	RescEU	–	–	0	1	6	30	271	288	596
	EU4Health	0	3	2	9	12	25	36	327	412
	Emergency support within the Union (ESI)	–	–	–	–	–	–	49	142	191
	Decentralised agencies	–	–	–	1	4	1	4	9	20
	Pilot projects and prep. actions	0	0	1	–	0	0	–	–	1
	Actions under prerogatives of Commission	–	–	–	0	–	0	1	8	9
	Employment and Social Innovation	1	0	1	2	7	29	52	94	187
	Erasmus+	1	1	3	22	78	179	516	966	1 765
	European Solidarity Corps (ESC)	2	–	–	1	11	33	41	61	148
	Creative Europe	–	–	–	4	11	38	92	255	400
	Justice	–	4	6	8	8	10	13	26	75
	Rights and Values	0	2	5	6	11	20	33	80	156
	Decentralised agencies	–	–	–	–	–	–	3	30	33
	Other actions	–	0	–	–	0	0	4	6	10
	Pilot projects and prep. actions	–	–	0	0	3	10	43	28	85
	Actions under prerogatives of Commission	0	0	0	2	6	13	37	129	187
	Total Heading 2: Cohesion, Resilience and Values	2 546	404	911	8 637	16 907	33 036	51 058	95 534	209 033
3	Agricultural Guarantees	–	–	–	2	25	83	91	133	333
	Other progr. of Natural Resources and Environment	–	–	–	–	–	–	–	–	–
	Agricultural Fund for Rural Development	198	1 134	1 042	794	1 416	5 874	10 682	17 075	38 215
	Maritime and Fisheries	56	1	1	144	648	958	909	206	2 922
	Fisheries (SFPA and RFMO)	–	–	–	1	1	–	7	14	23
	Decentralised agencies	–	–	–	–	–	–	–	–	–
	Pilot projects and prep. actions	0	–	–	–	2	5	2	–	9
	Environment and Climate (LIFE)	74	86	85	124	391	310	365	718	2 154
	Just Transition Fund	–	–	–	–	–	–	–	8	8
	Loan facility under Just Transition Mechanism	–	–	–	–	–	–	–	–	–
	Decentralised agencies	–	–	–	–	–	–	–	3	3
	Pilot projects and prep. actions	0	–	0	0	3	2	15	3	24
	Total Heading 3: Natural Resources and Environment	328	1 222	1 128	1 065	2 486	7 231	12 071	18 161	43 691
4	Asylum, Migration and Integration	0	1	52	168	371	488	827	456	2 363
	Decentralised agencies	–	–	–	–	–	–	20	–	20
	Pilot projects and prep. actions	0	–	–	–	–	–	–	–	0

EUR million

	Programme	<2015	2015	2016	2017	2018	2019	2020	2021	Total
	Border Mngmt. (IBMF) - Border mngmt and visa	17	1	13	27	146	377	404	155	1 141
	Border Mngmt. (IBMF) - Customs equipment	–	–	–	–	–	–	–	135	135
	Decentralised agencies	–	–	–	–	–	–	164	157	321
	Total Heading 4: Migration and Border Management	17	2	66	195	517	865	1 414	904	3 980
5	Internal Security Fund (ISF)	2	1	1	37	49	73	126	71	360
	Nuclear decommissioning	1	1	45	63	64	64	66	73	377
	Nuclear Safety and decommissioning	34	1	1	29	44	50	93	64	315
	Decentralised agencies	–	–	–	–	–	–	0	–	0
	Pilot projects and prep. actions	–	–	–	–	–	–	1	–	1
	Actions under prerogatives of Commission	–	0	0	1	1	1	6	15	24
	European Defence (Research)	–	–	–	–	–	–	–	329	329
	European Defence (Non Research)	–	–	–	–	–	51	72	639	762
	Military Mobility	–	–	–	–	–	–	–	226	226
	Pilot projects and prep. actions	–	–	–	–	0	1	–	–	2
	Total Heading 5: Security and Defence	37	4	47	129	159	241	364	1 415	2 397
6	Neighbourhood, Developm. and Intl. Cooperation	875	446	860	1 480	2 374	3 267	4 466	9 684	23 453
	Instrument for Nuclear Safety (EINS)	1	5	7	11	23	17	27	37	128
	Humanitarian Aid (HUMA)	–	0	0	1	6	75	198	804	1 084
	Common Foreign and Security Policy (CFSP)	0	–	1	2	4	35	28	107	178
	Overseas Countries and Territories (OCT)	–	–	–	–	–	3	–	63	65
	Other actions	–	–	–	–	0	–	–	0	0
	Pilot projects and prep. actions	1	0	0	0	0	0	–	–	2
	Actions under prerogatives of Commission	0	0	3	5	5	22	51	68	154
	Pre-Accession Assistance (IPA III)	381	191	315	639	1 044	2 073	1 272	1 556	7 471
	Pilot projects and prep. actions	–	–	–	–	–	–	–	–	–
	Total Heading 6: Neighbourhood and the World	1 258	642	1 185	2 139	3 458	5 493	6 041	12 319	32 535
7	Staff Pensions	–	–	–	–	–	–	–	–	–
	(Pensions former Members) EP	–	–	–	–	–	–	–	–	–
	(Pensions former Members) ECC	–	–	–	–	–	–	–	–	–
	(Pensions former Members) Commission	–	–	–	–	–	–	–	–	–
	(Pensions former Members) CJEU	–	–	–	–	–	–	–	–	–
	(Pensions former Members) ECA	–	–	–	–	–	–	–	–	–
	(Pensions former Members) Ombudsman	–	–	–	–	–	–	–	–	–
	(Pensions former Members) EDPS	–	–	–	–	–	–	–	–	–
	European schools	–	–	–	–	–	–	–	2	2

EUR million

	Programme	<2015	2015	2016	2017	2018	2019	2020	2021	Total
	Remuneration statutory staff	–	–	–	–	–	–	–	0	0
	Remuneration external staff	–	–	–	–	–	–	–	39	39
	Members - Salaries and allowances	–	–	–	–	–	–	–	2	2
	Members - Temporary allowances	–	–	–	–	–	–	–	–	–
	Recruitment costs	–	–	–	–	–	–	–	2	2
	Termination of service	–	–	–	–	–	–	–	–	–
	Training costs	–	–	–	–	–	–	–	12	12
	Social and Mobility	–	–	–	–	–	0	0	15	15
	Information and comm. technology	–	–	–	–	–	–	–	163	163
	Rents and purchases	–	–	–	–	–	–	–	18	18
	Linked to buildings	–	–	–	–	–	–	–	51	51
	Security	–	–	–	–	–	–	–	32	32
	Mission and representation	–	–	–	–	–	–	–	12	12
	Meetings, committees, conference	–	–	–	–	–	–	–	4	4
	Official journal	–	–	–	–	–	–	–	1	1
	Publications	–	–	–	–	–	–	–	7	7
	Acquisition of information	–	–	–	–	–	–	–	2	2
	Studies and investigations	–	–	–	–	–	–	–	4	4
	General equipment, vehicle, furniture	–	–	–	–	–	–	–	13	13
	Linguistic external services	–	–	–	–	–	–	–	4	4
	Other administrative expenditure	–	–	–	–	–	–	–	8	8
	Pilot projects and prep. actions	–	–	–	0	–	0	–	–	0
	Administrative expenditure of Other Institutions	0	0	0	0	0	0	0	684	684
	Total Heading 7: European Public Administration	–	–	–	0	–	0	0	1 075	1 076
O	Innovation Fund (IF)	–	–	–	–	–	–	0	138	138
	Other actions	–	–	–	–	–	1	5	2	8
	Total Heading O: Outside MFF	–	–	–	–	–	1	6	140	147
S	Solidarity and Emergency Aid (SEAR)	–	–	–	–	–	–	–	–	–
	European Globalisation Adjustment (EGF)	–	–	–	–	–	–	–	–	–
	Brexit Adjustment Reserve	–	–	–	–	–	–	–	–	–
	Total Heading S: Solidarity mechanisms within and outside the	–	–	–	–	–	–	–	–	–
	Total	**4 765**	**2 771**	**4 357**	**14 190**	**27 158**	**54 881**	**82 766**	**150 687**	**341 575**

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.

6.12. DETAILED MFF: OUTSTANDING COMMITMENTS BY APPROPRIATIONS TYPE

EUR million

	Heading	From budget appropriations					From assigned revenue appropriations					Total commitm. outstanding at the end of 2021
		Commitm. carried forward from 2020	Adjust-ments	Commitm. made	Payments made	Amount remaining to be settled	Commitm. carried forward from 2020	Adjust-ments	Commitm. made	Payments made	Amount remaining to be settled	
		1	2	3	4	5=1+2+3-4	6	7	8	9	10=6+7+8-9	11=5+10
1	Horizon Europe	20 834	(427)	11 414	8 972	22 848	3 353	(198)	2 484	915	4 723	27 571
	Euratom	276	(4)	277	288	261	62	(4)	11	13	57	317
	Thermonuclear Experimental Reactor (ITER)	1 017	(0)	864	612	1 268	45	–	1	1	45	1 313
	Other actions	0	0	–	–	–	109	(11)	82	74	106	106
	Pilot projects and prep. actions	26	(2)	10	12	22	0	0	0	0	0	22
	InvestEU Fund	2 332	(20)	657	962	2 006	421	–	2 176	550	2 048	4 053
	CEF - Transport	6 674	(38)	1 786	1 371	7 050	133	(1)	20	20	132	7 183
	CEF - Energy	3 644	(25)	784	551	3 852	48	–	5	1	52	3 904
	CEF - Digital	321	(7)	277	158	433	7	(0)	0	4	3	436
	Digital Europe	63	(1)	1 129	82	1 109	2	(0)	31	2	30	1 140
	Decentralised agencies	35	–	189	189	36	1	(0)	8	9	–	36
	Other actions	–	–	372	372	–	0	0	0	0	0	–
	Pilot projects and prep. actions	45	(0)	18	12	52	0	0	0	0	0	52
	Actions under prerogatives of Commission	34	(1)	25	22	36	2	(0)	6	3	5	41
	Single Market	805	(44)	582	420	924	22	(1)	17	12	26	950
	EU Anti-Fraud	28	(4)	24	15	33	0	(0)	–	0	0	33
	Taxation	31	(1)	35	33	31	5	(0)	0	3	2	33
	Customs	86	(2)	126	90	121	8	(0)	0	7	1	122
	Decentralised agencies	0	(0)	118	118	–	–	–	5	5	–	–
	Other actions	4	(0)	9	7	6	0	(0)	0	0	0	6
	Pilot projects and prep. actions	22	(2)	5	9	16	0	0	0	0	0	16
	European Space Programme	1 610	(1)	1 977	2 363	1 222	255	(0)	102	210	147	1 369
	Decentralised agencies	2	–	56	43	15	–	–	1	1	–	15
	Total Heading 1: Single Market, Innovation and Digital	37 889	(580)	20 733	16 702	41 340	4 472	(215)	4 950	1 830	7 377	48 717

EUR million

Heading	From budget appropriations					From assigned revenue appropriations					Total commitm. outstanding at the end of 2021
	Commitm. carried forward from 2020	Adjust-ments	Commitm. made	Payments made	Amount remaining to be settled	Commitm. carried forward from 2020	Adjust-ments	Commitm. made	Payments made	Amount remaining to be settled	
	1	2	3	4	5=1+2+3-4	6	7	8	9	10=6+7+8-9	11=5+10
2 Regional Development (ERDF)	88 758	(53)	238	39 843	49 100	12 591	(0)	28 028	5 569	35 049	84 149
Cohesion Fund	22 668	(42)	16	9 222	13 421	4 170	(0)	1 307	496	4 981	18 402
Cohesion Fund contrib. to CEF-Transport	6 632	(21)	1 442	1 031	7 023	3	–	0	0	3	7 026
Pilot projects and prep. actions	9	(1)	–	3	5	0	0	0	0	0	5
European Social Fund Plus (ESF+)	38 950	(7)	63	17 076	21 930	6 302	–	17 374	2 350	21 326	43 257
Support to Turkish-Cypriot Community	126	(5)	32	40	113	3	(0)	1	0	4	117
European Recovery and Resilience	108	(2)	116	80	141	0	–	98 034	46 375	51 660	51 801
Pericles IV	1	(0)	1	0	1	–	–	0	–	0	1
EU Recovery	–	–	5	3	2	0	0	0	0	0	2
RescEU	448	(7)	183	191	432	17	(0)	153	5	164	596
EU4Health	141	(9)	329	59	402	2	(0)	9	2	10	412
Emergency support within the Union (ESI)	469	0	232	509	191	0	–	70	70	0	191
Decentralised agencies	11	(0)	324	316	19	–	–	10	10	0	20
Pilot projects and prep. actions	4	(0)	–	3	1	0	0	0	0	0	1
Actions under prerogatives of Commission	8	(1)	11	10	9	0	–	1	1	0	9
Employment and Social Innovation	160	(12)	89	57	180	4	(2)	6	2	7	187
Erasmus+	990	(13)	2 663	2 114	1 526	356	(4)	169	283	239	1 765
European Solidarity Corps (ESC)	107	(4)	136	95	144	5	(0)	0	2	4	148
Creative Europe	227	(10)	306	137	386	9	(1)	9	4	14	400
Justice	63	(1)	47	35	74	0	(0)	1	0	0	75
Rights and Values	120	(4)	99	60	156	1	(0)	1	1	1	156
Decentralised agencies	17	(0)	220	206	31	1	(0)	3	2	1	33
Other actions	10	(0)	6	6	10	0	(0)	0	0	0	10
Pilot projects and prep. actions	87	(5)	30	28	85	–	–	0	0	0	85
Actions under prerogatives of Commission	164	(2)	181	157	186	1	(0)	1	1	1	187

EUR million

	Heading	From budget appropriations					From assigned revenue appropriations					Total commitm. outstanding at the end of 2021
		Commitm. carried forward from 2020	Adjust-ments	Commitm. made	Payments made	Amount remaining to be settled	Commitm. carried forward from 2020	Adjust-ments	Commitm. made	Payments made	Amount remaining to be settled	
		1	2	3	4	5=1+2+3-4	6	7	8	9	10=6+7+8-9	11=5+10
	Total Heading 2: Cohesion, Resilience and Values	160 278	(198)	6 769	71 281	95 569	23 468	(8)	145 178	55 174	113 465	209 033
3	Agricultural Guarantees	286	(10)	40 149	40 091	333	–	–	669	669	–	333
	Agricultural Fund for Rural Development	35 164	(2)	15 339	14 587	35 914	0	–	2 366	65	2 300	38 215
	Maritime and Fisheries	3 043	(15)	107	738	2 397	416	(0)	110	1	525	2 922
	Fisheries (SFPA and RFMO)	21	–	152	150	23	0	0	0	0	0	23
	Decentralised agencies	–	–	21	21	–	–	–	0	0	–	–
	Pilot projects and prep. actions	12	(0)	–	3	9	0	0	0	0	0	9
	Environment and Climate (LIFE)	1 882	(34)	739	439	2 148	7	(0)	3	3	6	2 154
	Just Transition Fund	–	–	4	1	3	–	–	5	0	5	8
	Loan facility under Just Transition Mechanism	0	0	–	–	–	–	–	0	0	–	–
	Decentralised agencies	3	–	50	51	3	–	–	6	6	0	3
	Pilot projects and prep. actions	26	–	4	5	24	0	0	0	0	0	24
	Total Heading 3: Natural Resources and Environment	40 438	(61)	56 563	56 086	40 854	423	(0)	3 160	745	2 837	43 691
4	Asylum, Migration and Integration	3 068	(29)	497	1 200	2 335	54	(1)	2	28	28	2 363
	Decentralised agencies	20	–	138	138	20	–	–	4	4	–	20
	Pilot projects and prep. actions	0	–	–	0	0	0	0	0	0	0	0
	Border Mngmt. (IBMF) - Border mngmt and visa	1 219	(35)	153	388	949	217	(2)	3	26	192	1 141
	Border Mngmt. (IBMF) - Customs equipment	–	–	135	–	135	0	0	0	0	0	135
	Decentralised agencies	372	–	703	754	321	–	–	10	10	0	321
	Total Heading 4: Migration and Border Management	4 679	(64)	1 626	2 480	3 760	271	(3)	19	67	219	3 980
5	Internal Security Fund (ISF)	457	(15)	70	161	352	13	(1)	1	5	9	360
	Nuclear decommissioning	351	(0)	73	46	377	0	0	0	0	0	377
	Nuclear Safety and decommissioning	324	(3)	69	75	315	0	(0)	0	0	0	315
	Decentralised agencies	0	–	193	193	0	0	(0)	3	3	–	0

EUR million

	Heading	From budget appropriations					From assigned revenue appropriations					Total commitm. outstanding at the end of 2021
		Commitm. carried forward from 2020	Adjust-ments	Commitm. made	Payments made	Amount remaining to be settled	Commitm. carried forward from 2020	Adjust-ments	Commitm. made	Payments made	Amount remaining to be settled	
		1	2	3	4	5=1+2+3-4	6	7	8	9	10=6+7+8-9	11=5+10
	Pilot projects and prep. actions	2	–	–	1	1	0	0	0	0	0	1
	Actions under prerogatives of Commission	26	(3)	20	19	24	–	–	0	–	0	24
	European Defence (Research)	–	(0)	323	1	322	–	–	7	0	7	329
	European Defence (Non Research)	322	(0)	623	198	746	0	–	17	0	17	762
	Military Mobility	–	–	227	1	226	0	0	0	0	0	226
	Pilot projects and prep. actions	7	(0)	–	5	2	0	–	–	0	–	2
	Total Heading 5: Security and Defence	1 489	(22)	1 597	700	2 364	13	(1)	28	8	33	2 397
6	Neighbourhood, Developm. and Intl. Cooperation	18 527	(444)	10 833	5 656	23 259	213	(12)	127	134	194	23 453
	Instrument for Nuclear Safety (EINS)	116	(9)	38	17	127	1	–	0	–	1	128
	Humanitarian Aid (HUMA)	1 301	(12)	2 168	2 405	1 052	53	(4)	28	46	31	1 084
	Common Foreign and Security Policy (CFSP)	137	(2)	352	341	146	22	(1)	56	46	32	178
	Overseas Countries and Territories (OCT)	9	–	63	7	65	0	0	0	0	0	65
	Other actions	1	(0)	17	17	0	0	0	0	0	0	0
	Pilot projects and prep. actions	4	(0)	–	2	2	0	0	0	0	0	2
	Actions under prerogatives of Commission	153	(20)	92	72	154	0	(0)	1	0	0	154
	Pre-Accession Assistance (IPA III)	7 464	(182)	1 566	1 988	6 860	785	(0)	30	204	610	7 471
	Pilot projects and prep. actions	0	(0)	–	–	–	0	0	0	0	0	–
	Total Heading 6: Neighbourhood and the World	27 712	(670)	15 130	10 506	31 666	1 074	(17)	242	429	869	32 535
7	Staff Pensions	–	–	2 173	2 173	–	–	–	–	–	–	–
	(Pensions former Members) EP	–	–	11	11	–	0	0	0	0	0	–
	(Pensions former Members) ECC	–	–	1	1	–	0	0	0	0	0	–
	(Pensions former Members) Commission	–	–	7	7	–	0	0	0	0	0	–
	(Pensions former Members) CJEU	–	–	12	12	–	0	0	0	0	0	–
	(Pensions former Members) ECA	–	–	5	5	–	0	0	0	0	0	–

EUR million

Heading	From budget appropriations					From assigned revenue appropriations					Total commitm. outstanding at the end of 2021
	Commitm. carried forward from 2020	Adjust-ments	Commitm. made	Payments made	Amount remaining to be settled	Commitm. carried forward from 2020	Adjust-ments	Commitm. made	Payments made	Amount remaining to be settled	
	1	2	3	4	5=1+2+3-4	6	7	8	9	10=6+7+8-9	11=5+10
(Pensions former Members) Ombudsman	–	–	0	0	–	0	0	0	0	0	–
(Pensions former Members) EDPS	–	–	0	0	–	0	0	0	0	0	–
European schools	0	–	197	197	0	1	–	15	14	2	2
Remuneration statutory staff	0	(0)	2 494	2 494	0	–	–	31	31	–	0
Remuneration external staff	35	(4)	238	231	38	3	(2)	33	33	2	39
Members - Salaries and allowances	0	(0)	15	13	2	–	–	0	0	–	2
Members - Temporary allowances	–	–	3	3	–	0	0	0	0	0	–
Recruitment costs	3	(1)	26	27	2	0	–	1	0	0	2
Termination of service	–	–	8	8	–	0	0	0	0	0	–
Training costs	10	(1)	17	15	11	1	(0)	3	3	1	12
Social and Mobility	8	(1)	24	21	8	7	(2)	17	15	7	15
Information and comm. technology	122	(2)	298	274	143	20	(0)	50	49	20	163
Rents and purchases	3	(0)	318	303	18	2	–	27	28	0	18
Linked to buildings	49	(1)	86	95	39	2	(0)	19	9	12	51
Security	24	(1)	63	58	28	2	(0)	6	3	4	32
Mission and representation	7	(6)	24	13	11	0	(0)	1	0	0	12
Meetings, committees, conference	6	(5)	5	2	3	0	(0)	1	1	1	4
Official journal	1	(0)	2	3	1	0	–	0	0	–	1
Publications	5	(0)	13	12	6	2	(0)	3	3	1	7
Acquisition of information	1	(0)	4	3	2	–	–	0	0	0	2
Studies and investigations	11	(0)	5	12	4	0	–	0	0	0	4
General equipment, vehicle, furniture	13	(1)	24	25	11	3	(0)	3	5	2	13
Linguistic external services	3	(0)	24	23	4	0	(0)	10	10	1	4
Other administrative expenditure	7	(1)	18	18	6	1	(0)	4	4	2	8
Pilot projects and prep. actions	2	(0)	–	1	0	0	(0)	–	–	–	0
Administrative expenditure of Other Institutions	591	(66)	4 256	4 155	626	36	(32)	335	281	57	684

EUR million

	Heading	From budget appropriations					From assigned revenue appropriations					Total commitm. outstanding at the end of 2021
		Commitm. carried forward from 2020	Adjust-ments	Commitm. made	Payments made	Amount remaining to be settled	Commitm. carried forward from 2020	Adjust-ments	Commitm. made	Payments made	Amount remaining to be settled	
		1	2	3	4	5=1+2+3-4	6	7	8	9	10=6+7+8-9	11=5+10
	Total Heading 7: European Public Administration	901	(92)	10 371	10 215	964	80	(37)	559	490	111	1 076
O	Innovation Fund (IF)	0	0	–	–	–	4	(1)	147	11	138	138
	Other actions	0	0	–	–	–	7	(1)	52	50	8	8
	Total Heading O: Outside MFF	0	0	–	–	–	11	(2)	199	61	147	147
S	Solidarity and Emergency Aid (SEAR)	–	–	791	791	–	0	0	0	0	0	–
	European Globalisation Adjustment (EGF)	0	–	24	24	–	0	0	0	0	0	–
	Brexit Adjustment Reserve	–	–	407	407	–	0	0	0	0	0	–
	Total Heading S: Solidarity mechanisms within and outside the Union (Special instruments)	0	–	1 223	1 223	–	0	0	0	0	0	–
	Total	**273 386**	**(1 687)**	**114 011**	**169 192**	**216 518**	**29 811**	**(283)**	**154 334**	**58 805**	**125 057**	**341 575**

7. IMPLEMENTATION OF THE BUDGET BY INSTITUTION

7.1. IMPLEMENTATION OF BUDGET REVENUE

EUR million

Institution	Income appropriations		Entitlements established			Revenue			Receipts as % of budget	Out-standing
	Initial adopted budget	Final adopted budget	Current year	Carried over	Total	On entitle-ments of current year	On entitle-ments carried over	Total		
	1	2	3	4	5=3+4	6	7	8=6+7	9=8/2	10=5-8
European Parliament	176	176	236	7	243	212	3	215	122 %	28
European Council and Council	59	59	103	1	104	102	1	102	173 %	2
Commission	165 665	167 616	244 942	19 411	264 354	237 838	1 078	238 916	143 %	25 437
Court of Justice	60	60	59	0	59	59	0	59	99 %	0
Court of Auditors	23	23	24	0	24	24	0	24	102 %	0
Economic and Social Committee	13	13	22	0	22	22	0	22	171 %	0
Committee of the Regions	10	10	11	0	12	11	0	12	112 %	–
Ombudsman	1	1	1	0	1	1	0	1	93 %	–
European Data Protection Supervisor	2	2	2	0	2	2	0	2	96 %	–
European External Action Service	51	51	241	3	244	240	3	243	480 %	0
Total	**166 060**	**168 011**	**245 641**	**19 422**	**265 063**	**238 511**	**1 085**	**239 596**	**143 %**	**25 467**

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 193.6 million (2020: EUR 148.1 million, however, in 2020 EDF was not covered by the NDICI funds, hence the increase in 2021). From the EDF legacy and the Trust Funds EUR 18.7 million (2020: EUR 64.4 million) were received. These contributions cover the costs of the Commission's staff in the delegations financed under the EDF and the Trust Funds, including assigned revenue generated during the year from these contributions.

7.2. IMPLEMENTATION OF COMMITMENT APPROPRIATIONS

EUR million

Institution	Total appropriat. available	Commitments made					Appropriations carried over to 2022			Appropriations lapsing			
		from final adopted budget	from carry-overs	from assigned revenue	Total	%	from final adopted budget	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=7+8	10	11	12	13=10+11+12
European Parliament	2 215	2 033	75	46	2 154	97 %	22	30	52	8	–	0	9
European Council and Council	679	523	0	43	566	83 %	0	41	41	71	0	0	71
Commission	601 452	109 244	511	153 999	263 755	44 %	4 043	283 739	287 781	49 239	5	671	49 916
Court of Justice	445	438	0	1	439	98 %	0	1	1	6	0	0	6
Court of Auditors	154	149	0	0	149	97 %	0	0	0	5	0	0	5
Economic and Social Committee	155	132	0	4	136	88 %	0	5	5	13	0	0	13
Committee of Regions	108	106	0	1	106	99 %	0	0	0	1	0	0	1
Ombudsman	13	11	0	–	11	89 %	0	–	–	1	0	–	1
European Data-protection Supervisor	19	17	0	–	17	86 %	0	–	–	3	0	–	3
European External Action Service	1 091	763	10	239	1 012	93 %	0	75	75	5	–	0	5
Total	**606 331**	**113 415**	**596**	**154 334**	**268 345**	**44 %**	**4 065**	**283 891**	**287 956**	**49 354**	**5**	**671**	**50 030**

7.3. IMPLEMENTATION OF PAYMENT APPROPRIATIONS

EUR million

Institution	Total approp. available	Payments made					Appropriations carried over to 2022			Appropriations lapsing			
		from final adopted budget	from carry-overs	from assigned revenue	Total	%	from final adopted budget	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=7+8	10	11	12	13
European Parliament	2 571	1 650	393	35	2 078	81 %	402	40	442	12	38	2	52
European Council and Council	749	461	60	43	564	75 %	62	42	104	71	10	1	82
Commission	241 321	160 032	1 203	62 326	223 561	93 %	3 591	13 827	17 417	82	250	11	343
Court of Justice	479	408	30	0	438	92 %	30	1	31	6	3	0	9
Court of Auditors	163	140	8	0	148	91 %	8	0	8	5	1	0	6
Economic and Social Committee	168	113	10	3	126	75 %	19	7	25	13	3	0	16
Committee of Regions	119	91	10	1	101	85 %	15	1	15	1	1	0	2
Ombudsman	13	9	0	–	10	76 %	2	–	2	1	0	–	1
European Data-protection Supervisor	21	16	1	–	17	80 %	1	–	1	3	0	–	3
European External Action Service	1 209	648	106	199	954	79 %	114	115	230	5	21	0	26
Total	**246 812**	**163 568**	**1 821**	**62 607**	**227 996**	**92 %**	**4 244**	**14 032**	**18 275**	**199**	**327**	**14**	**541**

8. IMPLEMENTATION OF THE AGENCIES' BUDGETS

The agencies' revenue and expenditure, as shown in the reports 8.1 and 8.2 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 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 (8.1) and expenditure (8.2).

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.

8.1. BUDGET REVENUE

EUR million

Agency	Funding MFF heading	Final adopted budget	Revenue received
Agency for Operational Management of Large-Scale IT Systems	4	264	268
Agency for the Cooperation of Energy Regulators	1	24	24
Body of European Regulators for Electronic Communications	1	7	7
Community Plant Variety Office	N/A	19	19
Consumers, Health, Agriculture and Food Executive Agency	1, 2b	11	3
European Agency for Safety and Health at Work	2b	16	15
European Asylum Support Office	4	142	153
European Aviation Safety Agency	1	204	168
European Banking Authority	1	49	50
European Border and Coast Guard Agency	4	535	545
European Centre for Disease Prevention and Control	2b	58	173
European Centre for the Development of Vocational Training	2b	19	19
European Chemicals Agency	1	108	115
European Climate, Infrastructure and Environment Executive Agency	1, 2a, 3, 5	45	45
European Education and Culture Executive Agency	2b, 6	54	54
European Environment Agency	3	52	67
European Fisheries Control Agency	3	21	22
European Food Safety Authority	2b	119	121
European Foundation for the Improvement of Living and Working Conditions	2b	22	23
European Health and Digital Executive Agency	1, 2b	27	27
European Innovation Council and SMEs Executive Agency	1, 2a	49	43
European Institute for Gender Equality	2b	9	9
European Insurance and Occupational Pensions Authority	1	33	33
European Labour Authority	2b	22	14
European Maritime Safety Agency	1	85	106
European Medicines Agency	2b	379	408
European Monitoring Centre for Drugs and Drug Addiction	5	17	19
European Public Prosecutor's Office	2b	26	27
European Research Council Executive Agency	1	55	56
European Research Executive Agency	1, 3	88	88
European Securities and Markets Authority	1	59	61
European Training Foundation	2b	21	22
European Union Agency for Criminal Justice Cooperation	2b	44	46
European Union Agency for Cybersecurity	1	23	23
European Union Agency for Law Enforcement Cooperation	5	178	177
European Union Agency for Law Enforcement Training	5	10	8
European Union Agency for Railways	1	31	33
European Union Agency for the Space Programme	1	44	1 870
European Union Fundamental Rights Agency	2b	24	25
European Union Intellectual Property Office	N/A	534	313
Fusion for Energy Joint Undertaking	1	614	750
Translation Centre for the Bodies of the European Union	7	52	46
Total		**4 195**	**6 092**

EUR million

Type of agencies revenue	Amounts received
Commission subsidy	4 155
Fee income	842
Other income	1 095
Total	**6 092**

8.2. COMMITMENT AND PAYMENT APPROPRIATIONS BY AGENCY

EUR million

Agency	Commitment		Payment	
	Total appropr.	Commit. made	Total appropr.	Payments made
Agency for Operational Management of Large-Scale IT Systems	286	269	291	260
Agency for the Cooperation of Energy Regulators	24	22	27	19
Body of European Regulators for Electronic Communications	7	7	10	8
Community Plant Variety Office	20	18	20	17
Consumers, Health, Agriculture and Food Executive Agency	11	2	12	2
European Agency for Safety and Health at Work	16	16	22	15
European Asylum Support Office	169	139	177	136
European Aviation Safety Agency	278	183	286	149
European Banking Authority	50	49	54	46
European Border and Coast Guard Agency	557	523	725	421
European Centre for Disease Prevention and Control	182	169	195	122
European Centre for the Development of Vocational Training	19	19	20	19
European Chemicals Agency	116	110	129	109
European Climate, Infrastructure and Environment Executive	45	44	47	42
European Education and Culture Executive Agency	54	53	58	50
European Environment Agency	68	61	92	64
European Fisheries Control Agency	22	21	25	18
European Food Safety Authority	130	130	133	118
European Foundation for the Improvement of Living and	23	22	28	23
European Health and Digital Executive Agency	27	26	27	20
European Innovation Council and SMEs Executive Agency	45	43	48	42
European Institute for Gender Equality	9	9	11	8
European Insurance and Occupational Pensions Authority	33	33	38	31
European Labour Authority	23	22	26	10
European Maritime Safety Agency	114	107	125	102
European Medicines Agency	408	386	480	365
European Monitoring Centre for Drugs and Drug Addiction	20	19	21	19
European Public Prosecutor's Office	26	25	27	19
European Research Council Executive Agency	55	55	57	54
European Research Executive Agency	88	88	96	88
European Securities and Markets Authority	61	60	69	61
European Training Foundation	22	21	23	21
European Union Agency for Criminal Justice Cooperation	60	57	57	45
European Union Agency for Cybersecurity	23	23	29	24
European Union Agency for Law Enforcement Cooperation	186	176	210	167
European Union Agency for Law Enforcement Training	26	12	30	12
European Union Agency for Railways	38	37	37	33
European Union Agency for the Space Programme	10 102	6 419	2 666	1 614
European Union Fundamental Rights Agency	26	25	33	25
European Union Intellectual Property Office	558	286	18	282
Fusion for Energy Joint Undertaking	1 070	1 066	765	745
Translation Centre for the Bodies of the European Union	53	44	56	43
Total	**15 151**	**10 897**	**7 301**	**5 470**

EUR million

Type of expenditure	Commitment appropriations		Payment appropriations	
	Total appropr. available	Commit. made	Total appropr. available	Payments made
Staff	1 749	1 478	1 417	1 462
Administrative	472	439	498	412
Operational	12 930	8 980	5 385	3 596
Total	**15 151**	**10 897**	**7 301**	**5 470**

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 and declared definitely adopted by the President of the European Parliament.

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 and liabilities at amortized cost

All financial assets and liabilities that are according to International Public Sector Accounting Standards measured at armotized cost.

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 irregular expenditure. For expenditure under shared management, the task of recovering irregular 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 the applicable EU or national rules and which has a potentially negative impact on the EU financial interests. Irregularities, which may be the result of the conduct of beneficiaries claiming funds or of the authorities responsible for making payments. The notion of irregularity is wider than that of fraud, which refers to conduct that may qualify as a criminal offence.

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

The main source of revenues for the EU budget. The different own resources are listed in the applicable Own Resource Decision (Council Decision (EU, Euratom) 2020/2053) and are traditional own resources, VAT-based own resource, GNI-based own resource and non-recycled plastic packaging waste-based own resource.

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 instalments 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 three quarters of the EU expenditure falls under this implementation mode.

Traditional own resources

Traditional own resources are defined in the applicable Own Resources Decision (Council Decision (EU, Euratom) 2020/2053) and comprise namely 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
AC	Amortised Cost
AFS	Available For Sale
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
CPF	Common Provisioning Fund
CPR	Common Provisions Regulation
CRII+	Coronavirus Response Investment Initiative Plus
D&WM	Decommissioning and Waste Management
EAD	Exposure At Default
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
ECL	Expected Credit Losses
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
EFSF	European Financial Stability Facility
EFSI	European Fund for Strategic Investments
EFSM	European Financial Stabilisation Mechanism
EFTA	European Free Trade Association
EGNOS	European Geostationary Navigation Overlay System
EIB	European Investment Bank
EIF	European Investment Fund
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
FVNA	Fair Value through Net Assets/Equity
FVSD	Fair Value through Surplus or Deficit
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
IF	Innovation Fund
IT	Information Technology
ITER	International Thermonuclear Experimental Reactor
JRC	Joint Research Centre
JU	Joint Undertaking
LGD	Loss given Default Rate
LGTT	Loan Guarantee Instrument for TEN-T projects
MAP	Multi Annual Program - 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
NDICI	Neighbourhood, Development and International Cooperation Instrument
NGEU	NextGenerationEU

ORD	Own Resources Decision
PBI	Project Bond Initiative
PD	Probability of Default
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
RRF	Recovery and Resilience 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 Entreprises Financial Inclusion Programme
SICR	Significant Increase of Credit Risk
SIUGI	SME Initiative Uncapped Guarantee Instrument
SME	Small and Medium-sized Enterprise(s)
SMEW	SME Window (Small and Medium-sized Enterprises Window)
SURE	Support to mitigate Unemployment Risks in an Emergency
TFEU	Treaty on the Functioning of the European Union
TOR	Traditional own resources
TRDI	Temporary Rural Development Instrument
VAT	Value Added Tax