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From: Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director

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To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union

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Subject: Commission implementing Decision of 1.6.2021 establishing the framework for borrowing and debt management operations under NextGenerationEU for 2021

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Delegations will find attached document C(2021) 3991 final.

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Encl.: C(2021) 3991 final



Brussels, 1.6.2021  
C(2021) 3991 final

**COMMISSION IMPLEMENTING DECISION**

**of 1.6.2021**

**establishing the framework for borrowing and debt management operations under  
NextGenerationEU for 2021**

# COMMISSION IMPLEMENTING DECISION

of 1.6.2021

## establishing the framework for borrowing and debt management operations under NextGenerationEU for 2021

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the Treaty establishing the European Atomic Energy Community,

Having regard to Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom<sup>1</sup>, and in particular Article 5(1)(a) thereof,

Whereas:

- (1) Pursuant to Article 5(1)(a) of Decision (EU, Euratom) 2020/2053, the Commission is empowered to borrow temporarily up to EUR 750 000 million in 2018 prices on capital markets on behalf of the Union.
- (2) Article 3 of Commission Implementing Decision C(2021) 2502<sup>2</sup> provides for adoption of a framework borrowing decision which sets the maximum limits for the NextGenerationEU ('NGEU') borrowing operations and NGEU debt management operations, which are to cover a period of one year. To align with the annual budget and as set out in Article 3(1) of Implementing Decision C(2021) 2502, it is appropriate to adopt a framework borrowing decision for the remainder of this calendar year.
- (3) Implementing Decision C(2021) 2502 establishes a diversified funding strategy as the means to raise the full amount of proceeds foreseen by NGEU for funding both non-repayable financial support and loan support to Member States. It provides that borrowing instruments under the diversified funding strategy are to include a combination of long-term bonds and short-term funding (notably EU-Bills). NGEU borrowing operations will henceforth be organised as auctions, syndicated transactions, private placement, or through credit lines depending on which format is most appropriate given the size and nature of the operation.
- (4) It is necessary to set the maximum limits for the NGEU borrowing operations and NGEU debt management operations to enable the Commission to start the implementation of NGEU borrowing operations as soon as possible following the entry into force of Decision (EU, Euratom) 2020/2053. It is necessary to fix limits for the NGEU borrowing operations in order to establish clear boundaries for the amount of long-term and short-term funding. In particular it is necessary to ensure that the volume of operations to be undertaken remains consistent with the planned disbursements under the NGEU.

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<sup>1</sup> OJ L 424, 15.12.2020, p. 1.

<sup>2</sup> Commission Implementing Decision C(2021) 2502 of 14 April 2021 establishing the necessary arrangements for the administration of the borrowing operations under Council Decision (EU, Euratom) 2020/2053 and for the lending operations related to loans granted in accordance with Article 15 of Regulation (EU) 2021/241 of the European Parliament and of the Council.

- (5) It is therefore necessary to set a range for maximum amounts of long-term and short-term funding, the average maturity of the Union's long-term funding and a limit for the amount per issuance.
- (6) The funding needs under NGEU should, over the longer-run, be met by the issuance of long-term funding instruments. The maximum amount of long-term funding should be set based on the amounts communicated by the programme authorising officers to the Directorate General for the Budget. The maximum amounts fixed by the present Decision reflect the most recent and accurate information available at the time of adoption. In the period until approval of national recovery plans, this information may evolve and the ceilings fixed by this Decision must cater for this uncertainty.
- (7) There is a need for legal certainty that the amounts borrowed for loans will be disbursed accordingly and that any borrowing costs, inclusive administrative, are imputed to those operations. It is therefore appropriate to suspend the present authorisation to issue long-term bonds to pre-finance Recovery and Resilience Facility loans under Article 15 of Regulation (EU) 2021/241 of the European Parliament and of the Council<sup>3</sup>. This suspension should be lifted in relation to the amounts of pre-financing upon entry into force of the loan agreement with a Member State.
- (8) On this basis it is appropriate to set the amount of the long-term funding of up to EUR 125 billion, reflecting the considerable uncertainties related to the state of implementation of the Recovery and Resilience Facility and to allow a more rapid implementation of the programme than expected to be financed.
- (9) In addition to the issuance of long-term bonds, Implementing Decision C(2021) 2502 also provides for the issuance of short term funding in order to provide flexibility in the management of the disbursements.
- (10) Short-term funding should only be considered to the extent necessary for a prudent liquidity management, including the build-up and maintenance of prudential cash holdings, as well as to substitute temporarily long-term funding operations in light of the prevailing market conditions. The maximum outstanding amount of short-term funding should be based on the size of the expected liquidity buffer that is needed to facilitate the smooth and continuous capacity to make all payments and the liquidity needs to temporarily substitute long-term funding. Based on a conservative assessment of liquidity needs, which risk being higher in the initial stages of NGEU funding, an upper bound of EUR 60 billion of short-term funding should be set, including under a scenario of adverse market conditions.
- (11) Implementing Decision C(2021) 2502 requires setting out the maximum outstanding amount per issuance reflecting the concentration risk at maturity. This limit is necessary to help avoiding the concentration of too much debt maturing at a particular point in time in the future, creating strain on the capacity of the Union budget to repay debt. This is therefore an important parameter in programming a smooth and steady repayment of NGEU debt over time. At the same time, in order to facilitate the good reception of the Commission long-term funding operations, this maximum should be sufficiently high to favour the liquidity of the debt securities of the Union, which leads to issue at lower possible costs by attracting the interest of more investors.

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<sup>3</sup> Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility OJ L 57, 18.2.2021, p. 17–75

- (12) It is therefore necessary to set the maximum amount per issuance of EUR 20 billion, based on a sufficiently conservative scenario for raising the total of EUR 125 billion.
- (13) The maximum average maturity of long-term funding should ensure sufficient flexibility in the implementation of the diversified funding strategy in order to attract investor demand while respecting the limits set out in paragraph 2, the third subparagraph, of Article 5 of Decision (EU, Euratom) 2020/2053 related to the redemption profile and the binding maximum repayment year of 2058. Taking into account the current market conditions, in particular the strong interest from investors for long-term maturities, while respecting the limit of 2058 as the maximum redemption year and the importance of being a consistent issuer in the years to come, the maximum average maturity of long-term funding at issuance should be set at 17 years. The maximum of 17 years reflects a sufficiently conservative scenario in which only seven benchmark EU-bonds would be launched and tapped on the long-term maturities, to issue the maximum of EUR 125 billion, taking EUR 20 billion as a maximum outstanding amount.
- (14) This Decision will be complemented by a Funding Plan adopted by DG BUDG in accordance with Article 4 of Implementing Decision C(2021) 2502 which provides indicative guidance as to how the Commission will implement the Borrowing Decision until the end of 2021. This information will help investors and stakeholders to prepare their future investments in NGEU bonds. The period of the first NGEU Funding Plan will overlap with the time-period for the present Borrowing Decision.
- (15) This Decision will be communicated to the European Parliament and the Council in accordance with Article 5(3) of Decision (EU, Euratom) 2020/2053, along with the relevant elements of the Funding Plan for public disclosure,

HAS DECIDED AS FOLLOWS:

*Sole article*

1. In the period from the date of the entry into force of Decision (EU, Euratom) 2020/2053 until 31 December 2021 the Commission shall implement NGEU borrowing operations within the following limits:
  - (a) long-term funding, up to a maximum amount of EUR 125 billion, out of which an amount of EUR 20 billion shall be temporarily suspended.  
Upon entry into force of loan agreements concluded with Member States under Regulation (EU) 2021/241, the suspension shall be lifted for amounts corresponding to the financing of those loan agreements; and
  - (b) short-term funding, up to a maximum outstanding amount of EUR 60 billion.
2. The maximum amount per issuance of long-term funding is set at EUR 20 billion.  
The maximum average maturity of long-term funding is set at 17 years.

Done at Brussels, 1.6.2021

*For the Commission*  
*Johannes HAHN*  
*Member of the Commission*