2017 discharge: EU general budget, European Commission

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PURPOSE: presentation by the Commission of the consolidated annual accounts of the European Union for the financial year 2017, as part of the 2017 discharge procedure.

Analysis of the accounts of the EU Institutions: **European Commission**.

CONTENT: the organisational governance of the EU consists of institutions, agencies and other EU bodies whose expenditure is included in the general budget of the Union.

This Commission document concerns the **EU's consolidated accounts for the year 2017** and details how spending by the EU institutions and bodies was carried out. The consolidated annual accounts of the EU provide financial information on the activities of the institutions, agencies and other bodies of the EU from an accrual accounting and budgetary perspective.

It is the responsibility of the Commission's Accounting Officer to prepare the EU's consolidated annual accounts and ensure that they present fairly, in all material aspects, the financial position, the result of the operations and the cash flows of the EU institutions and bodies with a view to granting discharge.

Discharge procedure: **the final step of a budget lifecycle is the discharge**. It is the decision by which the European Parliament '**releases**' the Commission from its responsibility for management of a given budget by marking the end of that budget's existence. It is granted by the European Parliament on the recommendation of the Council.

The decision is based in particular on the European Court of Auditors reports, in particular its annual report, in which the Court provides a Statement of Assurance (DAS) on the legality and regularity of transactions (payments and commitments).

The procedure results in the granting, postponement or refusal of discharge.

The final discharge report including specific recommendations to the Commission for action is adopted in plenary by the European Parliament and are subject to an annual follow up report in which the Commission outlines the concrete actions it has taken to implement the recommendations made.

All EU institutions and other agencies, bodies and joint undertakings are subject to their own discharge procedures.

Budget implementation in 2017: the adopted budget focused on **two main policy priorities** for Europe: (i) supporting the ongoing recovery of the European economy and (ii) tackling the migration and refugee crisis. On the one hand, it has ensured the implementation of ongoing programmes and, on the other hand, it has provided financial support to address new challenges.

In the context of the implementation of the 2017 EU budget, total commitment appropriations amounted to EUR 171.1 billion and payment appropriations to EUR 137.4 billion.

The main highlights of 2017 are as follows:

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nearly half of the funds – EUR 83.2 billion in commitments – **stimulated growth, employment and competitiveness**. This included funding for research and innovation under Horizon 2020, for education under Erasmus+, for small and medium sized enterprises under the COSME programme, and for infrastructure under the Connecting Europe Facility (CEF). Moreover, the **European Fund for Strategic Investments** (EFSI) provided for the implementation of the Investment Plan for Europe, and the convergence among Member States and among regions was fostered through the European Structural and Investment Funds (ESIF). The EFSI guarantee fund reached EUR 3.5 billion at end 2017;

- EUR 54 billion was allocated to programmes aiming to strengthen **economic, social and territorial cohesion**, including the European Regional Development Fund, the Cohesion Fund, and the European Social Fund;
- the implementation of the **Youth Employment Initiative**, which was accelerated in 2017. By the end of 2017 the total eligible cost of operations selected for support reached nearly EUR 7 billion;
- EUR 1.2 billion mobilised under the **EU Solidarity Fund**, the highest sum ever provided in a single instalment, following the earthquakes of 2016 and 2017 in the Italian regions of Abruzzo, Lazio, Marche and Umbria;
- EUR 58.6 billion were devoted to the promotion of **sustainable growth and the preservation of Europe's natural resources**. Programmes included the pillars of the Common Agricultural Policy (CAP) of market support measures and rural development, fisheries, and activities in the fields of climate and environment under the Programme for the Environment and Climate Action (LIFE);
- the **Asylum, Migration and Integration Fund (AMIF)** promoted the efficient management of migration flows and the development of a common Union approach to asylum and migration. The total of payments executed in 2017 amounted to EUR 576.2 million, almost a double of the 2016 figure;
- lastly, the total budget contribution to **climate** mainstreaming estimated was at 20.3 % for 2017.

Main aspects of the financial situation in 2017:

- consolidated **revenue** fell to EUR 136.2 billion, a decrease of 7% compared to the previous year;
- **consolidated expenditure fell to EUR 128.1 billion**, a decrease of 11% compared to 2016, mainly due to the fact that ERDF and Cohesion Fund expenditure decreased by about 50%, or EUR 17.4 billion, due to fewer expenses incurred relating to the previous programming period (2007-2013);
- total **assets** amounted to EUR 166.2 billion, an increase of approximately 2%;
- **pre-financing** (excluding other advances to Member States and contributions to the Bêkou and Africa trust funds) on the EU balance sheet amounted to EUR 44.3 billion (2016: EUR 41.6 billion);
- the significance and volume of **financial instruments** financed by the EU budget under direct and indirect management increases from year to year. This use of the EU budget aims at maximising the impact of the funds available;
- as at 31 December 2017, the total liabilities were EUR 236.5 billion, reflecting an increase of approx. 1 % when compared to the previous year;
- total **financial corrections and confirmed recoveries** amounted to EUR 2 662 million (2016: EUR 3 777 million), of which EUR 1 826 million resulted from corrective measures.

Implementation of appropriations: the 2017 implementation for all types of appropriations (budget, carry-overs from 2017 and assigned revenue) was **97 % for commitments and 93.9 % for payments**. Appropriations from the budget were fully implemented in 2017 (98.35 % in payments), a good achievement given the uncertainties which prevailed in 2016 and most of 2017.

For the **sub-heading 1b** Economic, social and territorial cohesion, the financial implementation of 20142020 programmes progressed significantly compared to 2016, while the first closure payments were made for the 2007-2013 programmes. In **heading 2** Sustainable Growth: Natural Resources, the financial implementation of the new EAFRD programmes also increased compared to 2016.

Outstanding commitments (RAL, committed amounts not yet paid for) stood at **EUR 267 billion** at the end of 2017. The increase of over EUR 28 billion in comparison with the end of 2016 was larger than expected. In 2018, a further increase of RAL is expected as a result of the difference between budgeted commitment and payment appropriations. However, this increase should be significantly lower than in 2017.