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**COMMISSION IMPLEMENTING DECISION**

**of 14.12.2021**

**establishing the framework for borrowing and debt management operations under  
NextGenerationEU for 2022**

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## establishing the framework for borrowing and debt management operations under NextGenerationEU for 2022

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), point (a), thereof,

Whereas:

- (1) 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 calendar year. On this basis, it is necessary to adopt a framework borrowing decision for 2022.
- (2) 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 in the form of 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.
- (3) It is necessary to set the maximum limits for the NGEU borrowing operations and NGEU debt management operations to enable the Commission to implement NGEU borrowing and debt management operations 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 is aligned with the planned disbursements under the NGEU. This is important to avoid situations where funds are not available to allow disbursements to Member States or the general budget of the European Union in a timely manner or situations where large amounts of excess funding are accumulated far in advance of disbursements.

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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.

- (4) 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.
- (5) The funding needs under NGEU should, over the longer-run, be met through the issuance of long-term funding instruments. The maximum amount of long-term funding for 2022 should be based on the amounts communicated by the programme authorising officers to the Directorate General for the Budget in line with Article 5(3) of Implementing Decision C(2021) 2502. The maximum amounts laid down in this Decision reflect the most recent information available at the time of adoption.
- (6) The NGEU funding needs are driven to a large extent by the disbursements schedule under the Recovery and Resilience Facility established by Regulation (EU) 2021/241 of the European Parliament and of the Council<sup>3</sup> ('RRF').
- (7) In 2021, the amounts raised by NGEU for disbursement to Member States under the RRF consisted of the proportion (up to 13%) available to Member States as pre-financing for non-repayable financial support and loans if requested.
- (8) In 2022, proceeds destined for disbursement to Member States under the RRF will be established on the basis of assessments of the fulfilment of the milestones and targets set in the national plans. The precise amounts and exact timing of the disbursements to be made from NGEU to the Member States under the RRF will therefore be less predictable. This will result in some uncertainty in the distribution of disbursements over the course of 2022 and could affect the overall annual total predicted disbursement level.
- (9) On this basis it is appropriate to set the amount of the long-term funding of up to EUR 140 billion, reflecting the current forecasts for amounts to be disbursed to Member States for implementation of the RRF and the programmed NGEU financing for Union policies as provided by Council Regulation (EU) 2020/2094<sup>4</sup>.
- (10) 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 funding capacity of NGEU.
- (11) Short-term funding can play a valuable role in implementing prudent liquidity management, enabling the Commission to meet all disbursement commitments in a timely and cost-efficient manner. Issuance of short-term paper can also provide an attractive temporary substitute for long-term funding operations when market conditions are less supportive of bond issuance. 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. 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.
- (12) Implementing Decision C(2021) 2502 requires the Commission to establish 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

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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, 18.02.2021, p. 17).

<sup>4</sup> Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis (OJ L 433I, 22.12.2020, p. 23).

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. The Commission has undertaken to ensure a steady and progressive reduction in outstanding liabilities from 2028 onwards. At the same time, in order to facilitate the good reception of the Commission long-term funding operations, the maximum maturity per issuance 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.

- (13) It is therefore appropriate to retain a maximum amount per issuance of EUR 20 billion, based on a sufficiently conservative scenario for raising the total of EUR 140 billion.
- (14) 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 Article 5(2), second subparagraph, 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 140 billion, taking EUR 20 billion as a maximum outstanding amount.

HAS DECIDED AS FOLLOWS:

*Sole Article*

1. From 1 January 2022 to 31 December 2022 the Commission shall implement NextGenerationEU borrowing operations within the following limits:

(a) long-term funding, up to a maximum amount of EUR 140 billion;

(b) short-term funding, up to a maximum outstanding amount of EUR 60 billion.

From the amount referred to in point (a) of the first subparagraph, 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 of the European Parliament and of the Council<sup>5</sup>, that suspension shall be lifted for amounts corresponding to the financing of those loan agreements.

2. The maximum amount per issuance of long-term funding is set at EUR 20 billion.

3. The maximum average maturity of long-term funding is set at 17 years.

Done at Brussels, 14.12.2021

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

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<sup>5</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).