

Establishment of a diversified funding strategy as a general borrowing method

2022/0370(COD) - 09/11/2022 - Legislative proposal

PURPOSE: to establish the diversified funding strategy as a general borrowing method.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: Article 220 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council (Financial Regulation) currently provides that the Commission borrows on behalf of the Union or Euratom to on-lend the corresponding amounts to beneficiary Member States or third countries under the conditions applicable to the borrowings. In this regard, the cash flows between the borrowed funds and the loans are matched one-to-one. This means that the Union must carry out market operations based on disbursement needs for each specific case of lending, which limits the possibility to plan coherently various borrowing operations and structure maturities to achieve the best costs.

The funding needs for Ukraine require mobilisation and disbursement in a cost-effective flexible and financially sound manner, integrating all funding needs including for NextGenerationEU.

The diversified financing strategy has successfully mobilised funds for grants and loans under Regulation (EU) 2021/241 of the European Parliament and of the Council establishing the Recovery and Resilience Facility and a range of other EU programmes. In view of the expected complexity of operations needed to satisfy the urgent financial needs of Ukraine, and to anticipate possible future borrowing and lending operations, it is appropriate to establish a diversified funding strategy as the single funding method for implementation of borrowing operations.

CONTENT: the proposal inserts a new Article 220a in the Financial Regulation to **establish the diversified funding strategy as a single financing method**. The implementation of the diversified funding strategy would require the application of a single set of rules for all borrowing and lending programmes under it.

The diversified funding strategy will be implemented through all necessary transactions aiming at a regular capital market presence, and will be based on pooling of funding instruments and shall make use of a common liquidity pool.

The Commission will make the necessary arrangements for the implementation of the diversified funding strategy. It will inform the European Parliament and the Council regularly and comprehensively on all aspects of its debt issuance and management strategy.

The regulation will only apply to the new financial assistance for which the basic acts enter into force on or after 9 November 2022.