



European
Commission

Integrated financial and accountability reporting Overview

#EUBUDGET

FINANCIAL YEAR

2022

INTEGRATED FINANCIAL AND
ACCOUNTABILITY REPORTING 2022

Budget

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Integrated financial and accountability reporting Overview

Foreword



In 2022, Russia's brutal war against our neighbours painfully reminded us that we cannot take peace for granted. In response, the European Union used its power of unity to rise to new geopolitical and socioeconomic challenges.

Facing these unprecedented circumstances, it is even more important to direct funds to where they can make the greatest difference, in line with the most crucial needs of the EU Member States and our partners around the world, and to ensure the EU budget is spent correctly and effectively. The integrated financial and accountability package is therefore more than a legal obligation; its figures mean tangible results for people.

The annual management and performance report explains how the budget supports the EU's political priorities and achieves results. Complementing this, the annual accounts provide a complete overview of EU finances, including information on contingent liabilities, financial commitments and other obligations of the Union, as well as on the implementation of the EU budget for the past year. As we are continuously improving the way of managing and implementing the EU budget, the package also includes the outcome of the discharge procedure and the recommendations by the Internal Audit Service. In addition, the long-term forecast of the future inflows and outflows gives 5-year projections and elaborates on the key drivers for the implementation of the main spending areas of the budget.

With this transparent and comprehensive reporting, we also want to match our ambition to meet and set the highest international standards. EU taxpayers trust the European Union to spend their money in their best interest – and the integrated financial and accountability package is the proof we take this responsibility seriously. This package shows that Europe is the best answer not only to overcome the crises but also to emerge stronger – thanks to a budget that helps lay the foundation for a greener, more digital and more resilient Europe.

Johannes Hahn,
European Commissioner for Budget and Administration

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Introduction

The integrated financial and accountability reporting package brings together comprehensive information on the implementation, performance, results, sound financial management and protection of the EU budget in 2022. It consists of five reports.



The **2022 annual management and performance report** and its annexes provide an overview of the performance, management and protection of the EU budget, including the performance and compliance aspects of the Recovery and Resilience Facility (RRF). It explains how the EU budget and NextGenerationEU support the EU's political priorities, and describes both the results achieved with the EU spending programmes by the end of 2022 and the role of the European Commission in ensuring the highest standards of financial management.



The **2022 consolidated annual accounts of the European Union** provide a single and comprehensive source of audited figures giving details of the EU's financial position (assets and liabilities), contingent liabilities, risk management information and budget implementation, consolidating all EU institutions and bodies. They also give extensive information on the off-budget borrowing and lending activities, as well as the financial instruments and investments. They are produced in accordance with the International Public Sector Accounting Standards.



The **report on the follow-up to the discharge for the 2021 financial year** summarises the actions that the Commission is taking or will take in response to the requests made by the European Parliament and the Council of the European Union during the discharge procedure. The requests cover wide-ranging topics and help the Commission to further improve the way it manages and implements the EU budget.



The Commission **report to the discharge authority on internal audits carried out in 2021** presents a synthesis of the recommendations made by the Internal Audit Service (IAS) and the actions taken on those recommendations to improve the Commission's governance, risk management and control processes.



The **long-term forecast of future inflows and outflows of the EU budget (2024–2028)** provides the payments and revenue forecast covering the new multiannual financial framework (MFF), and the European Union Recovery Instrument – NextGenerationEU (NGEU).

These documents provide essential input for the annual discharge procedure, through which the European Parliament and the Council of the European Union hold the Commission accountable for the way it manages the EU budget. This is in line with the highest international standards for transparency and accountability.

This brochure highlights the key messages of these reports and explains the main features of the EU budget.

Section I

Highlights of the 2022 EU budget and NextGenerationEU

A strong budgetary performance amid
unprecedented challenges

Highlights of the 2022 EU budget

For the EU, 2022 was another year of unprecedented challenges. Just as the immediate emergencies linked to the COVID-19 pandemic were waning, in early 2022 Russia launched a war of aggression against Ukraine, unleashing tremendous devastation and human suffering. The war also triggered the worst energy crisis in Europe since the 1970s, contributing to elevated inflationary pressures, including on food prices, which further exacerbated global food insecurity.

The EU budget was quickly mobilised to provide Ukraine with political, humanitarian and financial support. The EU increased its macrofinancial assistance (MFA) to Ukraine (in the form of grants and highly concessional loans) to EUR 7.2 billion (with additional funding of up to EUR 18 billion announced for 2023). These resources helped to keep the Ukrainian state afloat, maintain macrofinancial stability, and help repair and rebuild crucial infrastructure, including for energy production and distribution. The EU also stepped up its provision of humanitarian aid, by funding and coordinating the delivery of over 80 000 tonnes of life saving and critically needed in-kind assistance to Ukraine and to neighbouring EU countries and Moldova, and the mobilisation of emergency generators from Member States and rescEU (the Union Civil Protection Mechanism). The EU also granted Ukrainian goods easier access to the EU. In 2022, overall assistance from the EU budget and EU Member States to Ukraine and its people amounted to EUR 12.2 billion. Importantly, the EU also set up wide-ranging economic sanctions on Russia, aiming to hamper its ability to wage prolonged war.

The rules for the use of the remaining 2014–2020 funds were further amended to support Member States welcoming and integrating Ukrainian refugees.

- EUR 3.5 billion in the form of additional pre-financing was made available for allocation under the 2014–2020 programmes through the Recovery Assistance for Cohesion and the Territories of Europe initiative.
- Through the Cohesion's Action for Refugees in Europe (CARE) initiative, adopted in April 2022, Member States could extend 100 % of the co-financing under 2014–2020 programmes to the 2021–2022 accounting years, which resulted in additional payments of EUR 6.6 billion. Furthermore, Member States and their regions were also given the opportunity to redirect remaining funding under the 2014–2020 programming period to support the immediate needs and integration of refugees, a new priority that also benefits from 100 % co-financing with no time limitation.

- In June 2022, the Commission presented the Flexible Assistance to Territories (FAST-CARE) proposal, which extended the support already provided under Cohesion's Action for Refugees in Europe (CARE), with additional EUR 13.6 billion. Similarly, the implementation period for the 2014–2020 home affairs funds was prolonged by 1 year to make use of unspent funding.
- Member States also had access to funding under the Asylum, Migration and Integration Fund and the Instrument for Financial Support for Border Management and Visa Policy for 2021–2027. In particular, EUR 400 million was made available as emergency assistance to frontline Member States for the reception and early integration of Ukrainians.

The EU budget also had to buffer the adverse repercussions of Russia's unprovoked invasion of Ukraine on food prices and food security.

- The 2022 exceptional adjustment aid under the **common agricultural policy**, with an estimated budgetary impact of EUR 500 million, including EUR 350 million from the European Agricultural Guarantee Fund crisis reserve, was implemented almost fully by Member States. This exceptional temporary support, in the form of lump sums, was provided to affected farmers and small and medium-sized enterprises.
- The Commission has provided flexibility under both the 2014–2020 **European Maritime and Fisheries Fund** and the 2021–2027 **European Maritime, Fisheries and Aquaculture Fund** programmes to maximise the use of available resources, maintain activity in the maritime sector and ensure food supply. The total amount allocated by the Member States to these emergency measures was EUR 267 million.
- During 2022, the EU earmarked EUR 600 million to support the most vulnerable African, Caribbean, and Pacific countries hit by the food crisis and announced a new humanitarian aid package of EUR 210 million for the 15 countries most affected by the devastating effects of rising food insecurity.

The EU also addressed head-on Russia's weaponisation of energy by diversifying its energy sources and supporting small and medium-sized enterprises and vulnerable households at risk of energy poverty across Europe.

- With the **REpowerEU** plan, adopted in 2022, the EU is aiming to reduce its dependency on Russian fossil fuels in record time. The EU already managed to replace over 80 % of Russian pipeline gas in the first 8 months of the war. This allowed EU Member States to fill their gas storage facilities to record levels (over 95 % in November). The EU cut its gas consumption by 20 % between

August and November (compared with the previous 5 years) and installed 40 % more renewable capacity in 2022 than in 2021. By the end of 2022, the EU had reduced the share of its pipeline gas imports from Russia to 9 %, and Norway had overtaken Russia as the EU's leading gas supplier.

- Moreover, in October 2022, the Commission put forward the Supporting Affordable Energy proposal. It would allow Member States to repurpose – with a 100 % co-financing rate – up to 10 % of their 2014–2020 cohesion policy allocation under a new dedicated priority, to support the working capital of small and medium-sized enterprises particularly affected by the rise in energy prices and provide direct income support to vulnerable households.

And it supported the EU defence sector as well as the Ukrainian armed forces.

- With the war in Ukraine a painful reminder of the importance of a strong EU defence sector, the EU budget mobilised EUR 1.9 billion over 2021 and 2022 through the European Defence Fund, which seeks to foster collaboration among the Member States, address fragmentation and enhance the competitiveness and technological autonomy of the European defence industry.
- Outside the EU budget, the European Peace Facility allocated EUR 3.2 billion to facilitate the provision of military equipment and security infrastructure to the Ukrainian armed forces, laying down a decisive marker in support of Ukraine's defence'.

Despite the challenging background, the EU budget and NextGenerationEU continued to deliver their expected support to the EU twin transitions and other mainstreamed objectives in 2022.

- Together, the EU budget and NextGenerationEU dedicated EUR 119.4 billion – 36 % of the total joint budget – to climate-relevant interventions. In addition, EUR 19.4 billion, or 5.8 % of the total joint budget, was allocated to biodiversity.
- According to preliminary estimates from a stocktaking exercise carried out for the first time by the Commission across the entire EU budget and NextGenerationEU, over 2021–2022 some EUR 132 billion – or 17 % of the budgets for 2021 and 2022 combined – was dedicated to advancing the EU's digital priorities.
- Despite significant reallocation of funds towards supporting the COVID-19 relief efforts and towards Cohesion's Action for Refugees in Europe and Flexible Assistance to Territories, the cohesion policy programmes continue to be a cornerstone in driving the green and digital transitions. With the 2014–2020 multiannual financial framework (MFF) programmes nearing completion, most

indicators, particularly concerning the green transition in transport, household energy reduction and renewable energy installation, are set to exceed their initial target values.

The Recovery and Resilience Facility (RRF) gave significant financial support to Member States to foster economic and social resilience and make the green and digital transformation a reality.

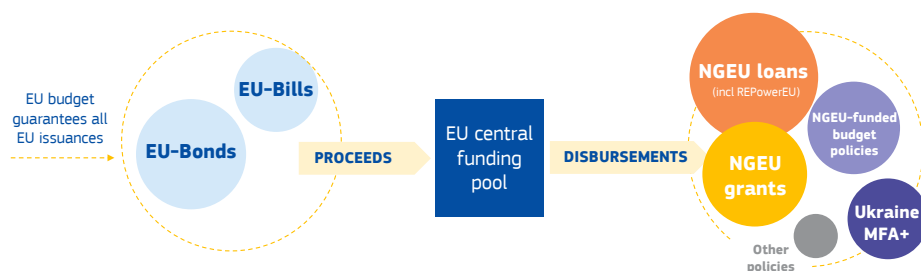
- At the end of 2022, all 27 national recovery and resilience plans of the Member States had been approved, accounting for a total allocation of EUR 335.1 billion in grants and EUR 165.3 billion in loans. At the end of 2022 a total of EUR 138.7 billion had been paid out to Member States (EUR 74.4 billion in 2022 alone).
- Thanks to the Recovery and Resilience Facility, progress was already made through some key reforms during the first 2 years of its implementation. These include:
 - digitalising public administration (Slovakia) and ensuring cybersecurity (Romania);
 - improving civil and criminal justice systems by reducing the length of proceedings and by improving the organisation of courts (Spain, Italy);
 - enhancing employment and social protection (Croatia);
 - tackling corruption and ensuring the protection of whistle-blowers (Cyprus);
 - licensing simplification reforms to boost investments in offshore renewables or to create the conditions for introducing renewable hydrogen (Greece, Spain, Portugal);
 - supporting the rollout of renewable energy and sustainable transport (Croatia, Romania);
 - improving the quality of the legislative process (Bulgaria);
 - improving access to affordable housing (Latvia).
- In addition, the Recovery and Resilience Facility unlocks the full potential of structural reforms by complementing them with key investments. Some of the major investments with key steps already completed ⁽¹⁾ include:
 - supporting the decarbonisation and energy efficiency of industry (France, EUR 1.4 billion; and Croatia, EUR 91 million);
 - increasing the competitiveness of firms operating in the tourism sector, including 4 000 small and medium-sized enterprises (Italy, EUR 1.9 billion);

⁽¹⁾ The Recovery and Resilience Scoreboard (<https://europa.eu/DhPHrR>) contains real-time information about the implementation of the facility. Information about concrete projects supported under the Recovery and Resilience Facility is available on an interactive map (<https://europa.eu/FP4dR8>) that is regularly updated.

- supporting vulnerable people (Italy, EUR 1 billion);
 - digitalisation of public administration towards digital, simple, inclusive and secure public services for citizens and businesses (Portugal, EUR 170 million);
 - an investment plan for high-tech equipment in the national health system (Spain, EUR 796 million);
 - improving efficiency and sustainability in irrigation (Spain, EUR 260 million).
- By the end of 2022, 366 milestones and targets had already been satisfactorily reached contributing to the six pillars of the RRF facility. The first results obtained indicate that the facility is making a key difference in the life of EU citizens. Some of the major achievements as of end 2022 are shown below.
 - **Green transition.** Annual energy consumption has been reduced by 14 million megawatts, and more than 400 000 refuelling and recharging stations for clean vehicles have been installed or upgraded.
 - **Digital transition.** More than 9.2 million dwellings have gained access to very high-capacity internet networks, and 123 million users have new or improved public digital services.
 - **Healthcare.** Capacity has been expanded, including in hospitals, clinics, outpatient care centres and specialised care centres; capacity to serve up to 28 million people in a new or modernised healthcare facility.
 - **Education and training.** In all, 2.6 million people had participated in education and training and 2.7 million young people aged 15–29 had received support, whether monetary or in-kind (i.e. education, training and employment support)
 - **Support for businesses.** Monetary or in-kind support has been extended to almost 413 000 enterprises.

By the end of 2022, the Commission had raised EUR 171 billion from capital markets in the form of EU bonds to finance NextGenerationEU.

- The Commission has now put in place a unified funding approach, which is an extension of the diversified funding strategy originally put in place for borrowing under the NextGenerationEU programme. Under this new approach, the Commission issues single branded EU bonds and allocates the proceeds to a central funding pool from which the EU's different policy programmes are funded. This allows the EU to offer more flexible disbursements and to keep borrowing costs as low as possible (for more information, see Section II).



NB: MFA+, Macro-Financial Assistance Plus; NGEU, NextGenerationEU.

All these results were achieved while ensuring the **EU budget is well protected against fraud and irregularities**, in the interest of taxpayers (for more information see Section III).

Tackling these unforeseen and unprecedented challenges while continuing to steer the recovery in line with the EU's priorities has put **the multiannual financial framework under considerable pressure**. More than 90 % of the more than EUR 2 trillion under the 2021–2027 multiannual financial framework and the NextGenerationEU recovery instrument are pre-allocated for specific purposes, programmes or national allocations. The budgetary flexibilities for the current multiannual financial framework were very limited from the start. This makes it challenging to mobilise funds to finance new priorities or address unexpected emergencies. Against this background, and to ensure that the EU can deliver on its most urgent objectives, the Commission presented in June 2023 a mid-term review of the 2021–2027 multiannual financial framework, which takes stock of the implementation so far and proposes solutions to the challenges faced by the EU budget. The Commission is also proposing a structural solution to support Ukraine beyond 2023.

Section II

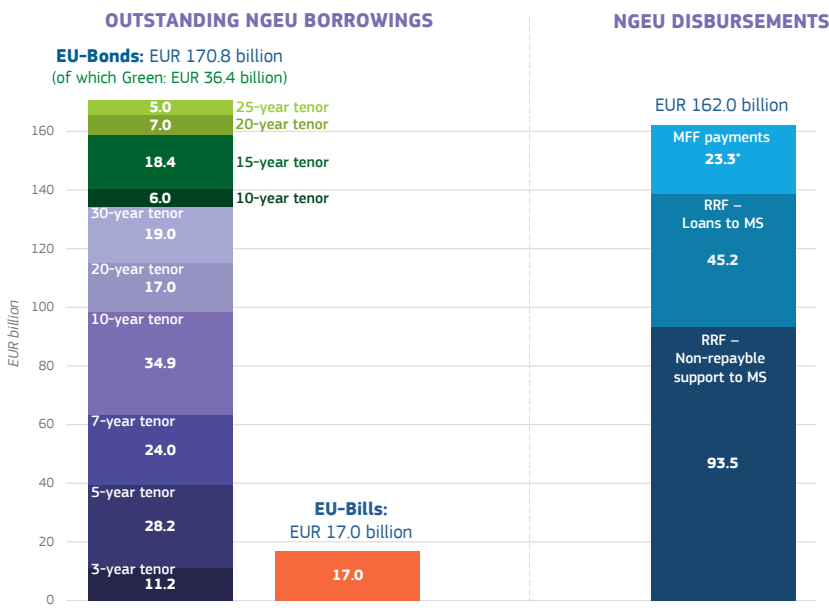
EU annual accounts

Providing an accurate picture of EU finances

Highlights of the 2022 EU accounts

The [EU's consolidated annual accounts](#) provide a complete overview of EU finances and the implementation of the EU budget. They are prepared on the basis of accrual-based accounting rules adopted by the Accounting Officer of the Commission, which are based on International Public Sector Accounting Standards (IPSAS). They also show how the EU budget, complemented by NextGenerationEU, was implemented during the year. From the successful launch of the NextGenerationEU funding operations on 15 June 2021 to the end of 2022, the Commission raised EUR 170.8 billion of medium- and long-term funding, mainly by issuing bonds in syndicated transactions. In addition, as of December 2022, the Commission had EUR 17.0 billion of short-term EU bills outstanding.

Up to year-end 2022, the Commission had disbursed a total of EUR 162.0 billion of financial support (2021: EUR 71.6 billion). The majority of this amount, EUR 138.7 billion, was disbursed under the RRF, with EUR 93.5 billion disbursed as non-repayable support and EUR 45.2 billion disbursed as financial loan support. A further EUR 23.3 billion (net of recoveries of EUR 0.2 billion) was disbursed as MFF payments under existing programmes. Furthermore, at 31 December 2022, liquidity of EUR 20.5 billion was held in the NextGenerationEU bank account with the European Central Bank and in the Commission's central treasury account, pending disbursement to the budget for MFF programmes:



*A further EUR 0.6 billion of funds were held in the Commission's central treasury account pending disbursement to the budget for MFF programmes (including EUR 0.2 billion of recovered NGEU funds previously paid).
Chart: Outstanding NextGenerationEU borrowings and NextGenerationEU disbursements at 31 December 2022 (billion EUR). NB: NGEU, NextGenerationEU.
Source: European Commission.

The temporary **support to mitigate unemployment risks in an emergency (SURE) programme** continued to deliver. It was established in 2020 to provide financial assistance to Member States experiencing, or seriously threatened by, severe economic disturbance caused by the COVID-19 pandemic. At the end of 2022, under SURE, Member States had signed loan facility agreements amounting to EUR 98.4 billion, all of which was disbursed. The availability of the instrument ended on 31 December 2022.

The **Macro Financial Assistance (MFA) programme** is a form of financial assistance extended by the EU to partner countries outside the EU experiencing a balance of payments crisis. In 2022, the European Parliament and the Council agreed three packages of financial assistance for Ukraine under the MFA, totalling EUR 7.2 billion, to strengthen the immediate resilience of the country after Russia's unprovoked and unjustified war of aggression. All the loans had been disbursed to **Ukraine** by the end of 2022. At the end of 2022, the total MFA loans outstanding to Ukraine amounted to EUR 11.6 billion (nominal amount).

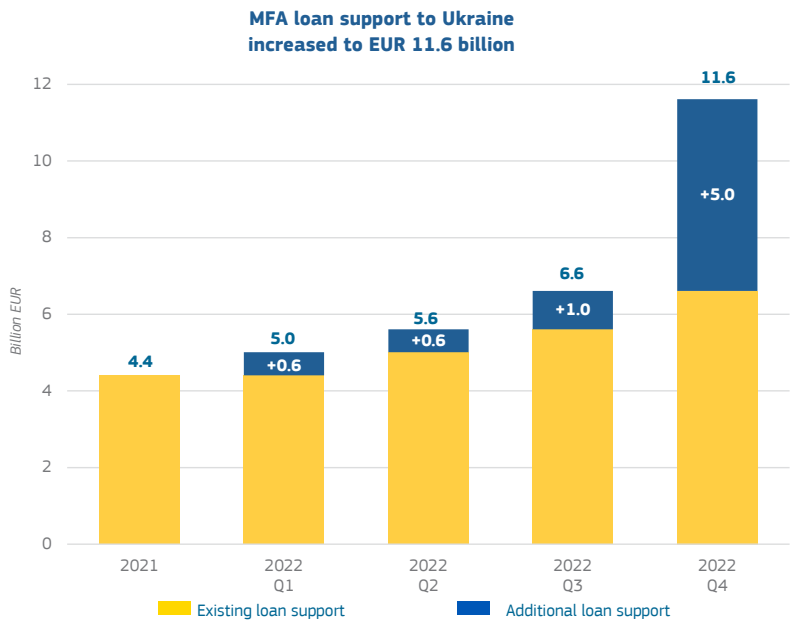


Chart: Macro financial assistance loan support to Ukraine in 2021 and in 2022 (by quarter)

Source: European Commission.

To continue the EU's support for Ukraine in 2023, a new package of financial assistance of EUR 18 billion was adopted by the European Parliament and the Council on 14 December 2022 (Regulation (EU) 2022/2463), and disbursements started in early 2023.

Total 2022 commitment appropriations implementation per EU policy objectives amounted to EUR 357.1 billion, as shown in the chart.

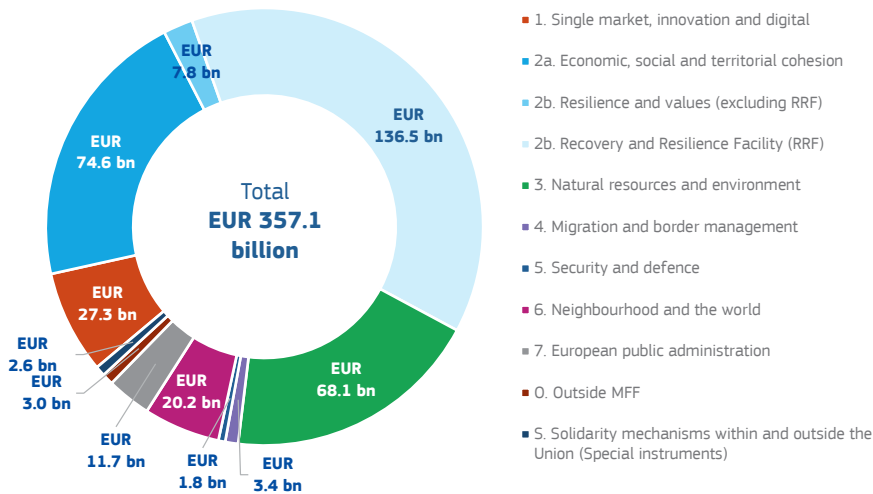


Chart: Budget implementation of commitments made in 2022

Source: European Commission.

Implementation of appropriations in 2022

The 2022 implementation for all types of appropriations (budget, carry-overs from previous year and assigned revenue) was 74 % for commitments and 93 % for payments. When the appropriations carried over to 2023 (in accordance with the [Financial Regulation](#) ⁽²⁾ and/or legal bases) are included, the implementation rates become 99 % for commitment appropriations and 100 % for payment appropriations of the voted budget for 2022.

In 2022, the annual tranche of commitments under NextGenerationEU was EUR 144.6 billion. In addition, EUR 21.1 billion of commitments was carried over from 2021. In total, EUR 165.7 billion was available for commitments in 2022, out of which EUR 162.7 billion, or 98 %, was consumed.

⁽²⁾ Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012, OJ L 193, 30.7.2018, p. 1.

For 2023, the amount of EUR 114 billion is planned for implementation (administrative appropriations that can be implemented until 2027). In line with [Article 3\(4\) of EURI Council Regulation \(EU\) 2020/2094](#)⁽³⁾, over 60 % of legal commitments for the relevant programmes under NextGenerationEU (with the exception of InvestEU and Recovery and Resilience Facility (RRF) loans) were entered into by 31 December 2022. The implementation rate of NextGenerationEU payment appropriations reached 99 % in 2022.

Outstanding commitments (commonly referred to as *reste à liquider* (RAL)), which correspond to amounts committed but not yet paid for, stood at EUR 452.8 billion at the end of 2022. The outstanding commitments increased compared with 2021 (by EUR 111.2 billion).

The main driver of the 2022 increase in the RAL was the implementation of NextGenerationEU (non-repayable part), contributing EUR 189.1 billion (42 %) to the total RAL at the end of 2022. As the NextGenerationEU appropriations will be committed until 31 December 2023 and paid by 31 December 2026, in accordance with Article 3(4) and (9) of the EU Council Regulation (EU) 2020/2094, the trend of nominally growing RAL linked to NextGenerationEU will continue in 2023.

BUDGET RESULTS FOR 2021 AND 2022

	2022	2021
Revenue for the financial year	245 265	239 596
Payments against current year appropriations	(239 157)	(226 175)
Payment appropriations carried over to year N+1	(2 452)	(4 244)
Cancellation of unused appropriations carried over from year N-1	80	265
Evolution of assigned revenue	(1 121)	(6 338)
Exchange differences for the year	(97)	126
Budget result	2 519	3 230

All amounts in EUR million.
Source: European Commission.

⁽³⁾ 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.

Consolidated financial statements

The consolidated financial statements of the EU comprise more than 50 entities (including the European Parliament, the Council of the European Union, the Commission and EU agencies). The accounts for almost all of the total assets in the consolidated financial statements.

2022 AND 2021 BALANCE SHEET OF THE EU

	2022	2021
ASSETS		
Financial assets	235.4	188.6
Pre-financing	100.5	93.4
Receivables	48.2	72.4
Cash and cash equivalents	46.5	44.9
Property, plant and equipment and other assets	15.2	14.7
Total	445.9	414.1
LIABILITIES		
Post-employment benefits	80.6	122.5
Financial liabilities	352.3	246.1
Payables	55.3	46.4
Accruals	86.2	78.1
Other liabilities	2.8	3.3
Total	577.2	496.4
NET ASSETS		
Reserves	1.3	1.3
Amounts to be called from Member States	(132.6)	(83.6)
Total	(131.3)	(82.3)

All amounts in EUR billion.

Source: European Commission.

The excess of liabilities over assets at 31 December 2022 amounted to EUR 131.3 billion (2021: EUR 82.3 billion). The considerable increase of EUR 49.0 billion compared with the previous year is mainly due to the borrowings in relation to non-repayable support taken out under NextGenerationEU in 2022. Unlike back-to-back borrowing and lending operations, there is a liability but not the equivalent asset to match it. The excess of liabilities over assets means not that the EU institutions and bodies are in financial difficulty, but rather that many 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 subsequent years and funded using future budgets. The related revenues will only be accounted for in future periods. Apart from the borrowings for NextGenerationEU (which are to be repaid between 2025 and 2052) and the employee benefits liability (which is to be paid over several decades), the most significant amounts to be highlighted are the activities related to the European Agriculture Guarantee Fund, the bulk of which is usually paid in the first quarter of the following year.

ASSETS

EU assets include buildings, receivables and cash, but also EU-specific items such as the satellites of the Galileo and Copernicus programmes, loans given to Member States and non-EU countries as financial assistance, and advances (pre-financing) given to recipients of EU funds – primarily Member States.

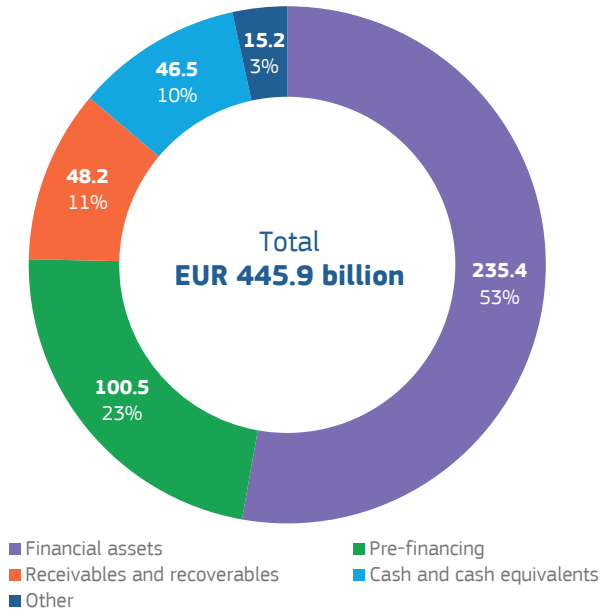


Chart: EU assets in 2022 (major categories) (billion EUR).

Source: European Commission.

Financial assets

Loans. The EU provides financial support to preserve financial stability in Europe and to grant financial assistance to Member States (and some non-EU countries, e.g. Ukraine) in financial difficulties. In this context, the EU raises funds on the capital markets or with financial institutions, which are lent under the same conditions (back-to-back operations) to the Member States and partner countries concerned.

In 2022, further loans were disbursed under the SURE instrument established in 2020 as part of its emergency support package to tackle the economic impact of the COVID-19 pandemic in the EU, and under the programme providing macro-financial assistance to enlargement and neighbourhood partners. This included EUR 7.2 billion of new loans disbursed to Ukraine under the Macro Financial Assistance (MFA) programme to strengthen the immediate resilience of the country, which had been subjected to Russia's unprovoked and unjustified war of aggression.

Furthermore, in 2022 the EU granted further loans under the RRF programme. The borrowings issued to finance the RRF programme under the NextGenerationEU instrument are not equal to the loans granted, as they also serve to finance the non-repayable support in the form of grants. Because of the pooled borrowing approach, borrowings given out as loans are not back-to-back operations. Thus, at the end of 2022, the loans recognised on the balance sheet did not match the borrowings (for further information on NextGenerationEU, please refer to 'Highlights of the 2022 EU accounts' in Section II above).

The graph below shows the nominal amounts of the loans outstanding at 31 December 2022 by programme and recipient state.

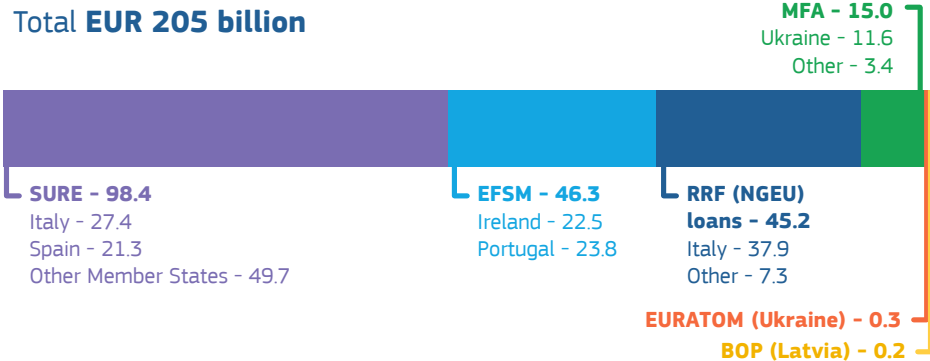


Chart: Nominal amount of loans granted for financial assistance EFSM, SURE, MFA, EURATOM, BOP, RRF (NGEU).

NB: BOP, balance of payments; EFSM, European Financial Stabilisation Mechanism; Euratom, European Atomic Energy Community; RRF (NGEU), Recovery and Resilience Facility (NextGenerationEU).

Source: European Commission.

The EU's borrowing and lending activities for financial assistance programmes and NextGenerationEU are non-budget operations. Borrowings of the EU constitute direct and unconditional obligations of the EU and are thus guaranteed by the EU budget. The Commission has put procedures in place to ensure the repayment of these borrowings in case of a loan default by the recipient. In addition to the guarantee by the EU budget, for the SURE instrument, Member States provided EUR 25 billion in guarantees. Furthermore, EUR 6 billion of loans provided to Ukraine in 2022 under the MFA programme are covered by the Member States' guarantees, amounting to 61 % of the exposure.

Financial assets at fair value through surplus or deficit. The EU holds financial assets at fair value through surplus or deficit in the form of debt securities, equity instruments and other types of investment. These investments are made as part of the implementation of the budget to maximise the impact of the funds available for programmes and policy areas. The basic concept behind this approach is to encourage the contribution of additional private and public funds to the programmes in question, maximising the impact of the funds available (the leverage effect).

Pre-financing

Pre-financing is an essential instrument for the implementation of the EU budget, and it represents a cash advance given to recipients to implement a specific programme. The recipient is required to report the eligible expenditure incurred to the EU, and any ineligible or unused amounts must be returned to the EU. For further information on this topic please refer to the [Consolidated annual accounts of the European Union](#).

Receivables

Receivables are amounts owed to the EU arising from competition fines issued, traditional own resources (e.g. customs duties) and other amounts to be collected from Member States (e.g. amounts relating to the European Agricultural Guarantee Fund and the European Agricultural Fund for Rural Development, along with remuneration to be received from financial institutions for the financial guarantees issued by the EU). Following the United Kingdom's withdrawal from the European Union in 2020, this position also includes the net amount receivable from the United Kingdom based on the obligations of the withdrawal agreement signed between the EU and the United Kingdom.

Property, plant and equipment — space assets

This category covers operational fixed assets related to the two EU space programmes: the global navigation satellite systems (i.e. Galileo and the European Geostationary Navigation Overlay Service) and the Copernicus European Earth observation programme.

Space assets at 31 December 2022 amounted to EUR 3.8 billion, with a further EUR 4.4 billion recognised as assets under construction. For Galileo, the two satellites launched in December 2021 were declared operational in March 2022. The operational constellation now includes 28 satellites. When completed, the Galileo constellation will comprise 30 satellites (including six spare satellites). Regarding Copernicus, following a technical incident involving the Search and Rescue (SAR) instrument (which provided the radar data) on board Sentinel-1B, and despite all efforts to reactivate the satellite, it was concluded in July 2022 that it could no longer support the Sentinel-1 mission. Sentinel-1B has thus been completely written off.

LIABILITIES

EU liabilities are amounts owed to recipients of EU funds, but also borrowings, liabilities stemming from financial guarantee contracts, pensions and other employee benefits.

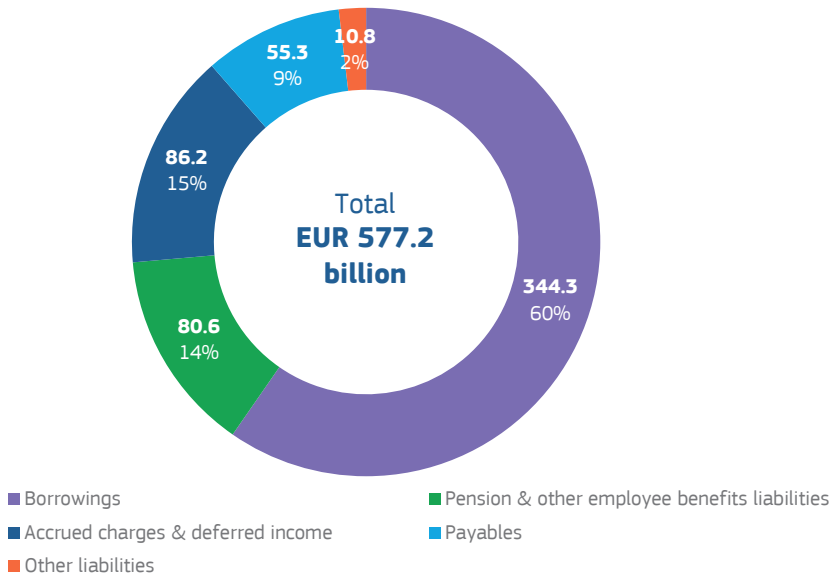


Chart: EU liabilities in 2022 (billion EUR).

Source: European Commission.

Post-employment benefits

The EU grants a set of post-employment benefits to employees, which include retirement, invalidity and survival pensions, along with medical coverage. The benefits are provided under a defined benefit pension plan and post-employment sickness scheme. The decrease in the total employee benefits liability is primarily driven by the actuarial gains from changes in the underlying financial assumptions resulting from a sharp increase in the real discount rates in the year.

Financial liabilities (primarily borrowings)

The EU borrows money on the capital markets to finance loans to the countries under financial assistance programmes, and to finance RRF loans, RRF non-repayable support and other MFF programmes.

Payables and accruals

Payables and **accruals** are amounts owed to third parties. Payables include invoices and cost claims received but not paid at year-end (e.g. Member States requesting the reimbursement of expenditure made in the current or previous years). Accrued charges include the estimated amounts of invoices and cost claims not yet received, which will have to be reimbursed the following year. The largest amount at year-end relates to the European Agricultural Guarantee Fund, for which the amounts are primarily paid from the budget in the first quarter of the following year.

Contingent liabilities

A **contingent liability** is a possible financial obligation of the EU budget that will be confirmed depending on an outcome of a future event that is outside the control of the EU, or a present obligation for which financial settlement by the EU budget is not probable.

The EU mainly discloses the outstanding nominal amounts of the financial guarantees given (on loans and equity investments) and contingent liabilities relating to legal risks. All contingent liabilities – except those relating to fines, guarantees and financial instruments up to the level to which they are covered by funds – would be financed, should they fall due, by the EU budget (and thus the Member States) in the years to come.

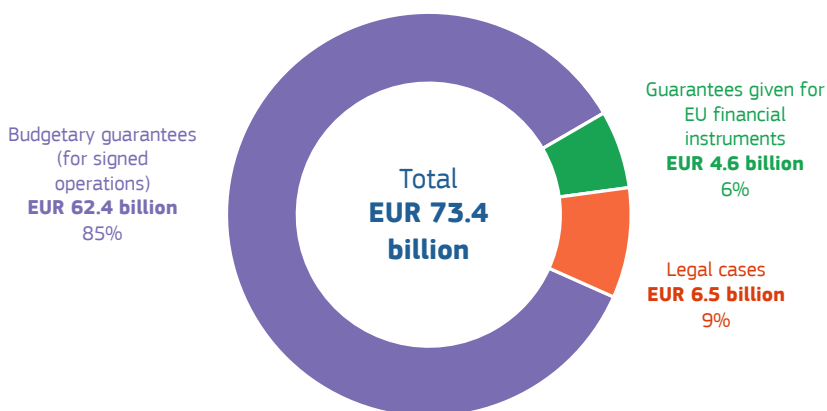


Chart: Contingent liabilities in 2022.

Source: European Commission.

Guarantees given under the EU budgetary guarantee programmes.

The EU provides guarantees to the European Investment Bank (EIB) Group for its loans granted outside the EU (under the external lending mandate) and for debt and equity operations within the EU covered by the European Fund for Strategic Investments (EFSI) guarantee. In addition, in 2022, the EU provided significant guarantees to the EIB Group and several other financial institutions under the InvestEU programme to support investments in the EU. Furthermore, the EU guarantees investments in partner countries in Africa and in the European neighbourhood undertaken by several implementing partners under the European Fund for Sustainable Development and External Action Guarantee established by the Neighbourhood, Development and International Cooperation Instrument – Global Europe. In order to mitigate the risk that guarantee calls by the EIB Group or other financial institutions could present to the EU budget, the EU holds financial assets in a common provisioning fund managed by the Commission.

The EU budget also guarantees the loans for financial assistance and the RRF loans, and related borrowings – see ‘Loans’ under ‘Financial assets’ above.

Long-term forecast for 2024–2028

The [long-term forecast of future inflows and outflows](#) provides a long-term view of expenditure and revenue in future EU budgets. The forecast covers the next 5 years, in accordance with the requirements of the [financial regulation](#). The 2023 report is the third forecast issued for the 2021–2027 MFF and NextGenerationEU. Besides providing MFF estimates, this forecast updates the projections of payments on all programmes under NextGenerationEU.

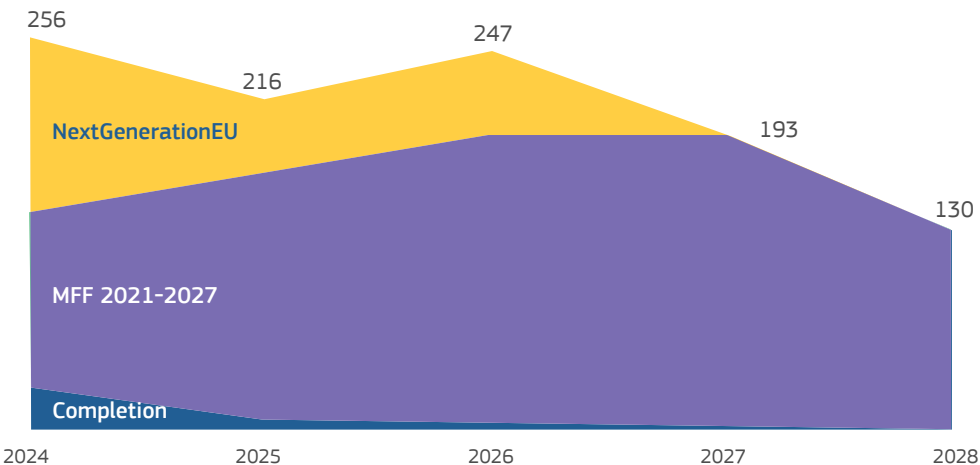


Chart: Payment forecast for 2023–2027 by category in EUR billion.

Source: European Commission.

The payments over the next 5 years of the MFF are expected to reach EUR 1 042 billion, including EUR 824 billion under the MFF payment ceiling and EUR 216 billion for NextGenerationEU non-repayable support. The forecast is drawn up in a context of high uncertainty due to the geopolitical and economic instability resulting from Russia's war of aggression against Ukraine. The initiatives already put forward to support Member States, non-EU countries and specific sectors accelerated payments for the outstanding and new programmes, while external financing instruments are making more funding available for Ukraine and the neighbouring partner countries.

The MFF payment ceiling remains sufficient to cover the projected payments, except in 2026, for which the forecast points to an overrun. Payments are expected to run well below the MFF payment ceiling in 2024 and 2025, making it possible to transfer unused amounts, within certain limits, towards the end of the period, when credit needs will be higher. Overall, the **net margin over 2024–2027** including adjustments is estimated at **EUR 18.5 billion**, comprising the increase from the Single Margin Instrument and the automatic adjustment of the ceiling, following the top-ups resulting from the provisions of Article 5 of [Regulation \(EU, Euratom\) 2020/2093](#) (MFF regulation).

Trends in payments under the MFF payment ceiling will need to be closely monitored in the coming years, especially to measure the potential effects of new policy initiatives or the acceleration in the implementation of programmes. Member States will need to implement NextGenerationEU funds prior to the deadline for disbursements scheduled for 2026 and at the same time accelerate the implementation of cohesion funds.

The forecast RAL is in line with the expected economic growth. The nominal increase in the RAL is compensated for by the growth in the EU's gross national income (GNI). This shows that the nominal growth of the EU economy outweighs the accumulation of outstanding commitments from the EU budget. NextGenerationEU produces a temporary effect on the level of the EU's outstanding commitments, which will peak at the end of 2023 and then gradually return to levels comparable to the start of the MFF period by the end of 2027.

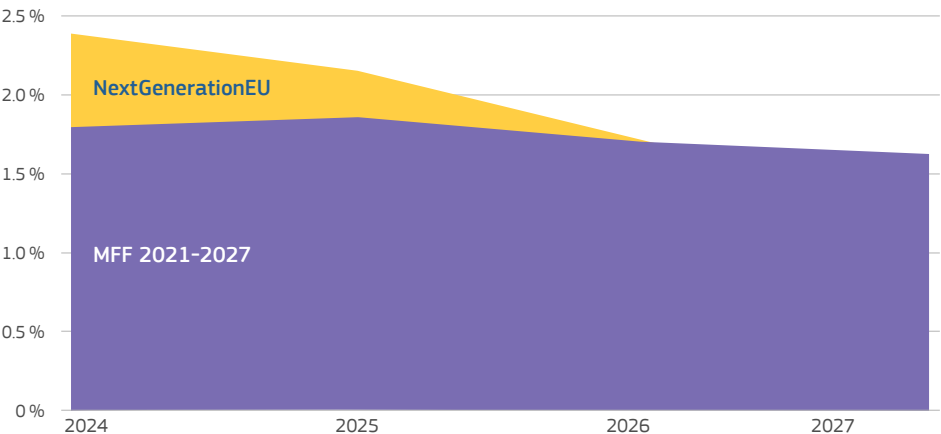


Chart: Changes in the level of outstanding commitments (RAL), 2023–2027, measured in % of the EU's GNI.

Source: European Commission.

The forecast revenue (mostly EU own resources) necessary to finance the budget will grow in line with the MFF expenditure. Yet the available margin under the Own Resources ceiling will remain relatively stable as the increasing revenue needs to match the projected nominal growth of the EU economy.the increasing revenue needs to match the projected nominal growth of the EU economy.

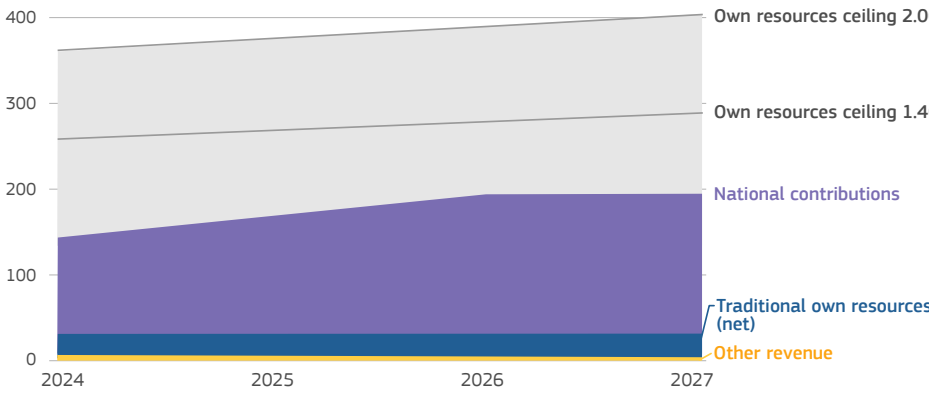


Chart: Revenue forecast for financing the 2023–2027 Multiannual Financial Framework (million EUR).
Source: European Commission.

Section III

EU budget financial management and internal control

EU budget financial management and internal control

The European Commission attaches great importance to the sound financial management of the EU budget and NextGenerationEU, a temporary instrument to power the recovery. In order to make the best possible use of taxpayers' money, it is essential to ensure that funding reaches the intended beneficiaries in compliance with the applicable rules. To achieve this objective, the Commission relies on a number of tools, which have proved to be fit for purpose over the years:

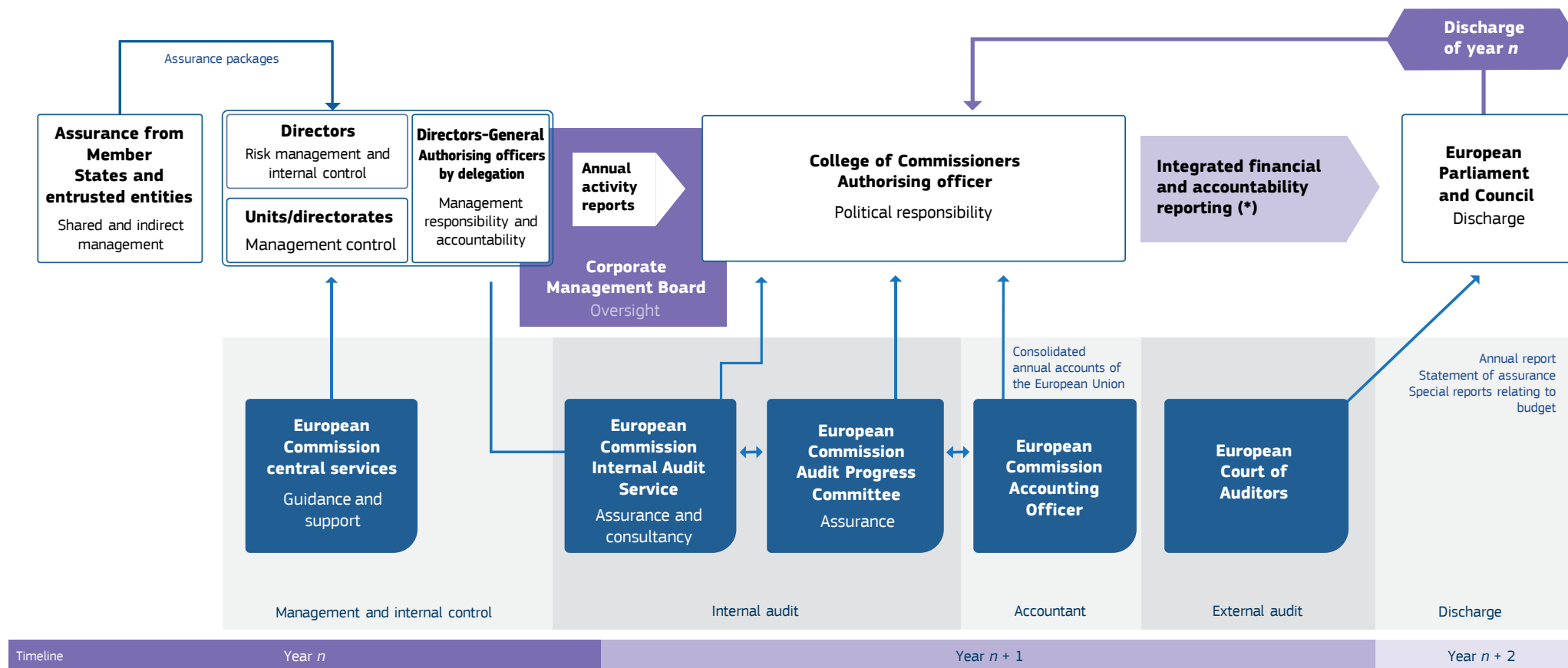
- **strong governance arrangements** leading to a solid chain of assurance building and accountability at the department and corporate levels;
- a **robust corporate internal control framework** with tailored control strategies based on common features designed to reduce the risks to the legality and regularity of transactions;
- **control results, including financial corrections**, that confirm that the EU budget is well managed;
- a **multilayered anti-fraud strategy and the implementation** of a zero tolerance policy on fraud;
- the assurance obtained through the work of the **Internal Audit Service (IAS)**;
- the **European Court of Auditors** as external auditor, and the discharge procedure with the **European Parliament** and the **Council**.

Effective tools are in place to ensure accountability, transparency and sound financial management

The Commission's governance system and chain of accountability are tailored to its unique structure and role. The College of Commissioners is politically responsible for the management of the EU budget. It delegates the day-to-day operational management to the 51 authorising officers by delegation, who manage and steer their departments and are accountable for the resources assigned to them. Their annual activity reports clearly demonstrate how they have obtained the assurance on the use of these resources, and also draw on the conclusions of the internal auditor. They may qualify their assurance with reservations in cases of serious weaknesses.

This robust governance set-up helps the College of Commissioners to deliver on the Commission's objectives, to use resources efficiently and effectively and to ensure that the EU budget is implemented in accordance with the principles of sound financial management. The main building blocks of this solid chain of assurance and accountability are presented in the figure below.

The Commission's assurance building and accountability for the EU budget: clear roles and responsibilities



(*) Integrated financial and accountability reporting:

- Consolidated annual accounts of the European Union
- Annual management and performance report
- Long-term forecast of future inflows and outflows
- Annual internal audit report
- Report on the follow-up to the discharge

Source: European Commission.

Robust corporate internal control framework

The Commission's **internal control framework** is an essential safeguard for its operations. In 2022, the Commission further adjusted its internal control system to the changing circumstances. In close collaboration with the Member States, it took various types of actions to further improve the effectiveness of the management and control systems and to boost the prevention, detection and correction of errors in the implementation of all EU programmes including, the Recovery and Resilience Facility.

The Commission's anti-fraud strategy has continued to play a significant role in preventing the possible misuse of EU funds. In 2022, the Commission further promoted the use and effectiveness of the early detection and exclusion system, which allows fraud prevention and sanctioning. Through the ongoing revision of the financial regulation, the Commission is also proposing to make it compulsory to use a single integrated information technology system for data mining and risk scoring.

Zero tolerance for fraud

ERRORS VERSUS FRAUD

The procedures in place ensure that most errors are detected and addressed. Errors do not mean that EU money is lost, wasted or affected by fraud. Errors mainly stem from misinterpretations of public procurement rules or from administrative mistakes in applications submitted by beneficiaries, for example when documents are missing. In fact, fraud affects approximately 0.2 % of the total EU budget.

The Commission has zero tolerance for fraud and relentlessly pursues its efforts to fight corruption. This starts with robust controls on its daily financial transactions and continues, where necessary, through investigations carried out by the European Anti-Fraud Office. The European Public Prosecutor's Office also helps reinforce the Commission's action in this area.

In 2022, the European Anti-Fraud Office continued its analytical work, for example by finalising a comprehensive risk framework for the Recovery and Resilience Facility.

The Commission's control results confirm that the EU budget is well managed

Within its internal control framework, the Commission relies on multiannual and risk-differentiated control strategies to prevent, detect and correct errors and weaknesses in the control systems. In shared management, the Commission ensures that the Member States put in place and maintain sufficiently robust national control systems. Altogether, the Commission and Member States perform hundreds of thousands of checks every year to prevent, detect and correct errors and weaknesses in the control systems.

As a result of these controls and audits, in 2022 preventive and corrective measures were implemented for an amount of EUR 4 950 million: EUR 3 159 million for preventive measures and EUR 1 791 million for corrective measures, respectively. This brings the cumulative amount of preventive and corrective measures implemented in 2017–2022 to EUR 30.7 billion.

The Commission estimates that the risk of error, at the time of payment and after its preventive controls, remains at the same level as in 2021, at 1.9 %. This stability, in spite of the numerous challenges encountered lately, is consistent with the fact that most of the expenditure in 2022 relates to the 2014–2020 programming period and that rules, control systems and implementing bodies have remained stable. The Commission, with Member States in cases of shared management, deploys substantial efforts to carry out controls after the payments and to make corrections until the closure of the programmes. These efforts are reflected in the estimated risk of error at the closure of the programmes, once all the controls and all the corrections have taken place. For 2022, the risk at closure is estimated at 0.9 %.

Both the risk at payment and the risk at closure are below the threshold of 2 %, which is also used by the Court of Auditors. As a result, the Commission considers that the budget as a whole is effectively protected. This is confirmed by the internal auditor's opinion ⁽⁴⁾.

⁽⁴⁾ Without further qualifying the opinion, the internal auditor added three 'emphases of matter' regarding:

- implementation of the EU budget in the context of unpredictable and repeated crises;
- implementation of the Recovery and Resilience Facility;
- supervision strategies to ensure sound financial management in the implementation of policies and programmes by third parties.

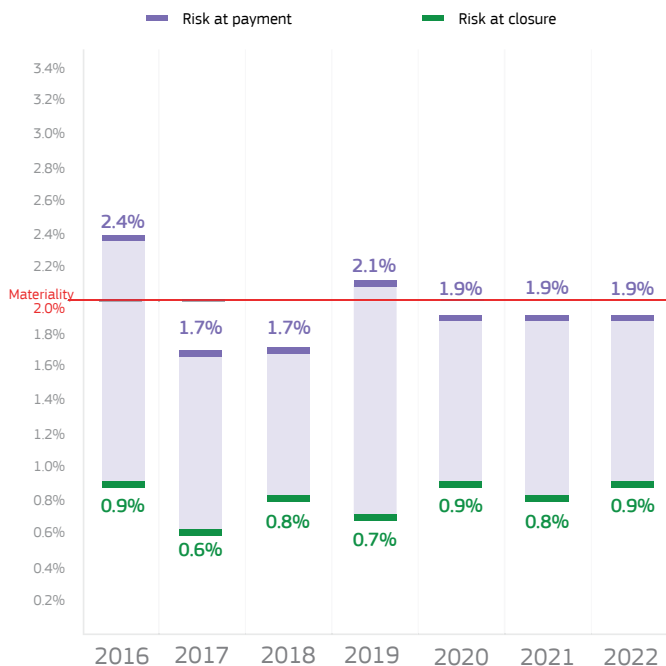


Chart: Risks at payment and at closure, for the entire Commission, 2016–2022

Source: European Commission.

Notwithstanding this overall good result, the Commission has robust evidence that demonstrates the differentiated level of risk for EU expenditure. Based on the risk at payment, the Commission can precisely divide the annual expenditure into three categories of risk: lower (risk at payment below 2.0 %), medium (risk at payment between 2.0 % and 2.5 %) and higher (risk at payment above 2.5 %). For natural resources and environment, and for cohesion, resilience and values, this analysis is also applied at the level of individual paying agencies and operational programmes in the Member States, and the Commission is able to report precisely which ones in which countries present a high risk of error ⁽⁵⁾. For instance, in 2022, for Cohesion Funds this was the case for 88 programmes out of 441 in 15 Member States and the United Kingdom. For agriculture, it was the case for 33 paying agencies out of 140 in 17 Member States and the United Kingdom. This allows the Commission to focus its efforts where they matter the most, to provide its support efficiently to address specific weaknesses and to apply financial corrections where needed.

⁽⁴⁾ These cases are detailed in the annual activity reports of the relevant directorates-general. They are part of the reservations that qualify the authorising officer by delegation's declaration of assurance.

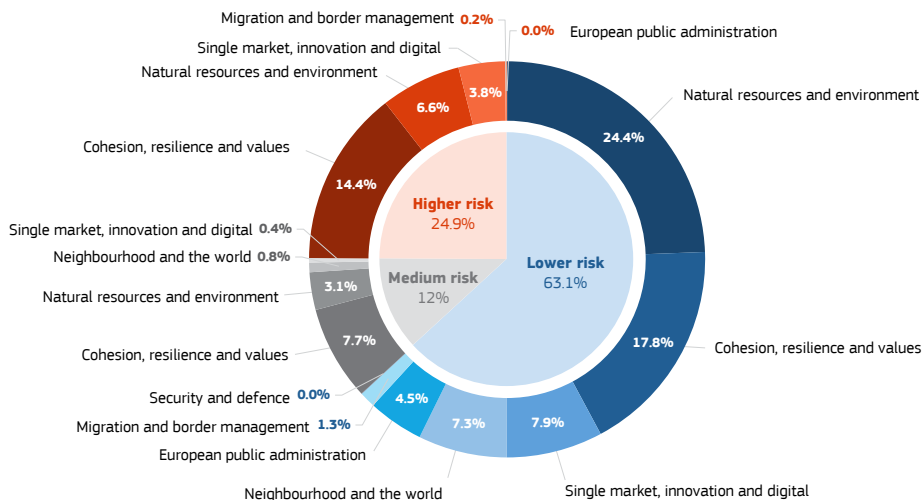


Chart: The Commission's relevant expenditure, EUR 169 billion for 2022, split into higher, medium and lower risks

Source: European Commission annual activity reports.

In addition to applying financial corrections and recoveries, the Commission is taking action to address weaknesses leading to medium and higher risks. These include communication targeted at the most error-prone beneficiaries, remedial action plans, more extensive use of simplified forms of grants, better controls, guidance where necessary and capacity-building of national authorities.

The Recovery and Resilience Facility - a swift start on the ground

For the **Recovery and Resilience Facility the Commission has put a dedicated control environment in place and continues to develop it.** This set-up ensures on the one hand that the Member States put in place effective control systems to protect the Union's financial interests as per the requirements of the RRF regulation, and on the other that the payments to the Member States, which are disbursed against the achievement of predefined milestones and targets, are legal and regular.

On legality and regularity, the Commission's control results confirm the satisfactory fulfilment of all the milestones and targets for the payments made in 2022, based on the results of the controls carried out. In addition, the Commission concluded that all 13 payments made in 2022 were considered to be at a low level of risk of error.

Input from the internal auditor

The EU is a very transparent institution, providing information about its accounts and spending, and on the operational and budgetary implementation of the funds, through a wide range of reports and publicly accessible databases. Every euro the EU spends is recorded in the books and accounted for.

Controls on how the money is spent are carried out by the Commission services, and the Member States in cases of shared management, as well as through internal audits by the IAS. The Commission's Audit Progress Committee oversees the independence and quality of internal audit work and monitors the proper implementation of the improvements recommended by the IAS.

[For 2022, the internal auditor highlights](#) the following aspects of concern.

The key messages from the internal auditor concern.

- **Financial management.** The Internal Auditor considers that in 2022 the Commission put into place governance, risk management and internal control procedures which, taken as a whole, are adequate to give reasonable assurance over the achievement of its financial objectives, with the exception of those areas of financial management over which Directors-General have expressed reservations in their declarations of assurance.
- **Performance management.** The IAS also carried out performance audits in 2022 as part of its strategic audit plan. These audits resulted in recommendations concerning (1) performance management; (2) EU policy implementation; (3) internal control systems in relation to legality and regularity; (4) preparedness for and early implementation of the EU budget; (5) cooperation with third parties implementing policies and programmes; and (6) information technology. For all (partially) accepted recommendations, the auditees drafted action plans, which were submitted to, and assessed as satisfactory by, the IAS.
- **Follow-up of previous internal audit work.** The IAS confirmed that 96 % of the recommendations issued during 2018–2022 were adequately and effectively implemented by the auditees. This result indicates that the Commission services are diligent in implementing the recommendations and mitigating the risks identified by the IAS.

Political control and discharge procedure

The main political priorities highlighted in the 2021 discharge related to *inter alia*, **integrity** in the EU institutions, the **rule of law** situation in the Member States, the **control system for EU funds** (with a particular focus on the Recovery and Resilience Facility), **simplification** of rules and procedures, **funding to non-governmental organisations**, use of **external consultants** at the Commission, **transparency** in EU-funded projects and on the part of beneficiaries, and the **performance** and **absorption** of the funds.

The Commission shares the main objectives expressed by the Parliament and the Council of the European Union, notably in terms of protecting the EU budget, increasing transparency and putting performance at the heart of budget implementation.

In its [report on the follow-up to the 2021 discharge](#), the Commission reports on how it is addressing the political priorities of the European Parliament's discharge resolution. Where relevant, it also explains the challenges the Commission will face in tackling some of these concerns, while counting on the support of the co-legislators, and bearing in mind the need to strike the right balance between a low level of errors; strong protection against misuse of funds; swift payments; a high level of transparency; keeping the costs and burden of controls to a reasonable level for public authorities and beneficiaries; and making sure that EU expenditure adds real value.

The EU budget in a nutshell

Why an EU budget?

The EU budget is key to implementing EU policies and priorities. It leverages national budgets and other policy instruments at the EU level to address the many challenges and opportunities faced by the EU. The EU intervenes only when it is more effective to spend money at the EU level than at the local, regional or national level. The EU budget complements national budgets and implements commonly agreed priorities. It focuses on areas in which pooling resources can deliver results that could not be achieved as effectively or efficiently by Member States acting alone – thus it generates or maximises European added value.

The EU budget also plays a major role in responding to crises. With increased flexibility through instruments such as NextGenerationEU, it equips the EU with the tools to collectively address unforeseen developments such as the COVID-19 pandemic, disturbances in the energy market or geopolitical challenges.

The EU budget is called upon to finance more actions and step up in a growing number of areas, across the whole range of EU-wide policies. In this way, the EU budget also provides the EU with a higher degree of strategic autonomy.

What is the EU budget?

Like every budget, the EU's provides for financial planning on an annual basis (by calendar year), but within an EU-specific long-term framework (the multiannual financial framework) and is composed of two sides: revenue and expenditure. The legal basis for the EU budget is enshrined in the Treaty on the Functioning of the European Union, which stipulates that the EU 'shall provide itself with the means necessary to attain its objectives and carry through its policies' (Article 311).

It is executed hand in hand with the Member States and with other partners and organisations. Its programmes are multiannual by nature, providing a stable and predictable framework, which is ideally suited to supporting strategic investments over the medium to longer term. It entails a variety of instruments that are tailored to the aim of the particular policy and final beneficiaries' needs.

Ensuring that the budget is properly and effectively spent requires strong accountability and control mechanisms.

How does it work?

LONG-TERM BUDGET

The [multiannual financial framework \(MFF\)](#) provides a long-term spending plan of at least 5 years; all but the first have been for 7 years. This time frame allows for a balance between predictability and the recurrent need to adjust spending to the changing priorities set at the highest EU level.

The MFF sets the maximum annual amounts (ceilings) that the EU may commit and spend on each policy area, organised into a few broad categories called headings (currently seven). These headings bring together EU financial programmes of varying size and scope. The categories of expenditure, limited in number, correspond to the EU's major sectors of activity. The [current \(2021–2027\) MFF](#) was agreed in July 2020 at the European Council Summit and adopted in late 2020. Its second year was 2022.

The current MFF brings several changes from the previous one, in terms of the structure and rules, but the main novelty is in combining the regular general budget with the extraordinary, temporary and one-off NextGenerationEU instrument. These two pillars set the highest spending plan in EU history.

Single Market, Innovation and Digital

149.5 (+ 11.5 from NGEU)

Cohesion, Resilience and Values

426.7 (+ 776.5 from NGEU)

Natural Resources and Environment

401 (+ 18.9 from NGEU)

Migration and Border Management

25.7

Security and Defence

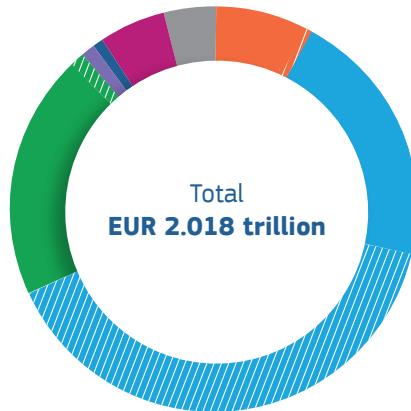
14.9

Neighbourhood and the World

110.6

European Public Administration

82.5



Total: **EUR 2.018 trillion**



Chart: The EU long-term budget 2021–2027 and NextGenerationEU.

Several programmes under these headings receive additional allocations under Article 5 of Regulation (EU, Euratom) 2020/2093 (the 'MFF regulation' (MFFR)) (Horizon Europe, InvestEU, EU4Health, Erasmus+, Creative Europe, Justice, Citizens, Equality, Rights and Values programmes and the Integrated Border Management Fund), from the reuse of decommitments under Article 15 of Regulation (EU, Euratom) 2018/1046 (the 'financial regulation' (FR)) (Horizon Europe) and from reflows from the European Development Fund (the Neighbourhood, Development and International Cooperation Instrument- Global Europe). The precise additional allocations will be established annually.

All amounts are in billion EUR, in current prices, as of November 2020. *Source:* European Commission.

NEXTGENERATIONEU

NextGenerationEU is a temporary emergency instrument for crisis response, recovery and resilience measures with a total budget of EUR 806.9 billion distributed in the form of grants and loans. NextGenerationEU aims both at recovering from the COVID-19 crisis and at making the Member States' economies fit for the future. Its key programme, the Recovery and Resilience Facility, is a unique and innovative tool to finance investments and reforms, to drive the climate and digital twin transitions and to create jobs and an infrastructure for the future. In line with the performance focus of the new long-term budget, financing provided under the facility depends on the successful implementation of the investments and reforms contained in the plans.

The priority of NextGenerationEU is to deliver prompt and targeted financial assistance to Member States, and for that reason the spending period is shorter than for the MFF. It is financed using the borrowing capacity of the EU, and repayment will take place until 2058 to avoid placing immediate pressure on national finances.

NextGenerationEU annual commitment appropriations are demand driven and may vary from one year to another. In 2022, commitments amounted to EUR 277 722 million, corresponding mainly to the Recovery and Resilience Facility.

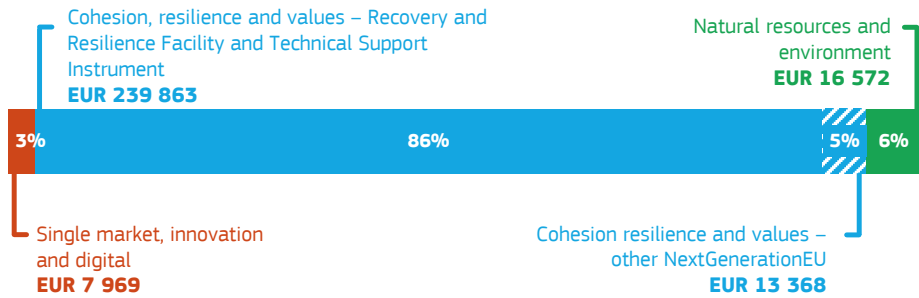


Chart: NextGenerationEU total budget by heading, 2022 (million EUR).
Source: European Commission.

ANNUAL BUDGET

Each annual budget is adopted within the limits of the long-term budget (MFF). It determines EU annual expenditure and revenue for all EU policy areas in a given year. In 2022, the total amount allocated to the EU budget was EUR 177 742 million in commitment appropriations (not including NextGenerationEU).

Multiannual financial framework in 2022

Total **EUR 177 742**

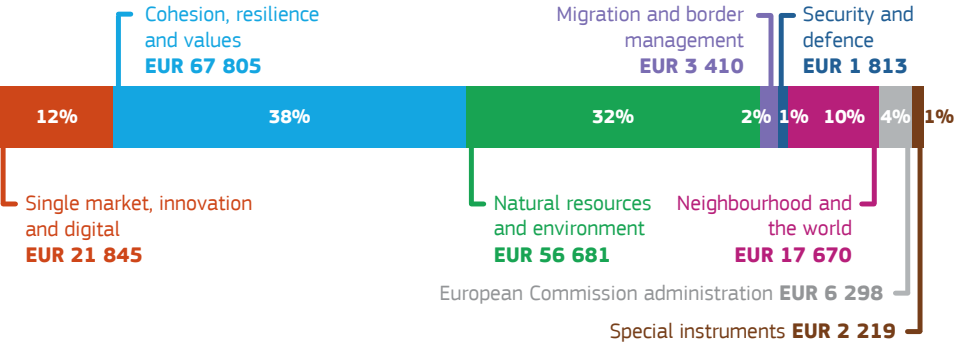


Chart: Multiannual financial framework: 2022 EU budget commitment appropriations by budget heading (million EUR).

Source: European Commission.

How big is the EU budget?

Over the years, the EU budget has remained a small part of total public expenditure in the EU, amounting to roughly 1 % of the EU's gross national income (GNI).

For 2021–2027, the long-term budget is supplemented by the short-term NextGenerationEU instrument. Taken together, the long-term budget and NextGenerationEU constitute the largest expenditure package financed through the EU budget. Intended to foster investments and reforms, support recovery and ensure a lasting structural transformation of our economies with green and digital objectives at its heart, it totals a nominal amount of EUR 2 trillion, which represents approximately 1.7 % of the EU's GNI.

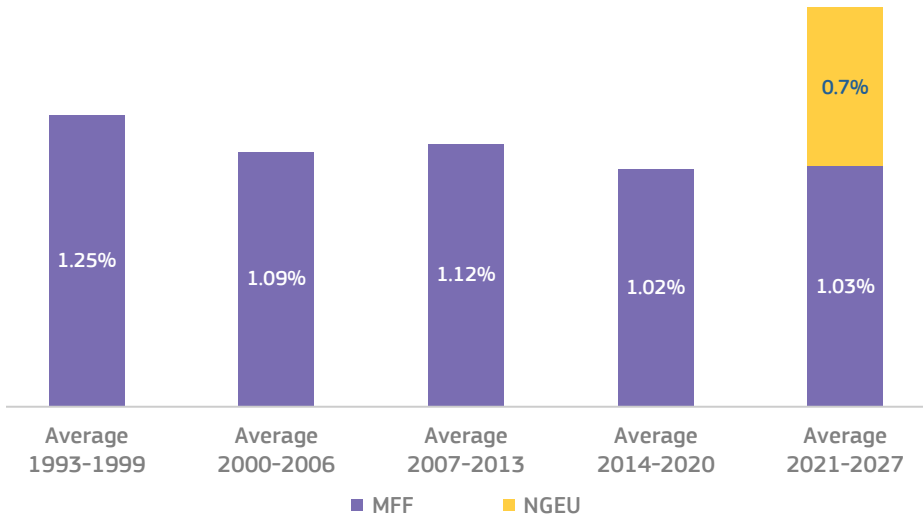


Chart: The size of the EU budget as a percentage of GNI

2014–2020: based on the approved ceilings of the multiannual financial framework for the EU-28.

2021–2027: based on the approved ceilings of the multiannual financial framework (including the integration of the European Development Fund) and the maximum support under NextGenerationEU (including both repayable and non-repayable support) compared with the 2021–2027 GNI for the EU-27 (spring 2021 economic forecast).

Source: European Commission.

How is the EU budget financed?

The 2021–2027 EU budget is currently financed from the following sources.

- **Customs duties** have been an EU own resource since the 1970s. They arise from the EU's commercial and trade policies and are levied on imports of products from non-EU countries.
- Contributions based on **value added tax (VAT)** are collected by Member States. A percentage levied on Member States' VAT bases goes to the EU budget.
- The **GNI-based own resource** is calculated proportionally to Member States' GNI and represents about 60 % of the revenue excluding NextGenerationEU.
- An own resource based on **non-recycled plastic packaging waste** was introduced on 1 January 2021.

- **Other sources of revenue** include competition and other fines, along with taxes on the salaries of EU officials, contributions from non-EU countries to certain programmes and a surplus from the previous year.

The interinstitutional agreement (IIA) of December 2020 between the European Parliament, the Council of the European Union and the Commission set out a roadmap for the introduction of different sets of new own resources.

In December 2021, the Commission presented proposals for new own resources, comprising the following.

- **The emissions trading system (ETS) own resource.** The proposed new own resource would direct 25 % of the revenue from emissions trading in the EU to the EU budget.
- **The carbon border adjustment mechanism (CBAM) own resource.** The Commission proposed that 75 % of what EU Member States collect under the carbon border adjustment mechanism, which applies to imports of cement, aluminium, fertilisers, electricity, iron and steel from non-EU countries, should go to the EU budget.
- **An own resource based on the reallocated profits of very large multinational companies (OECD Pillar One).** Under Pillar One of the Organisation for Economic Co-operation and Development (OECD) / G20 inclusive framework agreement, Member States would contribute 15 % of the share of reallocated residual profits of very large multinationals to the EU budget.

In the meantime, sectoral legislation on CBAM and ETS has been adopted, but the negotiations on the OECD Pillar One are taking more time than initially expected, and a multilateral convention in this area has not yet been signed. This implies delays in the implementation of the December 2021 proposals.

In June 2023, the Commission adjusted its December 2021 package and enhanced it with an additional own resource proposal, sooner than initially foreseen. Different candidates for new own resources were analysed in preparing this enriched set, including several measures proposed by the European Parliament. In the final set of new own resources, the ETS and CBAM own resources proposals were adjusted to the adopted legislation and an additional temporary own resource linked to the corporate sector has been proposed.

Where does the money go and who benefits from it?

The EU budget plays an important role in shaping the future of Europe and supporting many EU policy initiatives that make a real difference to people's lives.

These policy initiatives include:

- boosting investment and supporting coordinated reforms;
- securing delivery and safeguarding high standards on the food market;
- contributing to tackling climate change;
- facilitating digital transformation;
- enhancing EU competitiveness through support for research, development and innovation;
- supporting cooperation and the exchange of knowledge;
- assisting non-EU countries, including through development and humanitarian aid;
- delivering swift and appropriate responses, providing the necessary means of support in crisis situations.

Despite its relatively small size, the EU budget shows tangible results in a broad range of domains.







Single market, innovation and digital	Cohesion, resilience and values	Natural resources and environment	Migration and border management	Security and defence	Neighbourhood and the world	European public administration EUR 7.7 billion (4.5%)
EUR 20.4 billion (12%)	EUR 67.5 billion (40%)	EUR 57.7 billion (34%)	EUR 2.5 billion (1%)	EUR 0.03 billion (0%)	EUR 13.6 billion (7%)	
						
More than 5 500 grants were signed under the Horizon Europe research programme by 31 December 2022	Around 3.7 million enterprises have been supported and almost 60 million people have been covered by improved health services, social care, education skills and housings since 2014	6.3 million beneficiaries have been supported with agricultural funds under a variety of different schemes	More than 1.9 million legal migrants benefited from integration measures at the national, local and regional levels	The European Defense Fund awarded a total EU support of EUR 1.17 billion in 60 defence industrial cooperation projects by December 2022	Assistance was provided to around 130 non-EU countries on five continents	

Chart: Relevant expenditure of the EU budget implemented by the Commission in 2022, by policy area (%) and billion EUR without Recovery and Resilience Facility.

Source: European Commission annual activity reports.

In addition to the above, in 2022 the Commission disbursed a total of EUR 72.2 billion (of which EUR 25.2 billion in loans).

The **EU budget has an impact on the daily life of every citizen** by delivering public goods. It boosts regions and cities, develops small and medium-sized enterprises, supports researchers, protects consumers and gives broader prospects to students, to name a few results. Since 2021, the EU budget has also been mobilised to respond to new challenges in the name of a greener, more digital and more resilient present and future. Check how the EU budget delivers on the Commission's 'In focus' page.

Who decides on it?

LONG-TERM BUDGET

The European Commission proposes the long-term budget and the system of own resources. The Council of the European Union unanimously adopts the long-term budget in the form of a Council regulation after receiving the consent of the European Parliament, as expressed by an absolute majority. For the system of own resources, the European Parliament is consulted and, after adoption in the Council of the European Union by unanimity, ratification of the own resources decision by all Member States is required.

ANNUAL BUDGET

The European Commission proposes the annual budgets, which are approved by the European Parliament and by the Council of the European Union by a qualified majority (55 % of Member States, representing at least 65 % of the EU population).

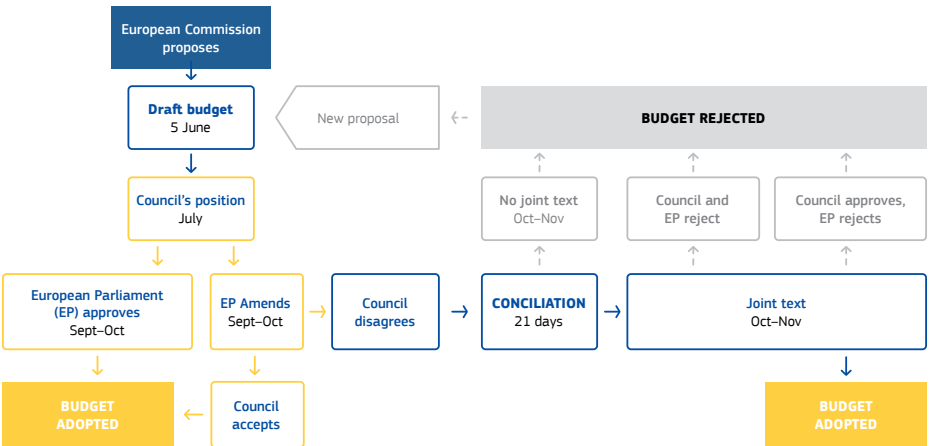


Chart: Approval process for the annual budget.

Source: European Commission.

When the European Parliament and the Council of the European Union do not agree on a common text, following their respective readings of the Commission proposal, they engage in a negotiation process known as the conciliation procedure, which lasts up to 21 days. If they do not reach an agreement within this period, the Commission needs to make a new proposal.

Who manages it?

The EU budget can be managed directly by the Commission, jointly with the Member States or indirectly by international organisations or decentralised agencies, among other entities.

While a large majority of the EU budget is managed jointly with Member States, the majority of NextGenerationEU is managed directly by the Commission.

In order to ensure that the EU budget is spent well, different levels of control are applied at all stages of implementation.



Chart: 2022 expenses by management mode –with and without Recovery and resilience facility
Source: European Commission.

How is the Commission's implementation of the EU budget controlled externally?

THE EUROPEAN COURT OF AUDITORS, THE COMMISSION'S EXTERNAL AUDITOR

The **European Court of Auditors, as the external independent auditor**, examines the implementation of the EU budget. It publishes an annual report on how the budget has been spent and a number of special reports on thematic issues, mostly dealing with the performance of EU spending. More particularly, every year the Court of Auditors examines:

- the reliability of the accounts;
- whether all revenues have been received and all expenditure has been incurred in a lawful and regular manner;
- whether the financial management has been sound.

From 2020 to 2022 (in respect of the 2019 to 2021 financial years), the Court of Auditors published a separate part of its annual report dedicated to the performance of the EU budget. In 2023 (for the 2022 financial year), this part will be reintegrated in the European Court of Auditors' annual report.

THE EUROPEAN PARLIAMENT AND THE DISCHARGE PROCEDURE

In the context of the annual discharge procedure, various stakeholders examine the implementation of the EU budget, on the basis of the European Court of Auditors' reports, among others. The Parliament decides whether to grant discharge to the Commission, taking into account a recommendation from the Council of the European Union. By granting discharge and thereby approving how the Commission, in cooperation with the Member States and other partners, has implemented the EU budget in a given year, the Parliament formally closes the budget year in question.

The **discharge procedure** offers an opportunity for the EU institutions to reflect on past developments and to identify both good practices and weaknesses to be addressed, with the aim of further improving financial management and achieving even better results with the EU budget in the future. This procedure ensures that the management of EU taxpayers' money is under democratic control, and that the Commission is always held accountable.

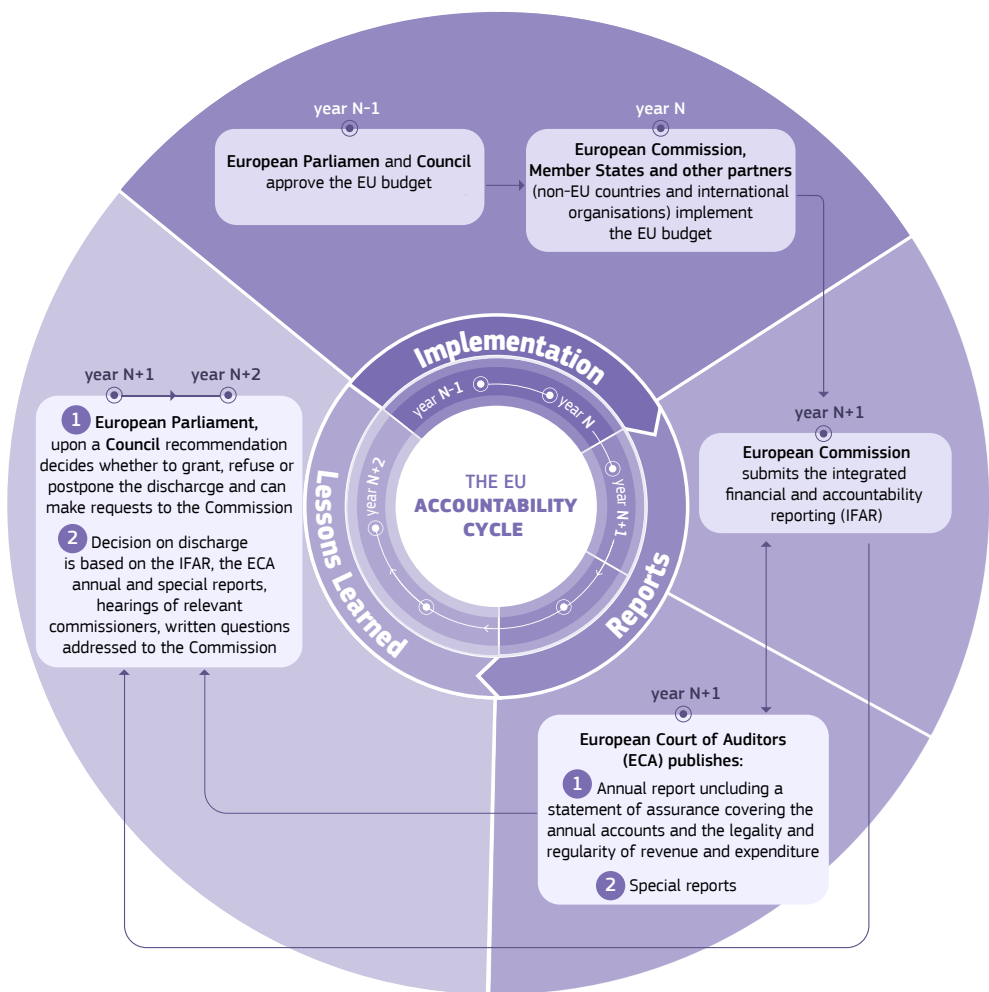


Chart: The EU accountability cycle

Source: European Commission.

LEARNING FROM THE PAST TO IMPROVE THE FUTURE

Every year, the Commission reports on how it followed up on requests made by the European Parliament and the Council of the European Union in the previous year's discharge. These requests cover wide-ranging topics relating to the management and performance of the EU budget.

What are the key documents reporting on budgetary performance?

The **annual management and performance report** covers the results achieved with the EU budget across all budget headings and policy areas. The report draws on information from the annual activity reports produced by all Commission departments, the programme statements and other sources such as evaluation reports, studies and implementation reports.

Annex 4 to the annual management and performance report, the [programme performance statements](#), includes an analysis of the performance of each EU spending programme (including those 2014–2020 programmes for which significant payments continued in 2022). This document is also attached to the draft 2024 budget as working document 1.

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