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PROPOSAL

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	28 May 2020
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2020) 445 final
Subject:	Amended proposal for a Council Decision on the system of Own Resources of the European Union

Delegations will find attached document COM(2020) 445 final.

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2018/0135 (CNS)

Amended proposal for a

COUNCIL DECISION

on the system of Own Resources of the European Union

EXPLANATORY MEMORANDUM

1. INTRODUCTION

The COVID-19 pandemic constitutes a widespread and severe public health crisis. It severely affects citizens, societies and economies worldwide. The extent of the health crisis and the policy responses taken to control it are unprecedented. As a result, the depth of its socio-economic impact is extraordinarily uncertain. Already at this stage, it is certain that it presents unprecedented and acute challenges for the financial and economic systems of Member States. According to the Commission's spring economic forecasts[1], the EU GDP is forecast to contract by about 7.5 % this year, far deeper than during the global financial crisis in 2009, and to rebound by only 6% in 2021 while the EU unemployment rate is set to rise to 9% in 2020, with a risk of rising poverty and inequality.

In response, Member States have adopted exceptional discretionary economic and financial measures. Together with the effect of so-called "automatic stabilizers", i.e. payments foreseen under unemployment insurance and social security systems combined with loss in tax revenue, those measures have a considerable bearing on their public finances with aggregate general government deficit surging from 0.6% of GDP in 2019 to 8.5% of GDP in both the euro area and the Union this year.

The shock to the EU economy is symmetric in that the pandemic has hit all Member States, however, the impact of the pandemic differs considerably between Member States, as does their ability to absorb the economic and fiscal shock and respond to it, depending also on the specific economic structures and initial conditions of Member States. As a result, there is a risk that the crisis will widen disparities within the Union threatening the collective economic and social resilience. This general picture is also confirmed by the in-depth needs assessment[2].

The Union has acted rapidly to deliver a coordinated and powerful collective response to the social and economic consequences of the crisis, within the limits of the current Multiannual Financial Framework expiring in 2020. That response complements discretionary economic and financial measures taken by Member States.

The crisis could result in lasting damage to the Union's economic tissue unless it is met with a commensurate short and medium term policy response at the level of the Union. There is an urgent need to provide for immediately available additional financial capacity to support recovery and resilience across the Union in order to rise to this challenge.

The response to the crisis must be comprehensive, bold and sustained. A comprehensive plan for European recovery will need massive public and private investment at European level to set the Union firmly on the path to a sustainable and resilient recovery, creating high-quality jobs and repairing the immediate damage brought by the Covid 19 pandemic whilst supporting the Union's green and digital priorities. The long-term EU budget, reinforced by the new European Union Recovery Instrument, will be the main tool.

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1 European Economic Forecast, Institutional Paper 125. May 2020.

2 SWD(2020)XXXX..

The exceptional nature of the economic and social situation requires exceptional measures to support the recovery and resilience of the economies. In order to attain those objectives, the Union needs to provide itself with the necessary means and take the appropriate measures to address the challenges posed by the Covid-19 pandemic. For this reason, it is suitable to allow some of the necessary finance to be mobilised through borrowings on capital markets. These borrowings will be repaid when the Union is back on a positive growth trajectory.

2. CONTENT OF THE AMENDED PROPOSAL

The need for the EU to provide itself with the means to attain its objective

Under the amended proposal, the Commission will be authorized to borrow funds on behalf of the Union up to the amount of EUR 750 billion in 2018 prices on the capital markets. The proceeds will be transferred to Union programmes in accordance with the European Union Recovery Instrument. Given that the European Union Recovery Instrument is an exceptional response to those temporary but extreme circumstances, the powers granted to the Commission to borrow in this Decision are clearly limited in size, duration and scope. This removes the possibility for the exceptional powers under this proposal to be used for any purpose other than tackling the direct economic and social consequences of the COVID 19 pandemic.

The EU budget will start making the required repayments of the funds borrowed on capital markets from 2028 onwards. All liabilities of the Unions incurred by the proposed act will be fully repaid by 2058. The repayment shall be organised according to the principle of sound financial management with a view to achieving a steady and predictable reduction of liabilities during the overall period.

Increase in the Own Resource ceilings

The ceilings defined in the Own Resources Decision determine the maximum amount of own resources the Union can request the Member States to make available to the Union in a given year to finance its expenditure.

On 2 May 2018, the Commission proposed a ceiling to cover annual appropriations for commitments and a ceiling to cover annual appropriation for payment of respectively 1.35% and 1.29% of the EU Gross National Income. The ceilings defined in the draft Regulation establishing the Multiannual Financial Framework (MFF), expressed in euros, set the maximum amount that can be either committed or spent during the 2021-2027 period. The margin between the Own Resources Decision ceilings and the MFF ceilings must be sufficiently large to ensure that the Union is in a position to cover all of its financial obligations and contingent liabilities in any given year and under any circumstances, even in case of negative economic developments.

The Commission spring 2020 forecast projects that the euro area economy will contract by a record 7.75% in 2020 and the EU economy is forecast to contract by 7.5% in 2020. Growth projections for the EU and euro area have been revised down by around 9 percentage points compared to the autumn 2019 economic forecast. Although the Spring Forecast is clouded by a higher than usual degree of uncertainty, it is beyond doubts that the Own Resources

Decision ceilings, which are defined as a percentage of the EU Gross National Income, will decrease in absolute amount.

In order to preserve a sufficient margin under the Own Resources Decision ceilings for the Union to cover all of its financial obligations and contingent liabilities falling due in a given year, the Own Resources Decision ceilings as defined in percentage of the Union's Gross National Income must be increased.

To that end, the Commission proposal of 2 May 2018 must be amended to allow for an additional increase of 0,11 percentage points of both the ceiling for appropriations for commitments and the ceiling for appropriations for payments. This increase comes on top of the adjustments already proposed to cater for the automatic reduction of the absolute amount of the Own Resources Decision ceilings due to the withdrawal of the United Kingdom from the EU and the corresponding reduction of the Union's Gross National Income. The ceiling to cover annual appropriation for payments shall thus be set at 1,40% of the EU Gross National Income and the ceiling to cover annual appropriations for commitments at 1,46% of the EU Gross National Income.

Extraordinary and temporary increase of the own resources ceilings for addressing the COVID 19 crisis

Furthermore, the amended proposal authorizes the Commission to borrow funds on behalf of the Union up to an amount of EUR 750 billion in 2018 prices. The proceeds will be assigned under the proposed European Union Recovery Instrument. In accordance with Article 310(4) TFEU, the Union shall not adopt any act which is likely to have appreciable implications for the budget without providing an assurance that the expenditure arising from such an act is capable of being financed within the limit of the Union's own resources. In accordance with Article 323 TFEU, the European Parliament, the Council and the Commission shall ensure that the financial means are made available to allow the Union to fulfil its legal obligations in respect of third parties.

In order to ensure compliance with those provisions in any given year and under any circumstances, it is necessary that Member States allocate to the Union the resources needed to cover the financial obligations and contingent liabilities stemming from this exceptional and temporary empowerment to borrow funds. Hence, the Own Resources Decision ceilings must be adjusted upwards on a temporary basis by 0,6 percentage points. This additional allocation can only be used to honour financial obligations and contingent liabilities stemming from the exceptional and temporary empowerment to borrow funds. In this framework, the potential use of this additional allocation will decrease over time since the relevant financial obligations and contingent liabilities diminish as the borrowed funds are repaid and the loans mature. This increase expires when all those liabilities have ceased to exist, i.e. when all funds borrowed have been repaid – at the latest by 31 December 2058 – and all risks for contingent liabilities have ceased.

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2018/0135 (CNS)

Amended proposal for a

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on the system of Own Resources of the European Union

Commission COM(2018) 325 is amended as follows:

(1) The last sentence of Recital (13) is deleted;

(2) The following recitals (13a) to (13k) are inserted:

(13a) In order to preserve a sufficient margin under the Own Resources Decision ceilings for the Union to cover all of its financial obligations and contingent liabilities falling due in any given year, the Own Resources Decision ceiling should be increased to a level of 1,40 % of the sum of the Member States' Gross National Income at market prices for appropriations for payments and of 1,46 % for the appropriations for commitments.

(13b) The economic impact of the COVID-19 crisis underlines the importance of ensuring sufficient financial capacity for the Union in the event of economic shocks. The Union needs to provide itself with the means to attain its objective. Financial resources on an exceptional scale are required in order to address the consequences of the COVID-19 crisis, without increasing the pressure on the finances of the Member States at a moment where their budgets are already under enormous pressure to finance national economic and social measures in relation to the crisis. An exceptional response should, therefore, be given at Union level. For this reason, it is appropriate to authorise the Union exceptionally to borrow temporally EUR 750 billion in 2018 prices on capital markets, which would solely be used for expenditure in an amount of EUR 500 billion in 2018 prices and for loans in an amount of EUR 250 billion in 2018 prices to address the consequences of the COVID-19 crisis.

(13c) This exceptional response should address the consequences of the COVID-19 pandemic and avoid its re-emergence. Therefore, support should be limited in time and the majority of the funding should be provided in the more immediate aftermath of the pandemic.

(13d) An exceptional and temporary increase of the own resources ceiling is necessary for the Union to bear the liability related to that borrowing of funds. The empowerment for the Commission to borrow funds in the capital markets, on behalf of the Union, for the sole and exclusive purposes of financing the measures addressing the consequences of the COVID-19, is closely related to the increase of the own resources ceiling operated under this Decision and, ultimately, to the functioning of the system of own resources of the Union. Accordingly, such an empowerment should be included in this Decision. The unprecedented nature of this operation and the exceptional amount of those funds call for certainty about the

overall volume of Union's liability and the essential features of its repayment, as well as for the pursuit of a single borrowing strategy.

(13e) The borrowing of funds in the capital markets needs to be significant and must take place over a relatively short period. The Commission should, when implementing the operations through a diversified funding strategy, make the best use of the capacity of the markets to absorb borrowing of such significant amounts of funds with different maturities and ensuring the most advantagous repayment conditions.

(13f) The repayment of funds borrowed in order to provide non-repayable support, repayable support through financial instruments or provisioning for budgetary guarantees, as well as the interest due, should be funded by the Union budget. The borrowed funds which are granted as loans to Member States should be repaid by the sums received from beneficiary Member States. The necessary resources need to be allocated and made available to the Union for it to be able to cover all of its financial obligations and contingent liabilities resulting from the exceptional and temporary empowerment to borrow in any given year and under any circumstances in compliance with Article 310(4) TFEU and Article 323 TFEU.

(13g) Repayments to be made by the budget should start in 2028, while all liabilities incurred by this exceptional and temporary empowerment to borrow funds should be fully repaid by 31 December 2058. In order to ensure an efficient budgetary management of the appropriations needed to cover repayments for the funds borrowed, it is appropriate to provide for the possibility of underlying budgetary commitments being broken down in annual instalments. The schedule of the repayment should respect the principle of sound financial management, including a maximum annual exposure, with a view to achieving a steady and predictable reduction of liabilities during the overall period.

(13h) Given the features of the exceptional, temporary and limited empowerment to borrow funds for addressing the Covid-19 crisis, it should be clarified that, as a rule, the Union should not use funds borrowed on the capital markets for the financing of operational expenditure.

(13i) For the sole purpose of covering the additional financial obligations and contingent liabilities arising from the exceptional and temporary empowerment to borrow funds and to ensure financial sustainability even in times of economic downturn, the ceilings for appropriations for payments and the ceiling for appropriation of commitments should be increased by 0,6 percentage points each.

(13j) The increase is necessary since the current ceilings are not sufficient to provide the additional resources the Union needs to meet the liabilities resulting from the exceptional and temporary empowerment to borrow funds. The need to have recourse to this additional allocation will only be temporary since the relevant financial obligations and contingent liabilities decrease over time as the borrowed funds are repaid and the loans mature. Therefore, the increase should expire when all funds borrowed have been repaid and all contingent liabilities from loans granted on the basis of those funds have ceased, at the latest by 31 December 2058.

(13k) In order to ensure that the Union is always able to fulfil its legal obligations in respect of third parties, the Commission should, in accordance with the conditions as laid down in regulations adopted under Article 322(2) TFEU, be authorised, during that period of temporary increase, to ask Member States to make available the

relevant cash resources where the authorised appropriations entered in the budget are not sufficient.

(3) In Article 3, paragraphs 1 and 2 are replaced by the following:

"1. The total amount of own resources allocated to the Union to cover annual appropriations for payments shall not exceed 1,40% of the sum of the Gross National Incomes of all the Member States.

2. The total annual amount of appropriations for commitments entered in the Union's budget shall not exceed 1,46% of the sum of the Gross National Incomes of all the Member States.";

(4) The following Articles 3a, 3b and 3c are inserted:

"Article 3a
Use of funds borrowed on the capital markets

The Union shall not use funds borrowed on the capital markets for the financing of operational expenditure.

Article 3b
Extraordinary and temporary additional means to adress the COVID 19 crisis

(1) For the sole purpose of adressing the consequences of the COVID19 crisis:

(a) The Commission shall be empowered to borrow funds on the capital markets on behalf of the Union up to the amount of EUR 750 000 000 000 in 2018 prices. The borrowing operations shall be carried out in euro.

(b) The funds borrowed may be used for loans up to an amount of EUR 250 000 000 000 in 2018 prices and, by derogation from Article 3a, for expenditure up to an amount of EUR 500 000 000 000 in 2018 prices.

(2) The repayment of the principal of the funds used for expenditure referred to in point (b) of paragraph 1 and the related interest due shall be borne by the general budget of the Union. The budgetary commitments may be broken down into annual instalments over several years in accordance with Article 112(2) of Regulation (EU, Euratom) 2018/1046.

The repayment shall be scheduled, in accordance with the principle of sound financial management, so as to ensure the steady and predictable reduction in liabilities, starting from 1 January 2028 until 31 December 2058. The amounts due by the Union in a given year for the repayment of the principal shall not exceed 7.5% of the maximum amount referred to in point (a) of paragraph 1.

(3) The Commission shall establish the necessary arrangements for the administration of the borrowing operations.

Article 3c

Extraordinary and temporary increase of the own resources ceilings for the allocation of the resources necessary for addressing the COVID 19 crisis

The amounts established in Article 3(1) and (2), respectively, shall be temporarily increased by 0,6 percentage points for the sole purpose of covering all liabilities of the Union resulting from its borrowing referred to in Article 3b until all these liabilities have ceased to exist, and at the latest until 31 December 2058.

Those increased amounts shall not be used for paying any other liabilities of the Union".

(5) In Article 6, the following paragraph 4 is added:

"4. Where the authorised appropriations entered in the budget are not sufficient for the Union to comply with its obligations resulting from borrowing referred to in Article 3b, the Member States shall make the resources necessary for that purpose available to the Commission.

The cash resources shall be made available in accordance with regulations adopted under Article 322(2) TFEU, as applicable at that time, under the same conditions as those applying in the event of default on a loan contracted pursuant to regulations and decisions adopted by the Council, or by the European Parliament and the Council."

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL

1.1. Title of the proposal

Amended proposal for an Council Decision on the system of Own Resource of the European Union (COM(2018)325 final).

1.2. Policy area(s) concerned in the ABM/ABB structure[3]

EU budget revenue (Title 1, Own Resources)

1.3. Nature of the proposal/initiative

☐ The proposal/initiative relates to **a new action**

☐ The proposal/initiative relates to **a new action following a pilot project/preparatory action**[4]

x The proposal/initiative relates to **the extension of an existing action**

☐ The proposal/initiative relates to **an action redirected towards a new action**

1.4. Objective(s)

1.4.1. The Commission's multiannual strategic objective(s) targeted by the proposal/initiative

The COVID-19 pandemic is a widespread and severe public health crisis. It severely affects citizens, societies and economies worldwide. The extent of the health crisis and the policy responses taken to control it are unprecedented. As a result, the depth of its socio-economic impact is extraordinarily uncertain. Already at this stage, it is certain that it presents unprecedented and acute challenges for the financial and economic systems of Member States. According to the Commission's spring economic forecasts, the EU GDP is forecast to contract more than during the global financial crisis in 2009.

In response to the emergency, Member States have adopted exceptional financial measures with a considerable bearing on their public finances. However, the impact across Member States is not symmetric, with a risk that the crisis will widen disparities within the Union threatening the collective economic and social resilience. The EU has acted rapidly to deliver a coordinated and powerful collective response to the social and economic consequences of the crisis, within the limits of the current Multiannual Financial Framework expiring in 2020.

The crisis could result in lasting damage to the Union's economic tissue unless it is met with a commensurate short and medium term policy response at the level of the Union. There is an urgent need to provide for immediately available additional financial capacity to support recovery and resilience across the Union in order to rise to this challenge.

The response to the crisis must be comprehensive, bold and sustained. A comprehensive plan for European recovery will need massive public and private

[3] To be determined in the 2020 and 2021 budgetary procedures. ABM: activity-based management; ABB: activity-based budgeting.

[4] As referred to in Article 54(2)(a) or (b) of the Financial Regulation.

investment at European level to energise the economy, create high-quality jobs and invest in repairing the immediate damage wrought by the Covid-19 pandemic. The long-term EU budget, reinforced by the new European Union Recovery Instrument, will be the main tool.

The exceptional nature of the economic and social situation requires exceptional measures to support the recovery and resilience of the economies. In order to attain those objectives, the Union needs to provide itself with the necessary means and take the appropriate measures to address the challenges posed by the Covid-19 pandemic. For this reason, it is suitable to allow some of the necessary finance to be mobilised through borrowings on capital markets. These borrowings will be repaid when the Union is back on a positive growth trajectory.

1.4.2. Specific objective(s) and ABM/ABB activity(ies) concerned

1.4.3. The own resource ceilings must be temporarily increased to allow the EU to fulfil its financial obligations. This increase is necessary in order to cover the financial obligations and contingent liabilities stemming from this exceptional and temporary empowerment to borrow funds.

The issuance will create financial liabilities of the Union, which will be fully met through the necessary budgetary commitments and appropriations over the duration of these liabilities. The budgetary commitments may be broken down into annual instalments over several years.

1.4.4. Expected result(s) and impact

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

The amended Decision empowers the Commission to raise a maximum of EUR *750* billion in 2018 prices through recourse to financial markets and to transfer the proceeds to the EU budget in support of the EU Recovery Plan under the next Multiannual Financial Framework.

The proceeds of the borrowing operations will go to the EU Recovery Instrument. This Instrument will provide funding for the different policies covered by the EU Recovery Plan.

1.4.5. Indicators of results and impact

Specify the indicators for monitoring implementation of the proposal/initiative.

Ratification and entry into force of the Own Resource Decision

Aggregate volume of capital raised under the Recovery Instrument;

Extent to which capital is raised early in the life of the Recovery Instrument and speed with which it is made available to the beneficiary financial instruments

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term

The unprecedented nature of the borrowing operation and the exceptional amount of the funds to be borrowed call for an approval by all Member States in accordance with their national constitutional requirements.

The EU budget will start making the required repayments of the funds borrowed on capital markets from 2028 onwards. All liabilities of the Unions incurred by the proposed act will be fully repaid by 2058. The schedule of repayment should be organised according to the principle of sound financial management with a view to achieving a steady and predictable reduction of liabilities during the overall period. The amounts due by the Union in a given year for the repayment of the principal shall not exceed 7.5% of the maximum amount of the sums borrowed for expenditures.

1.5.2. Added value of EU involvement

The COVID 19 crisis requires exceptional measures. The EU needs to provide itself with the means to attain its objective, i.e. restoring the long term growth and resilience of EU economies.

In order to relieve national public finance which are already impacted by the crisis, this Decision provides the EU with the authorisiaton to borrow on an exceptional and temporary basis. For this to happen, a temporary increase in the own resource ceiling is necessary in order to cover the financial obligations stemmnig for this exceptional authorisation to borrow.

The EU Recovery Instrument will receive the proceeds of borrowing. On that basis, this Instrument will offer financial support in a spirit of European solidarity with affected Member States. Considering the extent of the crisis and the scope of its financial and economic effects, concerted action at EU level is more appropriate to ensure that sufficient resources are mobilised to generate effective interventions and mitigate the direct societal and economic impact caused by COVID-19 crisis.

1.5.3. Lessons learned from similar experiences in the past

The Union has experience in borrowing for the provision of financial assistance, notably under the a European Financial Stabilisation Mechanism (EFSM) and the provision of Balance of Payments support.

However, this experience relates mainly to the part of the borrowing under the proposed empowerment which is supposed to be used for the provisioning of loans.

1.5.4. Compatibility and possible synergy with other appropriate instruments

The Own Resource Decision empowers the Commission to borrow on behalf of the Union. It will provide the means for the European Recovery Instrument to provide the funding for the different policies covered by the EU Recovery Plan.

The liabilities incurred under this instrument will have a long duration and therefore EU budgetary ceilings need to accommodate these increased liabilities over a prolonged period. The average maturity of the debt raised by the EU will be between [5-20] years, with the possibility for longer maturities (up to 30 years). The proposal also foresees the possibility for the EU to roll over debt where this proves advantageous in terms of management of liabilities.

1.6. Duration and financial impact

X Proposal/initiative of **limited duration**

– X Financial impact from entry into force of the Decision to completion of loans maturity, overlapping several Multiannual Financial Frameworks; no maturities are envisaged before 2028.

X Proposal/initiative of **unlimited duration for the proposed increase in the OR ceiling on a permanent basis**

– Implementation with a start-up period from the entry into force of the Decision,

1.7. Management mode(s) planned[5]

X **Direct management** by the Commission

– X by its departments, including by its staff in the Union delegations;

– ☐ by the executive agencies

☐ **Shared management** with the Member States

☐ **Indirect management** by entrusting budget implementation tasks to:

– ☐ third countries or the bodies they have designated;

– ☐ international organisations and their agencies (to be specified);

– ☐ the EIB and the European Investment Fund;

– ☐ bodies referred to in Articles 208 and 209 of Regulation (EU, Euratom) 1046/2018;

– ☐ public law bodies;

– ☐ bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;

– ☐ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;

– ☐ persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.

– *If more than one management mode is indicated, please provide details in the 'Comments' section.*

[5] Details of management modes and references to Regulation (EU, Euratom) 1046/2018 may be found on the BudgWeb site: http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

In accordance with the Financial Regulation, the Commission will report annually in the context of its report prepared on all borrowing operations carried out under the Instrument.

2.1.1. Risk(s) identified

Implementation will be performed inter alia through issuance of large volumes of debt on international capital markets. The sudden increase in debt issuance in a period when there is likely to be extensive recourse to capital markets by other sovereigns and institutions gives rise to the risk of deterioration in the terms and conditions available to the Union. This risk will be managed through the implementation of a new debt management strategy to help the Union to obtain the best available terms, while safeguarding its excellent credit rating. In terms of loans granted to Member States for the purposes of the reform and resilience facility, the risk of non-repayment is considered negligible as it is a remote possibility that an EU Member States has to suspend debt repayments. Management of these risks on the funding and lending side requires a significant investment in development of the Commission's borrowing/lending and debt management capacity. This investment explains the administrative expenditure linked to this policy, through the recruitment of specialised staff including from national debt management offices. The increased staff resources is also needed for support services such as accounting, back-office and dedicated IT support. The increase in the Own Resource ceilings allows the Union to meet its financial obligations and contingent liabilities. It will expire when all those liabilities have ceased to exist, i.e. when all funds borrowed have been repaid and all risks for contingent liabilities have ceased.

2.1.2. Information concerning the internal control system set up

The European Commission's existing internal control system applies to ensure that funds available under the EU Recovery instrument are used properly and in line with appropriate legislation. The current system is setup as follows: 1. The internal control teams focuses on compliance with administrative procedures and legislation in force. The Internal Control Framework of the Commission is used for this purpose. 2. Regular audit of grants and contracts by external auditors, which will be awarded under this instrument will be fully incorporated in annual audit plans. 3. Evaluation of overall activities by external evaluators. Actions performed may be audited by the European Anti-Fraud office (OLAF) and the Court of Auditors.

2.1.3. Estimate of the costs and benefits of the controls and assessment of the expected level of risk of error

N.A.

2.2. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures.

Maximum transparency and proper monitoring of the use of the EU financial resources are required. Reporting obligations for the Member States, other beneficiaries and the Commission will apply.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- No existing budget lines
- New budget lines requested

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff.	from EFTA countries	from candidate countries	from third countries	within the meaning of Article 21(2)(b) of Regulation (EU, Euratom) 1046/2018
2	06.200301 European Union Recovery Instrument – payment of periodic coupon and redemption at maturity	Diff.	NO	NO	NO	NO
2	06.012001 Support expenditure for the European Recovery Instrument (ERI)	Non-Diff	NO	NO	NO	NO

3.2. Estimated impact on expenditure

The proposal has no impact on expenditure. A p.m. line will be created in the budgetary procedure.

3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

Heading of multiannual financial framework	2	

DG: BUDG			**Year 2021**	**Year 2022**	**Year 2023**	**Year 2024**	**Year 2025**	**Year 2026**	**Year 2027**	**TOTAL**
• Operational appropriations										
06.200301 European Union Recovery Instrument – payment of periodic coupon and redemption at maturity[6]	Commitments in 2018 prices	(1)	202 757	726 570	1 402 108	2 525 035	3 070 263	4 104 667	5 359 447	**17 390 847**
	Payments in 2018 prices	(2)	202 757	726 570	1 402 108	2 525 035	3 070 263	4 104 667	5 359 447	**17 390 847**
06.200301 European Union Recovery Instrument – payment of periodic coupon and redemption at maturity	Commitments in current prices		215 168	786 463	1 548 040	2 843 599	3 526 767	4 809 272	6 405 035	**20 134 344**
	Payments in current prices		215 168	786 463	1 548 040	2 843 599	3 526 767	4 809 272	6 405 035	**20 134 344**

[6] As loans will reach their maturity as from 2028, only coupon payments will take place in previous years.

Appropriations of an administrative nature financed from the envelope of specific programmes[7]										
06.012001	Commitments = Payments in 2018 prices	(3)	4 712	924	906	888	871	853		**9 153**
06.012001	Commitments = Payments in current prices	(3)	5 000	1 000	1 000	1 000	1 000	1 000		**10 000**
TOTAL appropriations (heading 2)	Commitments in 2018 prices	=1+ 3	207 469	727 494	1 403 013	2 525 923	3 071 133	4 105 521	5 359 447	**17 400 000**
	Payments in 2018 prices	=2+ 3	207 469	727 494	1 403 013	2 525 923	3 071 133	4 105 521	5 359 447	**17 400 000**
	Commitments in current prices	=1+ 3	220 168	787 463	1 549 040	2 844 599	3 527 767	4 810 272	6 405 035	**20 144 344**
	Payments in current prices	=2+ 3	220 168	787 463	1 549 040	2 844 599	3 527 767	4 810 272	6 405 035	**20 144 344**

[7] Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

Heading of multiannual financial framework	**7**	'Administrative expenditure'

EUR million (to three decimal places)

		Year **2021**	Year **2022**	Year **2023**	Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL**
DG BUDG									
• Human resources									
• Other administrative expenditure									
TOTAL DG BUDG	Appropriations								

TOTAL appropriations under HEADING 5 (2020) and HEADING 7 (2021-2027) of the multiannual financial framework	(Total commitments = Total payments)								

EUR million (to three decimal places)

		Year **2021**	Year **2022**	Year **2023**	Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL**
TOTAL appropriations under the multiannual financial framework	Commitments								
	Payments								

3.2.2. Estimated impact on operational appropriations

– ☐ The proposal/initiative does not require the use of operational appropriations

– **X** The proposal/initiative requires the use of operational appropriations in budget years 2020-2027: payment of interests as indicated in the table above

3.2.3. Estimated impact on appropriations of an administrative nature

3.2.3.1. Summary

– ☐ The proposal/initiative does not require the use of appropriations of an administrative nature

– X The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

	Year **2021**	Year **2022**	Year **2023**	Year **2024**	Year **2025**	Year **2026**	Year **2027**	**TOTAL**
HEADING 5 (7 from 2021) of the multiannual financial framework								
Human resources								
Other administrative expenditure								
Subtotal HEADING 5 (7) of the multiannual financial framework								
Outside HEADING 5[8] of the multiannual financial framework								
Human resources								
Other expenditure of an administrative nature								
Subtotal outside HEADING 5 of the multiannual financial framework								
TOTAL								

2020:

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

[8] Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

3.2.3.2. Estimated requirements of human resources

– ☐ The proposal/initiative does not require the use of human resources.

– **X** The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

	Year **2021**	Year **2022**	Year **2023**	Year **2024**	Year **2025**	Year **2026**	Year **2027**	Enter as many years as necessary to show the duration of the impact (see point 1.6)
• Establishment plan posts (officials and temporary staff)								
XX 01 01 01 (Headquarters and Commission's Representation Offices)								
XX 01 01 02 (Delegations)								
XX 01 05 01 (Indirect research)								
10 01 05 01 (Direct research)								
XX 01 02 01 (AC, END, INT from the 'global envelope')								
XX 01 02 02 (AC, AL, END, INT and JED in the delegations)								
XX 01 04 **yy** [9] - at Headquarters								
XX 01 04 **yy** [9] - in Delegations								
XX 01 05 02 (AC, END, INT - Indirect research)								
10 01 05 02 (AC, END, INT - Direct research)								
Other budget lines (specify)								
TOTAL								

DG BUDG is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary staff	Debt issuance, loan administration and accounting, settlement.

[9] Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

External staff	Debt issuance, loan administration and accounting, settlement.

3.2.4. Compatibility with the current multiannual financial framework

– **X** The proposal/initiative is compatible the current and proposed next multiannual financial framework.

– ☐ The proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

– ☐ The proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework.

3.2.5. Third-party contributions

– The proposal/initiative does not provide for co-financing by third parties.

– X The proposal/initiative provides for the co-financing estimated below:

3.3. Estimated impact on revenue

– ☐ The proposal/initiative has no financial impact on revenue[10].

– **X** The proposal/initiative has the following financial impact:

on assigned revenues (budget revenue line to be determined)

Over the period of implementation, EUR X billion from proceeds of borrowing operations will constitute external assigned revenues devoted to grants to MSs and budgetary guarantees.

EUR million (rounded)

	2021	2022	2023	2024	2025	2026	2027	total
constant prices 2018								
current prices								

10