

RESTE À LIQUIDER

a natural phenomenon,
not financial debt

WHAT IS THE RAL?

- The **reste à liquider** (RAL or outstanding commitments), is the sum of commitments agreed but that have not yet turned into payments.
- The EU budget is an investment budget and finances **projects that run over a long period of time** – just like in any other public or private organisation.
- Another key characteristic of the EU budget is **separate decisions on commitments and payments**.
- A decision on commitments creates an entitlement to payments, but only if certain conditions are fulfilled. This approach ensures strong budgetary control. Commitments are spread relatively evenly over a given long-term budget duration (usually seven years) to allow project contracts to be signed.
- As the EU budget finances multiannual projects, payments take place over a number of years. They are spread over ten or more years.
- This leads to situations where payments lag behind commitments – the RAL. The RAL is a **natural phenomenon** that as such **does not reflect any weaknesses**. The RAL is a question of when the bills are sent to the Commission and paid from the EU budget, not **if**. This does not mean that too much money is chasing too few investment projects. It means that

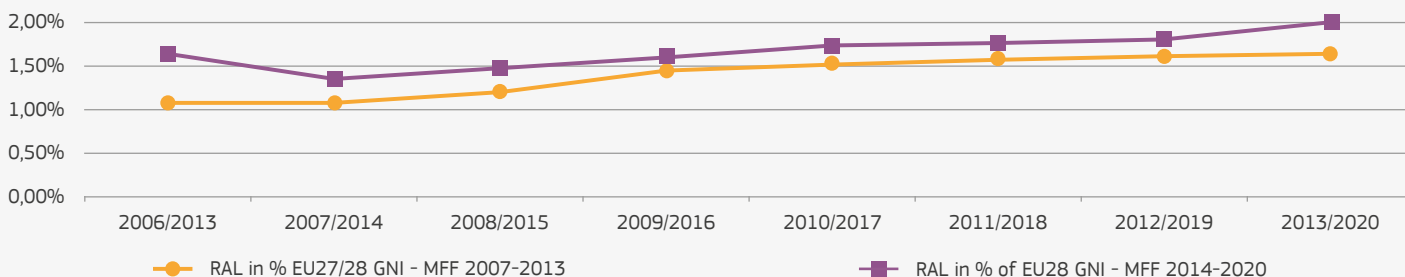
investment projects are subject to **strict financial control and programme conditionality**.

- After a few years, practically all of the commitments are paid. In fact, this reflects a verification process that ensures high standards of delivery, which the European Court of Auditors has recognised in its Declaration of Assurance concerning the financial year 2018. It presented one of the **lowest error rates in the history of the EU budget**.

EXAMPLE

The European Commission makes a commitment for a multiannual social cohesion project of €100 million that with training aims to bring young unemployed people back into work life. In the first year, the project partners do not send any bills to claim money as the project has just started. This means that the RAL for this project stands at €100 million at the end of the first year. In the following five years, the Commission receives one bill of €20 million each year. The Commission pays these yearly amounts which then decrease the RAL of the project accordingly (i.e. €80 million at the end of the second year, €60 million in the third year, etc.).

Evolution of the RAL in % GNI



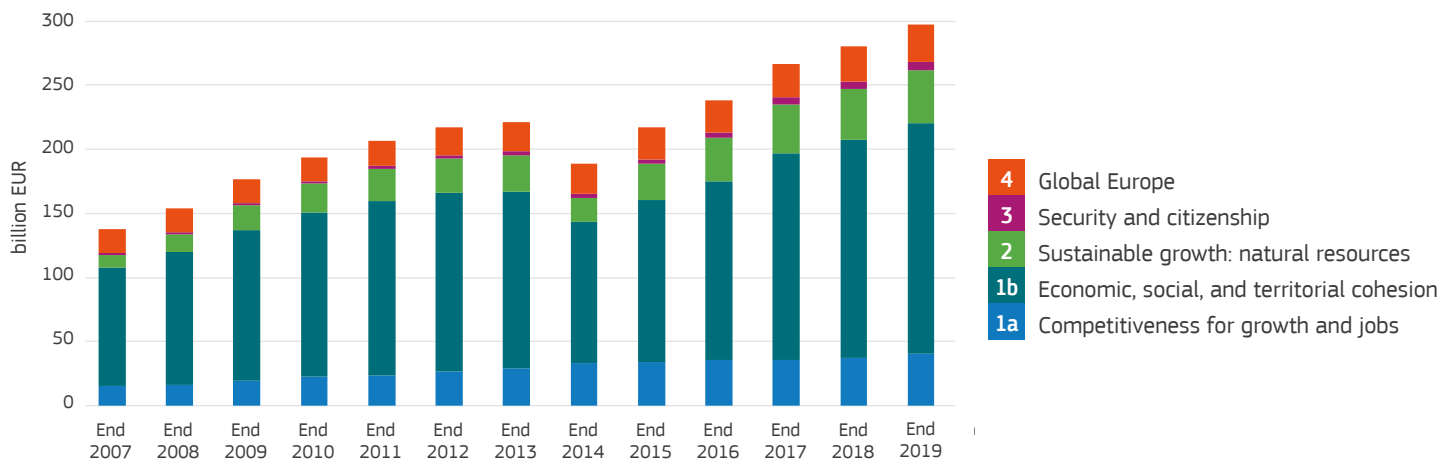
Source: European Commission

- RAL means that payments relating to past commitments are due in the future and the financing of the budget has to take account of this. As a result, the necessary payment appropriations tend to increase over the course of the long-term budget.
- The budget increases over the years with economic growth and inflation. This makes the RAL increase in nominal terms. However, the RAL as a percentage of the GNI is relatively

stable over the years. The RAL therefore does not cause any significant financial risk or a financial debt for the EU budget.

- The RAL is also strictly monitored: the annual and long-term budgets take into account the level of payment appropriations needed to reimburse all the expenditures incurred. It therefore does not compromise the Commission's ability to manage future budget needs.

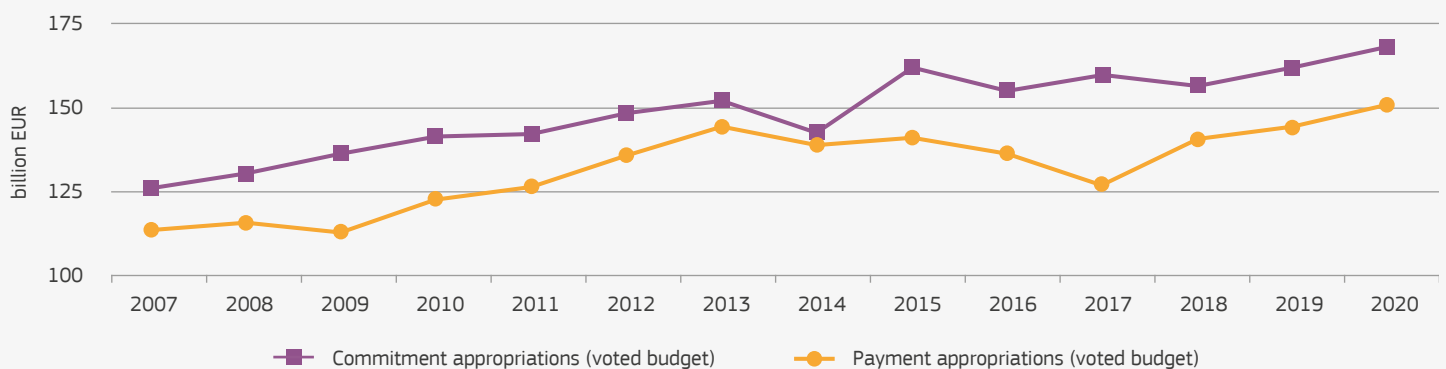
The evolution of RAL in nominal values



Source: European Commission

A bigger budget means a bigger RAL: Commitment appropriations grew from €752 billion for the 2000-2006 long-term budget to €976 billion for the 2007-2013 long-term budget and €1 087 billion for the 2014-2020 long-term budget (most of the increase being explained by the yearly inflation of 2%). Naturally, all this led to an increase in the RAL in nominal terms.

Annual gap between voted commitment and payment appropriations



Source: European Commission

OUTLOOK: NEXT LONG-TERM BUDGET

Slow implementation of some programmes can increase the RAL as a mechanical consequence and leads to slower delivery of results and EU benefits on the ground. The Commission proposal for the next long-term budget 2021-2027 addresses this issue with various measures to improve the absorption of EU funds: e.g. by simplifying procedures, allowing for roll-over of existing implementation systems or changing the de-commitment rules for cohesion policy. In addition, an acceleration of payments at the start of the next financial framework is expected in relation to the COVID-19 response initiatives proposed in 2020.

Overall, the payments in the new programming period are estimated above the proposed commitment ceilings. This will allow reversing the trend of growing RAL. A speedy implementation of projects should however not be confused with a discussion on the technical accounting feature of RAL.

The EU budget delivers high quality investments with EU added value, driving economic recovery and resilience. For this, a fast delivery of projects and therefore a **timely agreement on the next long-term budget is decisive**.