

Assigned revenue in the Recovery Plan

The frog that wishes to be as big as the ox?

Exception to the budgetary principle of universality, assigned revenues flatten at 10.5 % in last years.

The emergency **European Recovery Instrument** put forward by the Commission amounts to EUR 750 billion. Out of this EUR 750 billion, **EUR 500 billion are external assigned revenue**.

Therefore, **more than a third of the EU budget** will be considered as **assigned revenue in the EU budget**.

On assigned revenue, **the European Parliament is excluded** from the decision-making process. Given the size of the amount in question, the budgetary treatment of external assigned revenue should be reassessed.

Assigned revenue: an exception to the budgetary principle of universality

Assigned revenue is used to finance specific items of expenditure and is defined in Article 21 of the Financial Regulation. It constitutes an exception to the budgetary principle of universality. Two types of assigned revenue are defined in this Article 21: i) external assigned revenue which mainly consist of specific additional financial contributions from Member States to research or external aid action programmes and ii) internal assigned revenue which consist predominantly of diverse recoveries.¹

Article 311 of the TFEU states that the EU budget shall be financed wholly from own resources without prejudice to other revenue. Assigned revenue is therefore a kind of “other revenue” of the European Union.

Assigned revenue: mainly used for recoveries and for specific participations

Up to now, internal assigned revenue represents the main share of assigned revenue. Assigned revenue is mostly used for diverse recoveries, e.g. **Recoveries of the year**, these funds correspond to the appropriation recovered during the year (most of them are derived from the European Agricultural Guarantee Fund); **Recoveries carried forward**, which are the former recovered during the previous year and carried over to

¹ Article 21 of the Financial Regulation in force is in annexe 2



the current year; **Repayment of advances** are the result of the partial or total reimbursement of advances paid under the regulations governing the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Maritime and Fisheries Fund and the European Agricultural Fund for Rural Development.

Assigned revenue is also used for funds from the participation of the four member countries of the European Free Trade Association (Iceland, Liechtenstein, Norway and Switzerland) in Community actions² or for funds from the participation of Member States when they were candidates for accession to the European Union and current candidate countries in the various programmes of the European Union³. Assigned revenue is also used in diverse research programmes, including participation of third countries.

Finally, in response to the European Council's call for significant additional funding to support refugees in Turkey, The Facility for Refugees in Turkey was set up with a budget of EUR 3 billion for 2016-2017, of which EUR 1 billion from the EU budget and EUR 2 billion from EU Member States in the form of assigned revenue from their contributions. The aim was to improve conditions for the reception of refugees in Turkey as part of the EU's comprehensive approach to addressing the refugee crisis inside and outside the EU. Today, it manages a total of EUR 6 billion, to be mobilised in two tranches. The first tranche serves to fund projects that run until mid-2021 latest (most projects will finish earlier). The second tranche serves to fund projects which run until mid-2025 latest (most projects will finish earlier). The main focus areas are humanitarian assistance, education, health, municipal infrastructure, and socio-economic support.

Assigned revenue: in practice small in size

In 2014 and 2015, assigned revenue accounted for about 5 % of the budget adopted.

In 2016, assigned revenue surged to around 6.6 %⁴ of the adopted budget, largely explained by the creation of the Facility for Refugees in Turkey in that year.

In 2017, assigned revenue reached a peak at 11.5 %, then it flattens at 10.5 % in the years 2018 and 2019. .

Big changes with the Commission's proposal

In its communication on the EU budget powering the recovery plan for Europe⁵, the European Commission put forward a new MFF 2021-2027 fed with Next Generation EU fund. This Next Generation EU is established as an emergency **European Recovery Instrument** amounting to EUR 750 billion. Out of this EUR 750 billion, **EUR 500 billion are external assigned revenue** (see annexe 1).

Therefore, with a proposed MFF 2021-2027 of EUR 1.100 billion and the next Generation EU of EUR 750 billion, the total available is EUR 1.850 billion, of which EUR 750 billion are outside the ceiling and independent of the annual budgetary procedure.

Moreover, **external assigned revenue** coming only from the **European Recovery Instrument** will amount to **27 % of the EU budget**.

Furthermore, adding this percentage to the 10.5 percentage of assigned revenue observed in last years will determine that **more than a third of the EU budget** is now considered as **assigned revenue** .

² Some 200 budget lines are involved. All headings of the multiannual financial framework are concerned, but particularly Heading 1a.

³ About 50 budget lines are involved, mainly falling under heading 1 of the multiannual financial framework (monitoring of headings 3, 5 and 2).

⁴ which correspond to EUR 155 004.2 million in commitments and EUR 143 885.3 million in payments in the adopted 2016 budget

⁵ COM(2020) 442 final

It should be noted that the **European Recovery Instrument** is based on **Article 122 of the TFEU** which states that "1) without prejudice to any other procedure provided for in the Treaties, the Council, on a proposal from the Commission, may decide, in a spirit of solidarity between Member States, upon the measures appropriate to the economic situation, in particular if severe difficulties arise in the supply of certain products, notably in the area of energy, 2) Where a Member State is in difficulties or seriously threatened with severe difficulties caused by natural disasters or exceptional occurrences beyond its control, the Council on a proposal from the Commission, may grant, under certain conditions, Union financial assistance to the Member State concerned. The President of **the Council shall inform the European Parliament** of the decision taken".

In other words, **the European Parliament is excluded** from the decision-making process.

The annexes provides details on external assigned revenue used in the other Commission's proposals. However, most of the proposals tabled by the Commission are fed with funds from the **European Recovery Instrument**.

Democratic control of assigned revenue: an open and crucial question

Assigned revenues are governed by Articles 21 and 22 of the Financial Regulation (see annex 2). According to Article 22 the appropriations corresponding to assigned revenue shall be made available automatically, both as commitment appropriations and as payment appropriations, when the revenue has been received by the Union institution. Therefore, when the Commission receives the revenue, it uses it immediately as expenditure for the programme assigned. As a result, it came under the **Parliament's scrutiny only at the discharge level** when the accounts are closed. Therefore, no ex-ante oversight is possible from the European Parliament.⁶

This approach, when used mostly for recoveries amounts, does not raise major concerns, especially when amounts are small in size.

With the new Commission's proposal, more than a third of the whole EU budget is now concerned. Consequently, given the size of the amount in question, the budgetary treatment of external assigned revenue should be reassessed.

⁶ Concrete information about the use of assigned revenue is available in the Working Document Part V from the Commission but with a lag of two years, e.g. final data on the assigned revenue of 2018 are available in 2020.

ANNEX 1

European Union Recovery Instrument to support the recovery in the aftermath of the Covid-19 pandemic, COM(2020)441 final/2

This instrument shall be financed up to an amount of EUR 750 000 000 000

EUR 433 200 000 000 of non-repayable support and repayable support through financial instruments and EUR 66 800 000 000 for provisioning guarantees and expenditures of specific programmes are external assigned revenue.

Therefore, **EUR 500 000 000 000** (in 2018 prices) are considered as external assigned revenue

Recovery and Resilience Facility, COM(2020) 408 final

Total envelope EUR 602 905 000 000 of which **EUR 334 950 000 000** (non-repayable support including EUR 42 000 000 dedicated to administrative expenditure), (in current prices) are assigned revenue (Financial Regulation Article 21(5))

Public Sector Loan Facility under the Just Transition Mechanism, COM(2020) 453 final,

Total envelope for the grant component of the facility EUR 1.525 Billion of which **EUR 1.275 000 000** are Assigned revenue stemming from the estimated surpluses of the provisioning of the European Fund for Strategic Investments and from repayments from financial instruments. Out of this up to EUR 25 000 000 may be dedicated to advisory support and EUR 29 700 000 shall be dedicated to administrative expenditure, including external staff costs. (Type of EUR used not declared)

Some Commission's proposals are directly financed from the **European Union Recovery Instrument: Union Civil Protection Mechanism, COM(2020) 220 final.**

In addition to the financial envelope EUR 1 268 282 000 000, **EUR 2 187 620 000** (in current prices) will be available as external assigned revenues, within the meaning of Article 21(5) of the Financial Regulation as financing from the **European Union Recovery Instrument**. Out of this up to EUR 22 580 000 may be dedicated to administrative expenditure, including external staff costs.

InvestEU Programme, COM(2020) 403 final.

In addition to the financial envelope EUR 1.424,293 million, **EUR 33 000 440 million** (in current prices) will be available as external assigned revenues, within the meaning of Article 21(5) of the Financial Regulation as financing from the **European Union Recovery Instrument**. Out of this up to EUR 8 960 million may be dedicated to administrative expenditure, including external staff costs.

Solvency Support Instrument, COM(2020) 404 final.

In addition to the financial envelope (EUR 5 500 million) allocated to the EFSI guarantee under Regulation (EU) 2015/1017 (EFSI Regulation), **EUR 28 318 160 000** (in current prices) will be available as external assigned revenues, within the meaning of Article 21(5) of the Financial Regulation as financing from the **European Union Recovery Instrument**. Out of this up to EUR 6,520 million may be dedicated to administrative expenditure, including external staff costs.

EU4Health Programme, COM(2020) 405 final.

In addition to the financial envelope EUR 10 397 614 000 (in current prices) for the 2021-2027, **EUR 8 451 000 000** (in current prices) will be available as external assigned revenues, within the meaning of Article 21(5) of the Financial Regulation stemming from the **European Union Recovery Instrument**.

REACT-EU, COM(2020) 451 final.

This proposal will lead to additional commitments in the year 2020, financed from an increase of the ceiling of the 2014-2020 Multiannual Financial Framework. The additional commitments in years 2021 and 2022 as well as payments in the years 2021 to 2025 (**EUR 53 272 800 000**) are financed by external assigned revenues. All amounts will be available as external assigned revenues, within the meaning of Article 21(5) of the Financial Regulation stemming from the **European Union Recovery Instrument**. Out of the external assigned revenues, up to EUR 18 000 000 may be dedicated to administrative expenditure, including external staff costs.

Horizon Europe and Common Agricultural policy Strategic Plans, COM(2020) 459 final.

In addition to the financial envelope defined in Article 9 of the proposed Regulation COM(2018)435 ('Horizon Europe Framework Programme Regulation') and Article 4 of the proposed Decision on the Horizon Europe Specific Programme, **EUR 14 647 million** (in current prices) will be available as external assigned revenues, within the meaning of Article 21(5) of the Financial Regulation as financing from the **European Union Recovery Instrument**. Out of this up to EUR 689,160 million may be dedicated to administrative expenditure, including external staff costs.

In addition to the financial envelope defined in Article 83 of the proposed Regulation COM(2018) 392 ('EAFRD interventions under the CAP Strategic Plans'), **EUR 16 483 million** (in current prices) will be available as external assigned revenues for the years 2022-2024 within the meaning of Article 21(5) of the Financial Regulation as financing from the European Union Recovery Instrument. Out of this up to EUR 6,000 million may be dedicated to administrative expenditure, including external staff costs.

ANNEX 2

Financial Regulation

CHAPTER 5

Principle of universality

Article 20

Scope

Without prejudice to Article 21, total revenue shall cover total payment appropriations. Without prejudice to Article 27, all revenue and expenditure shall be entered in the budget in full without any adjustment against each other.

Article 21

Assigned revenue

1. External assigned revenue and internal assigned revenue shall be used to finance specific items of expenditure.
2. The following shall constitute external assigned revenue:
 - (a) specific additional financial contributions from Member States to the following types of actions and programmes:
 - (i) certain supplementary research and technological development programmes;
 - (ii) certain external aid actions or programmes financed by the Union and managed by the Commission;
 - (b) appropriations relating to the revenue generated by the Research Fund for Coal and Steel established by Protocol No 37 on the financial consequences of the expiry of the ECSC Treaty and on the Research Fund for Coal and Steel, annexed to the TEU and to the TFEU.
 - (c) the interest on deposits and the fines provided for in Council Regulation (EC) No 1467/97 (1);
 - (d) revenue earmarked for a specific purpose, such as income from foundations, subsidies, gifts and bequests, including the earmarked revenue specific to each Union institution;
 - (e) financial contributions to Union activities from third countries or from bodies other than those set up under the TFEU or the Euratom Treaty;
 - (f) internal assigned revenue referred to in paragraph 3, to the extent that it is ancillary to external assigned revenue referred to in this paragraph;
 - (g) revenue from the activities of a competitive nature conducted by the Joint Research Centre (JRC) which consist of any of the following:
 - (i) grant and procurement procedures in which the JRC participates;
 - (ii) activities of the JRC on behalf of third parties;
 - (iii) activities undertaken under an administrative agreement with other Union institutions or other Commission departments, in accordance with Article 59, for the provision of technical-scientific services.
3. The following shall constitute internal assigned revenue:
 - (a) revenue from third parties in respect of goods, services or work supplied at their request;
 - (b) revenue arising from the repayment, in accordance with Article 101, of amounts wrongly paid;
 - (c) proceeds from the supply of goods, services and works to other departments within an Union institution, or to other Union institutions or bodies, including refunds by other Union institutions or bodies of mission allowances paid on their behalf;
 - (d) insurance payments received;
 - (e) revenue from lettings and from the sale of buildings and land;

(f) repayments to financial instruments or budgetary guarantees pursuant to the second subparagraph of Article 209(3);

(g) revenue arising from subsequent reimbursement of taxes pursuant to point (b) of the first subparagraph of Article 27(3).

4. Assigned revenue shall be carried over and transferred in accordance with points (b) and (c) of Article 12(4) and with Article 32.

5. A basic act may assign the revenue for which it provides to specific items of expenditure. Unless otherwise specified in the basic act, such revenue shall constitute internal assigned revenue.

6. The budget shall include lines to accommodate external assigned revenue and internal assigned revenue and shall, wherever possible, indicate the amount.

Article 22

Structure to accommodate assigned revenue and provision of corresponding appropriations

1. Without prejudice to point (c) of the first subparagraph of paragraph 2 of this Article and to Article 24, the structure to accommodate assigned revenue in the budget shall comprise:

(a) in the statement of revenue of each Union institution's section, a budget line to receive the revenue;

(b) in the statement of expenditure, the remarks, including general remarks, showing which budget lines may receive the appropriations corresponding to the assigned revenue which are made available.

In the case referred to in point (a) of the first subparagraph, a token entry *pro memoria* shall be made and the estimated revenue shall be shown for information in the remarks.

2. The appropriations corresponding to assigned revenue shall be made available automatically, both as commitment appropriations and as payment appropriations, when the revenue has been received by the Union institution, save in any of the following cases:

(a) in the case provided for in point (a) of Article 21(2) for financial contributions from Member States and where the contribution agreement is expressed in euro, commitment appropriations may be made available upon signature of the contribution agreement by the Member State;

(b) in the cases provided for in point (b) of Article 21(2) and in points (i) and (iii) of Article 21(2)(g), the commitment appropriations shall be made available as soon as the amount receivable has been estimated;

(c) in the case provided for in point (c) of Article 21(2), the entry of the amounts in the statement of revenue shall give rise to the provision, in the statement of expenditure, of commitment and payment appropriations.

Appropriations referred to in point (c) of the first subparagraph of this paragraph shall be implemented in accordance with Article 20.

3. The estimates of amounts receivable referred to in points (b) and (g) of Article 21(2) shall be sent to the accounting officer for registration.

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