European Commission

THE EU'S UNIFIED FUNDING APPROACH

#EUbudget

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Since 2023, the European Commission has been issuing, on behalf of the EU, single branded EU-Bonds under a unified funding approach.

The issuance of "EU-Bonds" rather than separately denominated bonds for individual programmes, as was previously the case, avoids the fragmentation of EU issuances and supports a homogenous secondary market for EU-Bonds.

The EU's unified funding approach: main elements

The unified funding approach allows for the instruments developed for the EU's NextGenerationEU recovery programme to be used in the same way for other policies. Under this approach, the Commission issues single branded EU-Bonds and allocates the proceeds to a central funding pool from which the EU's different policy programmes are funded.

Under its unified funding approach, the Commission:

- Issues **EU-Bonds with benchmark maturities;**
- Uses **syndications and auctions** to place its EU-Bonds;
- Makes **greater use of auctions** to boost the liquidity of its securities;
- Issues **short-term EU-Bills** for further flexibility and liquidity.

The unified funding approach is the Commission's main approach to markets for **all borrowing operations**.

However, the Commission continues to issue NextGenerationEU Green Bonds to finance the green component of the NextGenerationEU Recovery and Resilience Facility.

THE BENEFITS OF THE UNIFIED FUNDING APPROACH FOR THE EU AS AN ISSUER

The unified funding approach helps the Commission to:

- Plan, execute and communicate all issuances in **an agile and coherent way;**
- Deploy the full range of its funding instruments (EU-Bonds with benchmark maturities and EU-Bills) and funding techniques (syndications and auctions) across a larger pool of funding needs, thus obtaining the **best possible funding costs;**
- Make EU-Bonds **more liquid through greater coherence of EU securities;**
- Apply a **uniform robust risk, compliance and governance framework** to all borrowing operations;
- Solidify its presence in the capital markets as a **regular large issuer.**

THE BENEFITS OF THE UNIFIED FUNDING APPROACH FOR THE RECIPIENTS OF FUNDING FROM EU BORROWING

The unified funding approach helps the Commission to:

- Arrange **highly concessional loans** for the recipients of EU funding;
- Offer **more flexible disbursements**, as per the needs of its counterparts.

THE BENEFITS OF THE UNIFIED FUNDING APPROACH FOR MARKET PARTICIPANTS

The use of a single EU-Bonds label across EU issuances:

- Makes EU-Bonds easier to buy, sell and substitute in investors' portfolios, making them **more liquid;**
- Builds a homogeneous secondary market curve, making EU-Bonds **easier to price and trade in secondary market;**
- Makes the EU as an issuer even **more transparent and predictable,** as six-monthly funding plans cover all planned EU issuances.

Further steps to improve liquidity

Moving from policy-by-policy issuance to a unified funding approach has made EU securities more fungible and liquid. In addition to the unified funding approach, the Commission has taken the following steps to boost the liquidity of EU-Bonds:

- **Introduced quoting arrangements** in November 2023, incentivizing the EU Primary Dealers to provide liquidity on EU-Bonds via recognized interdealer platforms;
- **Launched a repo facility** in October 2024, supporting the EU Primary Dealers in posting firm and public quotes on EU-Bonds so that investors can be confident in the terms on which they can trade EU-Bonds in the secondary market.

These projects **are boosting the liquidity** of EU-Bonds. They also support the pricing of EU securities, better reflecting the strong credit and scale of the EU issuances, which is similar to those of highly rated sovereign issuers.

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