

Term	Abbreviation/ acronym	Simple explanation	Complex explanation
Absorption		The extent, often expressed as a percentage, to which EU funds allocated to Member States have been spent on eligible projects.	The proportion of granted EU subsidies that has actually been paid to a beneficiary or group of beneficiaries and that the Commission has accepted as having been spent in accordance with the conditions and rules attached to these subsidies. It can be expressed as a percentage of planned EU spending, and can relate to either a year or the entire programming period.
Annual activity report	AAR	A report produced by each Commission directorate-general and executive agency, setting out how it has performed in relation to its objectives, and how it has used its financial and human resources.	An internal management report submitted to the Commissioners by the director-general of each Commission DG. Each AAR covers the relevant DG's management and internal control, and its performance in relation to the key objectives and activities identified in its management plan. It includes a declaration by the relevant director-general or head of department on the reliability of the financial information, the soundness of the financial management and the adequacy of control procedures.
Appropriation		The EU budget comprises commitment and payment appropriations. A commitment appropriation is a pledge to provide finance subject to certain conditions. A payment appropriation is an authorisation to make a payment once the corresponding conditions have been met.	

Assigned revenue		Funds paid into the EU budget (e.g. fines and corrections and third country contributions to research programmes) which can only be used for a defined purpose.	Funds paid into the EU budget (e.g. fines and corrections and third country contributions to research programmes) which can only be used for a defined purpose. Assigned revenue is an exception to the budgetary principle that all revenue can be used to finance all expenditure items without distinction.
Attestation approach		An arrangement whereby an auditor provides a conclusion, based on sufficient, relevant and reliable evidence obtained through audit work, on financial information, other data or specific assertions prepared by the auditee.	An arrangement whereby an auditor provides a conclusion, based on sufficient, relevant and reliable evidence obtained through appropriate audit work, on financial information, other data or specific assertions prepared by the auditee. In its statement of assurance, the ECA provides a conclusion on the reliability of the financial statements prepared by the Commission.
Audit authority	AA	An independent national entity responsible for auditing the systems and operations of an EU spending programme.	An independent national entity responsible for auditing the systems and operations of an EU spending programme. As well as reporting to the managing and certifying authorities, it submits an annual report to the Commission on the functioning of management and control systems and the legality and regularity of the certified expenditure.
Authorising officer		A person responsible for implementing an EU body's revenue and expenditure.	A person responsible for implementing an EU body's revenue and expenditure in accordance with the Financial Regulation and the principles of sound financial management, and for ensuring compliance with legality and regularity requirements.

Basic payment scheme	BPS	An EU agricultural scheme which makes payments to farmers based on eligible land area.	An EU agricultural scheme which makes payments to farmers based on entitlements linked to the area of their eligible land.
Beneficiary		A natural or legal person receiving a grant or loan from the EU budget.	
Budget support		The direct transfer of EU aid to the national treasury of a partner country, subject to certain conditions.	The direct transfer of EU aid to the national treasury of a partner country, subject to certain conditions, for the pursuit of certain goals and reforms agreed through dialogue.
Budgetary authority		The term used to refer to the European Parliament and the Council of the European Union when exercising their decision-making powers on EU budgetary matters.	
Carryover		The transfer of unused budget appropriations from one financial year to the next, subject to certain conditions.	
Certification body		For agricultural spending, a public or private entity designated by the Member State to certify the reliability of an accredited paying agency's annual accounts and the legality and regularity of the underlying transactions.	

Certifying authority		A body designated by a Member State to certify the accuracy and conformity of statements of expenditure and requests for payment.	Within cohesion policy, a body designated by a Member State, for each operational programme, to certify the accuracy and conformity of statements of expenditure and requests for payment before they are submitted to the European Commission.
Clearance of accounts		An annual process by which the Commission accepts the amounts requested for payment by implementing bodies and partners, following checks.	An annual process by which the Commission accepts the amounts requested for payment by bodies and partners implementing EU expenditure, following checks on the eligibility of action funded, and the completeness and accuracy of the accounts submitted.
Closure/partial closure		The financial settlement of all or part of an EU programme, through payment of the balance due to, or the recovery of funds from, a Member State.	The financial settlement of all or part of an EU programme, through payment of the balance due to, or the recovery of funds from, a Member State. Partial closure takes place at the end of the retention period for supporting documents relating to annual expenditure declarations, while closure is the last stage in an operational programme life cycle.
Cohesion Fund	CF	An EU fund for reducing economic and social disparities in the EU by funding investments in Member States where the gross national income per inhabitant is less than 90 % of the EU average.	
Commitment		An amount earmarked in the budget to finance a specific item of expenditure, such as a contract or grant agreement. A commitment requires an underlying commitment appropriation.	

Commitment appropriation		An annual ceiling on the amounts available in the EU budget for specific items of expenditure.	
Common agricultural policy	CAP	An EU policy comprising subsidies and a range of other measures designed to guarantee food security, ensure a fair standard of living for the EU's farmers, promote rural development and protect the environment.	An EU policy comprising subsidies and a range of other measures designed to guarantee food security, ensure a fair standard of living for the EU's farmers, promote rural development and protect the environment. Introduced in 1962, the CAP has since undergone several major rounds of reform.
Confidence interval		A statistical measure of the precision of the results of sampling, used when estimating an error rate.	A statistical measure of the precision of the results of sampling, used when estimating an error rate, presented as the probability that the true error value will fall within a given range.
Conformity clearance		The process whereby the Commission verifies whether a Member State has made correct use of the agricultural funds at its disposal and has operated its management and control systems effectively. In the case of an infringement, the procedure may result in the Member State being required to make a repayment.	The process whereby the Commission verifies, primarily by means of on-the-spot inspections, whether a Member State has made correct use of the agricultural funds at its disposal and has operated its management and control systems effectively. If there is an infringement, the Commission may issue a conformity decision requiring the Member State to make a repayment to the EU budget.
Consolidated accounts		The aggregated accounts of all the EU institutions, agencies and bodies, presented in a single document.	The aggregated accounts of all the EU institutions, agencies and bodies, presented in a single document, after netting off any amounts that they have paid to, or owe, one another.

Contingent liability		A potential payment obligation that may be incurred depending on the outcome of a future event.	
Coordination Committee for the Funds	COCOF	A former committee of the Commission with a mandate to discuss the implementation of the regulations governing the structural and investment funds (ESIF).	A former committee at the Commission with a mandate to discuss the implementation of the regulations governing the structural and investment funds (ESIF). For the 2014-2020 programming period it was replaced by the Coordination Committee for the European Structural and Investment Funds (COESIF).
Coordination Committee for the European Structural and Investment Funds	COESIF	A committee at the Commission with a mandate to discuss the implementation of the regulations governing the structural and investment funds (ESIF).	A committee at the Commission with a mandate to discuss the implementation of the regulations governing the structural and investment funds (ESIF). It replaced the Coordination Committee for the Funds (COCOF) for the 2014-2020 programming period.
Corrective capacity		A measure used by the Commission when estimating the level of future corrections.	
Coupled support		EU payments to farmers for the production of a specific product.	
Cross-compliance		A mechanism whereby payments to farmers are dependent on their meeting requirements on the environment, food safety, animal health and welfare, and land management.	
Cumulative residual risk		The expenditure which remains irregular at the end of a programming period, once all corrective measures have been taken.	

De minimis state aid		An amount of state aid below which no Commission approval is necessary.	
Decommitment		Cancellation by the Commission of all or part of an unused commitment.	Cancellation by the Commission of all or part of an unused commitment. Decommitment is automatic after a certain period of time, usually two or three years.
Decoupled [income] support		EU payments to farmers which are not tied to the production of a specific product.	
Direct aid/direct payments		Agricultural support payments, such as area-related aid, made directly to farmers.	
Direct management		Management of an EU fund or programme by the Commission alone, in contrast to shared management or indirect management.	Management of an EU fund or programme (including selection of contractors, grant awards, payments, monitoring, etc.) by the Commission alone, in contrast to shared management or indirect management.
Disbursement rate		The percentage of the total funds disbursed from a financial instrument to final recipients.	
Discharge		An annual decision taken by the European Parliament giving the Commission final approval for the way a budget has been implemented.	A decision taken by the European Parliament, based on a recommendation from the Council and the ECA's annual report and statement of assurance, giving the Commission final approval for the way a budget has been implemented.

Draft amending budget		A proposal made by the Commission to modify the EU budget in the course of implementation.	
Economic result		The result for the year, as presented in the EU's consolidated accounts, representing the difference between revenue and expenditure.	
Equity investment		Money invested in the shares of a company in return for an ownership interest and a share of the profits.	
Error		The result of an incorrect calculation or an irregularity arising from non-compliance with legal and contractual requirements.	
Estimated level of error		A statistical estimate of the level of error affecting a population, based on testing of a representative sample of transactions.	A statistical estimate, expressed as a percentage, of the level of error affecting a population in a given year, based on testing of a representative sample of transactions.
Europe 2020 strategy		The European Union's ten-year strategy, launched in 2010, to boost growth and create jobs.	
European Agricultural Guarantee Fund	EAGF	An EU fund for financing direct payments to farmers and measures regulating or supporting agricultural markets.	

European Agricultural Fund for Rural Development	EAFRD	An EU fund for financing the EU's contribution to rural development programmes.	
European Maritime and Fisheries Fund	EMFF	An EU fund that supports fishermen in the transition to sustainable fishing, and coastal communities in diversifying their economies.	
European Fund for Strategic Investments	EFSI	An investment support mechanism launched by the European Investment Bank (EIB) and the Commission to mobilise private investment in projects of strategic importance for the EU. Also known as the 'Juncker Plan'. Now integrated into the EIB Group.	
European Social Fund	ESF	An EU fund for creating educational and employment opportunities and improving the situation of people at risk of poverty.	
European Structural and Investment Funds	ESIF or ESI funds	The five main EU funds which together support economic development across the EU.	The five main EU funds which together support economic development across the EU: the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development, and the European Maritime and Fisheries Fund. They are covered by a common set of rules.
European Regional Development Fund		An EU fund that strengthens economic and social cohesion in the EU by financing investments that reduce imbalances between its regions.	

Ex post evaluation		An independent assessment of the effectiveness, efficiency, coherence, relevance and EU added value of a completed project or programme.	
(Final) recipient		A natural or legal person receiving a grant or loan from the EU budget or ultimately benefitting from an EU-funded activity.	A natural or legal person receiving a loan, guarantee or investment from the EU budget, or ultimately benefitting from an EU-funded activity (for example by attending a training course).
Financial instrument		Financial support from the EU budget in the form of equity or quasi-equity investments, loans or guarantees, or other risk-sharing instruments.	Financial support from the EU budget in the form of equity or quasi-equity investments, loans or guarantees, or other risk-sharing instruments. They make it possible to leverage additional capital and 'revolve' funding.
Financial intermediary		An entity acting as a link between the fund manager of a financial instrument and the final recipients.	
Financial Regulation		The rules governing how the EU budget is set and used.	The rules governing how the EU budget is set and used, and the associated processes such as internal control, reporting, audit and discharge.
Geospatial aid application	GSAA	An online tool for submitting area-based claims for agricultural aid.	An online tool for farmers to submit area-based aid claims using an interface incorporating spatial and alphanumerical data on the areas they declare.
Grant		A non-repayable payment from the EU budget to a beneficiary for the implementation of an eligible project or programme.	

Greening		An EU support scheme for agricultural practices which benefit the climate and the environment.	An EU support scheme for agricultural practices which benefit the climate and the environment. Additional payments are available to farmers who diversify crops, maintain permanent grassland and establish ecological focus areas.
Gross national income	GNI	A standard measure of a country's wealth, based on income from domestic sources and abroad.	A standard measure of a country's wealth, based on income from domestic sources and abroad. The EU uses GNI to determine the upper limit for EU payments in any given year. Member States' contributions to EU revenue are largely determined by their share of the EU's GNI.
Impact		The long-term consequences of a completed project or programme, which may be socio-economic, environmental or financial.	
Indirect costs		Expenses, such as overheads or other administrative costs, which a beneficiary incurs in respect of an EU project or action.	Expenses, such as overheads or other administrative costs, which a beneficiary incurs in respect of an EU project or action, but which are not precisely assigned but apportioned based on suitable assumptions.
Indirect management		A method of implementing the EU budget whereby the Commission entrusts implementation tasks to other entities (such as third countries and international organisations).	A method of implementing the EU budget whereby the Commission entrusts implementation tasks to other entities (such as third countries and international organisations, including the European Investment Bank family). The entrusted entity should respect the principles of sound financial management, transparency and non-discrimination. The Commission is responsible for supervising these

			entities, and for accepting the accounts and excluding from EU financing expenditure made in breach of the applicable rules.
Infringement procedure		Legal action that the Commission takes against any EU Member State that fails to fulfil its obligations under EU law.	Legal action that the Commission takes against any EU Member State that fails to fulfil its obligations under EU law, such as correctly transposing the provisions of a directive or not rectifying a suspected violation. If a country does not take the necessary action, the Commission may decide to refer the matter to the European Court of Justice, which it can ask to impose penalties.
Input		The financial, human, material, administrative or regulatory means used to implement a project or programme.	
Integrated administration and control system	IACS	An EU system used by Member States to manage and check payments made to farmers under the common agricultural policy.	An EU system used by Member States to manage and check payments made to farmers under the common agricultural policy. It includes interconnected databases with details of farmers, agricultural land and animals.
Interim payment		EU projects or programmes often involve multiple payments: advance, interim and final. Beneficiaries apply for interim payments once they have reached a milestone specified in the contract or grant agreement.	

International standards on auditing	ISA	Professional standards setting out the attributes and responsibilities of independent auditors.	
Irregularity		An infringement of EU (or relevant national) rules or contractual obligations.	An action or omission, deliberate or otherwise, which infringes EU (or relevant national) rules or and contractual obligations, having a potentially negative impact on the EU's financial interests.
Land parcel identification system	LPIS	A database of agricultural land in the Member States, used in the payment of direct aid under the common agricultural policy and in eligibility checks on farmers' claims.	
Legality and regularity/Regularity		Conformity with EU (or relevant national) laws or contractual obligations.	
Major project		An EU-funded project with a total eligible cost exceeding €50 million in a sector such as transport, environment and energy.	An EU-funded project with a total eligible cost exceeding €50 million in a sector such as transport, environment and energy. Major projects are subject to Commission approval following a specific assessment.
Managing authority	MA	The national, regional or local authority (public or private) designated by a Member State to manage an EU-funded programme.	The national, regional or local authority (public or private) designated by a Member State to manage an EU-funded programme. It selects projects for funding, monitors implementation and reports to the Commission on financial aspects

			and the results achieved. It also makes recoveries and corrections when errors are detected.
Market measures		Public intervention in the agricultural markets to mitigate the effects of price drops and structural difficulties through sector-specific support (e.g. fruit and vegetables, wine, school milk).	
Materiality threshold		A threshold above which irregularities detected in an audited population or set of financial statements are considered to affect accuracy and reliability.	A threshold above which irregularities detected in an audited population or set of financial statements are considered to affect accuracy and reliability. The ECA applies a 2 % materiality threshold for its statement of assurance opinions.
Maximum aid intensity		Total amount of support that can be paid to a funding area, expressed as a percentage of eligible costs. The maximum aid intensity varies by programme and depends on factors such as geographical location.	
Monetary unit sampling	MUS	A statistical sampling method in which the chance of a particular transaction being selected is proportional to its size.	An efficient statistical sampling method, used in audit testing, in which each monetary unit (for example, each euro) is equally likely to be chosen and therefore the chance of a particular transaction being selected is proportional to its size.
Multiannual financial framework	MFF	The EU's spending plan setting priorities (based on policy objectives) and ceilings, generally for seven years.	The EU's spending plan setting priorities (based on policy objectives) and ceilings, under six main headings, generally for seven years. It provides the structure within which annual EU

			budgets are set, limiting spending for each category of expenditure. The current MFF covers 2014-2020.
Operational programme	OP	The basic framework for implementing EU-funded cohesion projects in a set period, reflecting the priorities and objectives laid down in partnership agreements between the Commission and the Member States.	The basic framework for implementing EU-funded cohesion projects in a set period, reflecting the priorities and objectives laid down in partnership agreements between the Commission and the Member States. Operational programmes are specific to Member States and/or regions and can be financed by one or more EU funds.
Output		Something produced or achieved by a project.	Something produced or achieved by an EU-funded project, such as training courses delivered, sewage plants constructed, length of road built.
Own resources		The funds used to finance the EU budget, the vast majority coming from Member State contributions.	The funds used to finance the EU budget, the vast majority coming from Member State contributions based on VAT and GNI, and customs duties on imports.
Partnership agreement		An agreement between the Commission and a Member State or third country, in the context of an EU spending programme.	An agreement between the Commission and a Member State or third country in the context of an EU spending programme, setting out, for example, strategic plans, investment priorities or the terms of trade or development aid provision.
Paying agency		A body appointed by a Member State to administer EU agricultural spending.	A body appointed by a Member State to administer and control direct support and market measures in EU agricultural spending.

Payment appropriation		An authorisation to make a payment once the corresponding conditions have been met.	
Payment entitlement		A transferable right that entitles an active farmer to EU support, when declared together with eligible agricultural land.	
Performance		A measure of how well an EU-funded action, project or programme has met its objectives and provides value for money.	A measure of how well an EU-funded action, project or programme has met its objectives and provides value for money. Sometimes referred to as sound financial management, covering economy, efficiency and effectiveness.
Performance reserve		An amount of the budget allocated to European Structural and Investment Fund spending which is retained until certain targets are met.	
Permanent grassland		Agricultural land on which grasses or other herbaceous forage crops are grown for more than five consecutive years.	Agricultural land on which grasses or other herbaceous forage crops (whether sown or self-seeding) are grown for more than five consecutive years, outside a farm's crop rotation scheme.
Pre-financing payment		A cash advance to fund defined activities in a given period.	A cash advance for a beneficiary to use for the purposes and in the period defined in the underlying contract, decision, agreement or basic legal act.
Programme estimate		A document, drawn up by a partner country and endorsed by the European Commission, setting out the cooperation or development	

		work to be implemented, and the financial, human and material resources required.	
Programming period		The period within which an EU spending programme is planned and implemented.	The period within which an EU spending programme is planned and implemented. A programming period usually lasts longer than the related multiannual financial framework, as accounts are closed a number of years later.
Provision		An accounting term for the best estimate of a likely future liability of uncertain timing or amount, recorded on the balance sheet.	
Public procurement		The purchase by public law bodies of products, services and works through open and competitive procedures, in order to achieve quality and value for money.	
Recoverable VAT		The VAT that a taxable person can deduct from the VAT payable to the tax authorities, on account of their having already paid this amount on their own purchases of goods and services.	
Representative error rate		A statistical estimate of the error affecting a population, based on testing of a representative sample of transactions drawn from that population.	
Representative statistical sample		The application of statistical techniques to draw a sample which reflects the characteristics of the population from which is it taken.	The application of statistical techniques to draw a sample which reflects the characteristics of the population from which is it taken,

			used by auditors as a basis for testing transactions in order to provide audit conclusions in an efficient way.
Reservations (in annual activity reports)		Weaknesses flagged by a director-general in the declaration of assurance they provide in an annual activity report.	Annual activity reports contain a declaration of assurance from the director-general on the reliability of financial information, the soundness of financial management of resources and the adequacy of control procedures. Any material weakness which could have an impact on the regularity of the underlying transactions will be reflected in reservations.
Residual error rate/Residual total error rate/Residual risk rate	RER/RTER/RRR	The proportion of a population that is not deemed regular after taking into account the effect of all control procedures, recoveries and corrections.	
Result		The immediate effect of a project or programme upon its completion.	The immediate effect of a project or programme upon its completion, such as the improved employability of course participants or improved accessibility following the construction of a new road.
Shared management		A method of spending the EU budget in which, in contrast to direct management, the Commission delegates to the Member State while retaining ultimate responsibility.	A method of spending the EU budget in which, in contrast to direct management, the Commission delegates to the Member State while retaining ultimate responsibility. The Member State channels funds to recipients and has primary responsibility for setting up a

			reliable management and control system to prevent, detect and correct irregularities.
Simplified cost option	SCO	An approach for determining a grant amount using methods such as standard unit costs, flat-rate financing or lump sums rather than the actual costs incurred by the beneficiary. Designed to reduce the administrative burden.	An approach for determining a grant amount using methods such as standard unit costs, flat-rate financing (calculated as a percentage of certain eligible costs) or lump sums (on achieving a specific output or result) rather than the actual costs incurred by the beneficiary. SCOs are intended to reduce the administrative burden for both the beneficiary and managing authorities.
Single area payment scheme	SAPS	An area-related agricultural payments scheme applied in ten Member States on a transitional basis.	An area-related agricultural payments scheme applied in ten Member States on a transitional basis, under which farmers receive a standard amount of aid per hectare. All other Member States apply the basic payment scheme.
Small and medium-sized enterprises	SMEs	A size definition applied to companies and other organisations, based on the number of staff employed and certain financial criteria.	A size definition applied to companies and other organisations, based on the number of staff employed and certain financial criteria. Small-sized enterprises have fewer than 50 staff, and turnover or a balance sheet total not exceeding €10 million. Medium-sized enterprises employ fewer than 250 staff, and have turnover up to €50 million or a balance sheet total up to €43 million
Sound financial management		The management of resources in accordance with the principles of economy, efficiency and effectiveness.	The management of resources in accordance with the principles of economy, efficiency and effectiveness. In the EU context, these principles are defined in the Financial Regulation.

State aid		Direct or indirect government support to a business or an organisation, putting it at an advantage over its competitors.	Direct or indirect government support to a business or an organisation, putting it at an advantage over its competitors. The EU has rules governing state aid to prevent distortion of the single market. The Commission oversees compliance with these rules.
Statement of assurance	SoA	A statement published in the ECA's annual report, setting out its audit opinion on the reliability of the EU accounts and the regularity of the transactions which underlie them.	
Traditional own resources	TOR	EU revenue collected from customs duties and sugar levies.	EU revenue collected by Member States from customs duties on imports and sugar levies paid by sugar producers. Member States retain 20 % of this revenue to cover collection costs.
Transaction		An operation, such as a payment made or revenue received, recorded in the EU's accounts.	
Twinning		Where a public authority in a partner country is twinned with a similar authority in an EU member state to provide advice and support on a specific issue, so helping to build administrative capacity.	
Value added tax	VAT	An indirect consumption tax on the production and distribution of goods and the provision of services, ultimately borne by the final consumer.	An indirect consumption tax on the production and distribution of goods and the provision of services, ultimately borne by the final consumer. It is an incremental tax charged at each stage of the supply chain (from production to the point of sale), by businesses, sole traders and other professionals (known as the taxable person)

			whose turnover is over a certain amount. Taxable persons collect and pay VAT to the tax authorities, after deducting the recoverable VAT that they have already paid on their own purchases.
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