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Building the European Union's Second Financial Arm: Incremental Change and the development of the European Commission as a borrower

Dermot Hodson, David Howarth, Iacopo Mugnai and Lukas Spielberger
Contact: david.howarth@uni.lu

Paper Prepared for the
18th EUSA Biennial Conference
May 4-6, 2023, University of Pittsburgh, PA

Abstract

The European Union's (EU's) Support to mitigate Unemployment Risks in an Emergency (SURE) and Next Generation EU (NGEU) instruments have significantly strengthened the EU's borrowing and lending operations and debt management, which have been referred to as the 'second financial arm' of the Union's finances (Laffan, 1997). This paper studies how the institutional framework of the European Commission's borrowing has developed over the past half century and notably over the first two years of the implementation of these new instruments. It reviews three main institutional implications of the Commission's large-scale borrowing. First, it examines how the internal organisation of the Commission's borrowing operations has been transformed by tracing changes in the legal provisions surrounding EU borrowing, as well as the new borrowing instruments and issuance practices followed by the Commission. Second, this paper studies the Commission's efforts to shape financial markets through the development of new market infrastructures. Third, it reviews the new mechanisms of accountability that the European Parliament and the European Court of Auditors have developed to scrutinise the Commission's borrowing. The paper presents the argument that the Commission's aspirations to develop its treasury capacity amount to a significant institutional change, regardless of the market impact. The Commission has engaged repeatedly in institutional innovation. An historical institutionalist analysis is developed to demonstrate a clear path dependency with regard to existing institutional patterns at the EU-European level and layering and some displacement on all three sets of institutional development. We downplay the significance of critical junctures, including the Covid-19 pandemic, to explain the institutional development of the Commission's borrowing and lending operations, and debt management.

Introduction

Since 2020, the European Union (EU) Commission has become one the world's largest borrowers. Prior to that year, the Commission did not even figure amongst the world's fifty largest borrowers. The EU's SURE and Next Generation EU (NGEU) Recovery and Resilience Facility (RRF) instruments have significantly increased the EU's borrowing and lending operations and debt management, which have been referred to as the 'second financial arm' of the Union's finances (Laffan, 1997). A range of observers have declared the NGEU-RRF in particular to be a major unprecedented development and one that may change the EU for good (Fabbrini, 2022; Schelkle, 2021). Others argue that the NGEU is neither unprecedented (Rehm, 2022) nor likely to be repeated. The aim of this paper is to examine the development of the institutional framework of the European Commission's debt issuance over several decades better to understand how the Commission's borrowing, lending and debt management was transformed prior to the adoption of SURE and NGEU-RRF and how the Commission has changed as a borrower since 2020.

We argue that the Commission's changing role as a borrower can be understood as a gradual transformation from that of an extra-budget financing vehicle towards a European treasury that is modeled on national fiscal arrangements. Borrowing from Rommerskirchen & van der Heide (2022) we emphasise the quiet politics of public debt management which, in the EU context, was characterised by interinstitutional dynamics. Drawing on the historical institutionalist concepts of layering and displacement, we show that the Commission's transformation was incremental and path-dependent and had begun long before the Covid-19 pandemic. The Commission, with the support of the European Court of Auditors and the European Parliament, took incremental steps to build a fully developed treasury, motivated by the objectives to reduce borrowing costs, establish its standing as a market player and demonstrate accountability. In our account, the Eurozone Sovereign Debt crisis and Covid-19 pandemic were critical junctures that resulted in major reforms to the institutional framework of European borrowing, lending and debt management. However, these reforms were rooted in a number of incremental changes that had previously taken place without major exogenous shocks to the EU's borrowing regime. For example, we argue that the Commission's recent introduction of a diversified funding strategy follows several small steps towards more active debt management and the cultivation of the EU's reputation as a borrower that began in the 1980s.

We base these claims on our examination of three aspects of the Commission's status as a borrower. First, we argue that the Commission has successively developed its borrowing instruments and funding techniques by developing new market infrastructures, culminating in 2022 in its declared goal to become a 'sovereign-style' supranational issuer. Second, the organisation of the Commission's borrowing and funding operations has been streamlined since the 1980s and now resembles the task division between central bank and treasury at the national level. Third, it reviews the new accountability measures that the Commission itself encouraged or at least accepted to ensure better scrutiny of its borrowing, lending and debt management by the European Parliament and the European Court of Auditors. However, the failure to fully respect the principle of budgetary unity in the EU's borrowing operations, we argue, still leaves the Commission short of having all features of a European treasury. The Commission's institutional innovations in each of these three sets of inter-related institutional developments amount to a significant institutional change regardless of the market impact of Commission debt issuance and the future of the NGEU-RRF. An historical institutionalist analysis is developed to demonstrate an incremental process of change with regard to existing institutional patterns at the EU-European level and the importance of layering and some displacement on all three sets of institutional development.

This paper is structured as follows. In the second section, we provide an overview of the politics of debt issuance and management and draw out the analytical framework that we apply to interpret the Commission's changing role as a borrower. Section three details how the Commission's borrowing and lending operations have been organised over time and per instrument. In section four, the paper examines the evolution of the Commission's treasury operations and funding instruments to the most recent update in December 2022. In section five, the paper tracks the evolving accountability provisions of the different instruments. Methodologically, this paper applies a soft form of process tracing, relying on hundreds of documents from the EU Commission's archives — for material pre-dating 1993 given the 30-year rule — and those available publicly on-line; European Court of Auditors documentation — (performance) audits and other reports — on various Commission borrowing and lending operations; and European Parliament documentation. This primary documentation is supplemented with information gleaned from a number of semi-structured interviews with topic-relevant EU and national officials.

2. The Politics of Debt Management

In this paper we ask how the development of the European Commission's role as a borrower, lender and debt manager since the 1950s can be best understood. To answer this question we draw inspiration from the limited political science and political economy literature focused upon public debt management. From this literature we detect a number of themes which potentially shed light on the development of the European Commission's role as a borrower. Rommerskirchen & van der Heide (2022) focus upon debt management as quiet politics — a concept and analytical framework developed by Culpepper (2010; 2021) — which allows significant institutional development without the interference of political actors. Trampusch & Gross (2021) examine the limited role of national parliaments in sovereign debt management, arguably a factor contributing to quiet politics. Focused on the range of OECD countries, Fastenrath et al. (2015) point to the reliance on financial markets as a governance mechanism. Focused on German federal public debt, Trampusch (2015) examines the shift from a conservative debt strategy to a strict market orientation. More generally, a number of authors examine the financialisation of sovereign debt management (*inter alia*, Trampusch 2019; Jai Dutta 2018). Lemoine (2013, 2016) examines the innovation of French debt management from the mid-1980s and its aggressive commercial logic of control and distribution as a model emulated widely. Silano (2022) examines the impact of revolving doors on debt management as public officials leave to the private sector and the opposite. Trampusch (2015) also explains developments in the German management of federal public debt by focusing on institutional innovation and entrepreneurship and specifically institutional change directed by the Ministry of Finance which involved disempowering the Bundesbank and Federal Debt Administration as debt managers and outsourcing this task to a new agency, the Federal Finance Agency. Trampusch explicitly challenges rationalist approaches that emphasise profit maximisation and Historical Institutionalism's focus on layering and displacement.

To the best of our knowledge, there is no political science literature on the European Commission's public debt management. However, there are political science treatments on the development of Commission financial support mechanisms (Rehm 2022) and notably on the NGEU-RRF (see, for example, Howarth & Quaglia 2021). Rehm applies an Historical Institutionalist analysis to explain the creation of the Commission-run financial support mechanisms from the Community Loan Mechanism (CLM) of the 1970s to the NGEU-RRF. He explains the permissive conditions that resulted in exogenous shocks — notably macroeconomic crises — becoming critical junctures that brought about institutional changes. However, he does not examine the role of the Commission as a borrower, lender and debt manager. There are also a limited number of studies from other disciplines focused on the development of the Commission as a borrower, and notably from economics and law, but most of this is speculative and focused upon the desirability or not of debt mutualisation and the introduction of Eurobonds (e.g., Favero & Missale 2010).

For our analysis, we conceptualise debt management as a form of quiet politics, in line with Rommerskirchen & van der Heide (2022). Indeed, despite repeated efforts by the European Parliament and European Court of Auditors to attract public attention to the insufficiencies of the Commission's role as a borrower, this role rarely left the realm of quiet politics. However, in the realm of the EU's budgetary politics, it is less the interaction between public and private actors that drives institutional change, as Culpepper (2010) suggests, than interinstitutional politics at a technocratic level. We argue that the Commission's efforts to change its borrowing instruments and debt management can often be understood as deliberate moves to streamline its operations, improve its reputation on capital markets, and accommodate the needs of new borrowing instruments. Institutional innovations were often encouraged by criticism from the European Court of Auditors, which pushed the Commission to reduce its borrowing costs, and the European Parliament which sought greater oversight over the Commission's borrowing activities.

This quiet, interinstitutional contestation of the Commission's borrowing, we contend, was reflected in a gradual process of change, rather than the critical junctures highlighted by Rehm (2022). Drawing on a different strand of Historical Institutionalism, we apply the framework from Streeck & Thelen (2005; see also Mahoney & Thelen, 2009) who present four ideal types of incremental institutional change: layering, displacement, redirection and drift. For our analysis we focus on the former two as 'drift' and 'redirection' are more helpful for understanding the changed impact of the same institutions over time rather than the emergence of a new institutional framework (Mahoney & Thelen, 2009).

Incremental change through 'displacement' involves the ending and replacement of older rules with new ones (Mahoney & Thelen, 2009). Displacement characterises a process whereby previously suppressed possibilities are activated to undermine existing institutions Streeck and Thelen (2005, p.21). While displacement can occur due to exogenous shocks, it can also take place gradually when new institutional forms are introduced that directly compete with pre-existing forms (Mahoney & Thelen, 2009). Indeed, Streeck and Thelen (2005, p.22) argue that 'for external shocks to bring about fundamental transformation it helps if endogenous change has prepared the ground'. 'Layering' refers to the introduction of new rules to an institutional construct in parallel to already existing ones which are neither changed nor neglected (Mahoney & Thelen, 2009; Streeck & Thelen 2005). Layered parts do not attract strong opposition because they do not initially directly undermine the pre-existing structure but rather do so gradually and indirectly as the new institutions gain in relative importance over time (Conran & Thelen 2016).

We argue that the quiet interinstitutional politics of EU borrowing has resulted in gradual processes of layering and displacement that amount to a significant overhaul of the Commission's borrowing structure. The following sections show how the Commission's initial borrowing regime where it resembled an extra-budget vehicle has over time been transformed towards a European Treasury model. Critically, we find that most significant changes during that transformation took place prior to, and thus independently of, exogenous shocks in the form of fundamentally new borrowing instruments. More specifically, the largest expansion — by a wide margin — of Commission debt issuance with creation of SURE and NGEU-RRF in 2020 was facilitated thanks to a series of prior incremental institutional changes.

3. The Commission's financial instruments

3.1. Debt management

Debt management policy is an important institutional precondition for the development of the Commission's treasury capacity. On this point, recent changes under the NGEU and SURE regulations officially overturned two previous core principles of EU borrowing, namely that funds should only be raised in response to loan demands and that the Commission's budget should not be engaged in maturity transformation. However, there were important reforms adopted that in effect undermined these principles prior to the Covid-19 pandemic. Consequently, we argue that the recent introduction of the Commission's diversified funding strategy was the latest of a number of displacements.

The first principle — raising funds only in response to loan demands — was central to the operation of the Community Loan Mechanisms (CLMs) created in the 1970s. According to this principle, the Commission was only to borrow money once a project or programme had been approved (ECA, 1982). This was enshrined in the Council decisions that set up the Euratom facility and the New Community Instruments (NCIs) — the Commission could only contract loans for specific purposes (e.g., Council, 1977, Art 1). However, the Commission soon began to undermine this principle in practice — if not through legal modifications — and engaged in active debt management, including early redemption and refinancing of loans during the late 1980s to take advantage of lower rates. This form of de facto layering was criticised by the European Court of Auditors which recommended that the Commission better respect the principle. In its 1990 special report, the ECA noted that in 1988, 53 per cent of the Commission's borrowing went into refinancing current loans (ECA 1990). However, the ECA also noted that the Commission often did not pass on the lower funding rates to borrowers — although the loans were supposed to be back-to-back. The ECA (1990, para. 7.2(a)) recommended 'that the Commission should comply to [*sic*] the basic principle, that borrowings cannot be made without a demand for loans and that the benefits of refinancing operations should be passed on to final beneficiaries'. However, the Commission did not undertake the recommended compliance, thus creating the potential for this form of layering to eventually result in displacement.

Despite the many borrowing and lending instruments that the Commission managed in the 1980s, and its practice of debt management operations, it did not run a discernable debt management strategy. In its 1988 Annual Report, the ECA noted:

> Although the Commission has been involved in borrowing, at least in the capacity of the High Authority of the ECSC, since 1954, no clear methodology has been devised for processing the various types of borrowing operations. As a result, it appears that each borrowing, apart from those which are strictly back-to-back, is treated as a unique operation. In particular, the Court noted by no means negligible variations in the methodology adopted when assessing the merits of refinancing opportunities, i.e. the premature redemption of existing borrowings in order to take advantage of better market conditions through replacement borrowings (ECA, 1989, p. 177).

The revised balance of payments (BoP) facility regulation of 2002 was the last piece of legislation in which the EU Member States mandated strict back-to-back financing (Council 2002). The regulation stipulates that the Commission's BoP borrowing and lending operations 'shall not involve the Community in the transformation of maturities, in any interest rate risk, in any commercial risk' (Council 2002, Art. 7.1). However, the legal text also provides for a degree of flexibility in the form of possible early repayment by the recipient state (Art 7.1). It also acknowledges the Commission's practice of refinancing loans, by mandating it to pass on savings from loan refinancing (Art 7.2). However, the regulation also notes that '[r]efinancing or restructuring operations […] shall not have the effect of extending the average duration of the borrowing concerned or increasing the amount of capital outstanding at the date of the refinancing or restructuring' (Art 7.2). Rather, the regulation earmarks Macro-Financial Assistance Facility (MFAF) funds for that purpose (Art. 9), thus in effect sanctioning in legal terms a form of layering that previously existed in practice.

The Commission's cash management has been governed by a Council regulation which sets out principles for cross-allocating funds in the sole case that a guarantee is called because a debtor defaults on a loan from the Commission (Council 2014, Art. 14.3). A 2022 revision to these rules also aims to consolidate the management of the Commission's own resources in a 'centralised own resources account' (Council 2022, preamble, 2). Since the Council's European Financial Stability Mechanism (EFSM) regulation of 2010, however, the Commission has enjoyed increased margin of manoeuvre in its debt management. This regulation sets out a new objective for the Commission's debt management:

> Once the decision on a loan has been made by the Council, the Commission shall be authorised to borrow on the capital markets or from financial institutions *at the most appropriate time* in between planned disbursements so as *to optimise the cost of funding and preserve its reputation as the Union's issuer in the markets.* Funds raised but not yet disbursed shall be kept at all times on dedicated cash or securities account […] (Council 2010, Art. 6.3; italics added).

Thus, as another example of layering, the Council's regulation creating the EFSM authorises the Commission to raise funds separately from the disbursement schedule and provided for these funds to be invested in a reserve account. The Commission had previously been instructed to minimise borrowing costs. It now had the additional objective of preserving the Union's reputation as an issuer.

Another important example of layering was enacted in the 2018 revision of the EU Financial Regulation (European Parliament and Council 2018). This regulation provided for first time an entire article that codified principles for financial assistance in EU budget law — the 2012 revision had included budget guarantees for the BoP Facility and the EFSM. The 2018 regulation (Art. 220) consolidates the principles of no maturity transformation, earmarking of funds, direct implementation of assistance by the Commission, and the protection of the EU's financial interests, which had been included ad hoc in previous legislation. Thus, prior to the pandemic, the 2018 regulation provided the agreed framework for Commission borrowing and lending activities. In fact, both the SURE and RRF regulations refer to Art 220 of the Financial Regulation to justify Commission borrowing (Art. 4 RRF, Art 8 SURE).

Through layering, the Commission however subsequently weakened the provisions of the 2018 regulation in order to develop its treasury functions. In its draft RRF Regulation, the Commission added in a provision to undermine the principle of no maturity transformation — a provision that made it into the final regulation agreed by the Council and the European Parliament (Council 2021). Recital 47 of the RRF Regulation asserts that it is appropriate to derogate from the principle of no maturity transformation given funding and repayment schedules. The RRF regulation (specifically, Art. 15. 2 (b)) exempts the RRF from Art 220 (2) of the 2018 Financial Regulation. This clause should thus be interpreted as a significant expansion of the margin of manoeuvre that the Commission had gained in the 2010 EFSM regulation: it continues a trend towards more flexibility that had predated the pandemic.

After the diversified funding strategy had first only been applied to the RRF, in December 2022, the Council moved further to expand the Commission's margin of manoeuvre allowed in Art 220 of the 2018 regulation (European Parliament and Council 2022) — thus endorsing the displacement of two obsolete principles. At the Commission's request, the 2022 regulation revised Commission debt management. It introduced a new article 220a to the 2018 Financial Regulation in order to allow the establishment of a diversified funding strategy as a general borrowing method. The 2022 revision also became even more explicit about the objectives of the Commission's debt management, 'aiming at a regular capital market presence, [which] shall be based on pooling of funding instruments and shall make use of a common liquidity pool' (European Parliament and Council 2022). The 2022 regulation thus eliminates altogether two previous principles of Commission debt management, specifically the need to match maturities and earmark funds. Therefore, through a series of incremental reforms that can best described as forms of layering and displacement, the Commission's debt management could now operate — for all intents and purposes — similar to national treasuries. This is major development that had been noted in anticipation of the revised regulation by the head of Commission debt management unit at a 2022 conference, at which he described the trajectory of the Commission becoming a 'sovereign-style' issuer (Engelen 2022, 19.50 min.).

With significant potential for additional layering, in 2022, the European Commission developed its new debt management strategy (EC 2022c, 2022d). First, all bonds were to be issued under the label 'EU bonds' (except the NGEU-RRF's green bonds). Previously, each instrument had differently named bonds (for example, the EFSM or Euratom bonds) and these bonds had divergent yield curves (Christie *et al.* 2021). Second, the Commission sought to pool borrowed funds, to issue more flexibly and in response to market conditions. Third, in line with its market ambitions, the Commission aimed to establish a single European benchmark yield by providing regular pricing quotes for EU securities. Fourth, the Commission sought to establish a reverse repo facility to increase market liquidity, which was to become operational in 2024.[1] There is thus a major transformation in the Commission's capacities as a treasury which upends longstanding principles applied to Commission borrowing (EC 2022b). The Commission is developing the competences and operational tools to operate like national debt management agencies and has recently gained the capacity to not just roll over funds, but also move from project-based to general purpose funding. While this transformation was made possible by the unexpected adoption of the SURE and the NGEU-RRF, the Commission itself had prepared the ground for these bold steps by acting as an institutional innovator and engaging in significant layering and displacement to determine the institutional details of its debt management before the Covid-19 pandemic.

[1] Assisting the Commission's efforts to promote EU bond issuance, the ECB announced in December 2022 that from the second half of 2023 it would treat EU bonds as part of its haircut 1 category — while previously they were in haircut 2 — a move that was to make EU bonds as attractive as collateral as government securities (EC 2022e). EU bonds enjoy a 0% risk weight under Regulation (EU) No 575/2013 (CRR) by the European Banking Authority.

3.2. Funding instruments and techniques

In terms of its funding instruments and techniques, the Commission had significant margin of manoeuvre to engage in institutional innovation and layering, both with and without legislative change. As the volume of its borrowing increased, the Commission directed its debt management towards more market-based techniques of debt issuance. Again, the changes to its borrowing operations were at first intended to reduce borrowing costs, which it did at the encouragement of the European Court of Auditors. In the 1980s, the Commission raised debt through syndication with a limited number of trusted banks. The ECA first criticised this practice in 1984, warning that the Commission might have overpaid for NCI and Euratom loans because of insufficient competition between underwriters (ECA 1984, p. 106). The ECA noted that: 'The Commission's files covering the negotiations of these loans did not reveal the reasons for dispensing with competitive bidding, nor did they provide adequate justification for the decision in favour of the chosen financing instrument'. A follow up on this matter in the ECA's 1988 report found that the Commission still relied on 'traditional syndicates', rather than ad hoc syndication, despite its promise to introduce competition. Moreover, those tenders that were held at the time did not function effectively:

> the degree of competition sometimes seemed too low for the sums concerned, or that the tendering procedures did not appear to be transparent enough as a result of the fact that tenders were submitted on varying bases and on different dates. In some cases, because of errors of evaluation or in the absence of due justification, the tender which was apparently the most favourable was not selected, or ill-judged decisions were taken (ECA 1988, p. 178).

Despite these perceived problems with its funding techniques, the Commission demonstrated its ambition to create a benchmark asset in the 1980s. In its June 1988 'Jean Monnet Issue', the Commission raised ECU 500 million to develop the market for the European Currency Unit. As an example of institutional innovation and layering, this issue was challenged as inappropriate. In a special report, the ECA (1990) assessed that the issue was driven by political considerations, incurred considerable financial risks, and was unnecessary from a funding perspective. The Commission's reply to the Court published in the same report confirms this motivation. In response to the issue, the ECA recommended the principle that borrowing should only come in response to loan demand.

In the 1990s the Commission enacted a number of technical changes to its debt issuance to bring it in line with the Court's recommendations for reducing borrowing costs. In 1994 it created two separate European Medium Term Notes (EMTN) programmes of ECU 1bn each: one to fund the BoP Facility, ECSC and Euratom loans, and the other for the final ECSC loans (EC 1994). From then on the Commission could draw on a framework contract for loans and issue under a programme, displacing the previous ad hoc issuance. The press release announcing the EMTN also provided information about syndication by naming both Goldman Sachs as the arranger of future issues and all those banks involved in the respective primary dealer networks (EC 1994). The Commission updated the EMTN programmes several times, raising the volume to €2bn in 1999 and to €4bn in the context of the mandated review of the BoP Facility in 2005 (EC 2005). The Commission (2005) also noted that the EMTN had been used to finance Macro-financial Assistance to non-Member States and Euratom loans for €1.66bn. The 2005 review also updated the EMTN's terms — including the insertion of a collective action clause. In the context of the

Eurozone crisis, the EMTN was scaled up further, especially following the adoption of the EFSM Regulation in 2010 (EC 2010). The Commission raised the EMTN ceiling to €80bn — a massive increase of €60bn — while noting the possibility of raising the ceiling further to €110bn if necessary. The Commission also funded the Euratom facility through promissory notes (EC 2011). In other words, the infrastructure for large-scale issuance under a programme was well-established prior to the Covid-19 pandemic. The Commission continued to issue its EMTNs under syndication by Goldman Sachs throughout the Eurozone crisis (see, for example, EC 2015).

Even though the Commission had a well-developed debt issuance infrastructure, the changes related to the implementation of SURE and NGEU-RRF challenged some key rules. To begin with, the EMTN was discontinued after 2021 and instead the Commission set up a new debt issuance programme, now arranged by Credit Agricole (2021), under which it first used auctions to raise funds in September 2021. The Commission argues that auctions are more appropriate in the context of large-scale issuance and should generally be most cost-effective (EC, 2022). Currently the Commission is operating both funding techniques in parallel: in the second half of 2022, it raised €15bn through auctions and €35bn through syndication, with both heavily oversubscribed. But at the technical level the transition to auctions has required a range of changes, such as the transition to the Banque de France's TELSAT system for conducting its auctions (EC, 2021c). Participation in the Commission's primary dealer network is now regulated through a set of eligibility criteria set out in Commission Decision (EU, Euratom) 2021/625, which currently counts 39 participants from across the EU.

By introducing auctions alongside syndication, the Commission has engaged in a process of layering of different issuance techniques and has stated that it aims to gradually shift more towards auctions (Engelen 2022, 20:10min). Yet, since auctions are the preferred issuance technique of most national debt management offices (Blommestein, 2009), the new issuance infrastructure also represents an important step towards a becoming a 'sovereign-style' issuer (Engelen 2022, 19:50 min.; EC 2022b).

The Commission's objectives of establishing a 'regular capital markets presence' and becoming a 'sovereign-style' issuer (Engelen 2022, 19:50min.; EC 2022b) have inspired further changes to its debt management activities. The Commission now issues debt according to pre-announced funding calendars and has introduced new active debt management instruments to support the secondary market for its bonds, such as secured and unsecured market transactions and a repo facility. This development is significant because prior to 2020, the Commission's maturities were often matched with its borrowers, such that the Commission could forward its loan proceeds to repay borrowings and itself only needed a small cash reserve to make repayments when there were delays. Furthermore, in its 19 December 2022 Decision, the Commission assigned itself the power to roll over debt as a part of its maturity management (Art 7.1 (d)), as it had already done in Art 9.3 of the SURE Regulation. The Commission can also trade derivatives, such as interest rate swaps to hedge against borrowing countries' interest risks and transact in secured and unsecured money markets.

Lastly, the Commission has added various new debt instruments to its regular bonds to extend its market presence. All the bonds issued to fund the SURE programme — almost €100bn — were social bonds; and a third of NGEU-RRF, up to €250bn is supposed to be funded through green bonds (Spielberger, 2023). Moreover, the Commission in its new issuance strategy also aims to increase its reliance on short-term bills. These new instruments were supposed to attract greater investor interest and give the Commission more flexibility as an issuer (EC, *n.d.*). Overall, we argue that the Commission had long tried to develop its debt issuance to establish its market standing, even if its narrative of becoming a 'sovereign-style' issuer can be seen as the expression of a new degree of confidence.

4. The organisation of the Commission's treasury

4.1. Borrowing

The Commission's borrowing operations were moved between different Commission services over time. Through a process of displacement, they have incrementally been brought closer, in organisational terms, to the Commission's regular budget management. Starting in the 1970s, a dedicated DG XVIII ('Credit and Investment') was responsible for contracting borrowings under two of the three Community Loan Mechanisms (CLMs): the New Community Instruments (NCIs) and Euratom, while the borrowings for the BoP Facility in 1976/77 were negotiated by DG II (later DG ECFIN) (ECA 1982). The borrowing guidelines, including the interest charged, were formulated by DG XVIII itself and not subject to external controls (ECA 1989, pp. 174-178). This practice was soon contested by the European Court of Auditors which objected that '[a]s a matter of principle, the Court considers that every activity undertaken in the name of the Commission should be governed by rules approved at Commission level and that no individual department should be free to prescribe and change the rules on its own' (ECA, 1989, p. 177). The Court also found that, although borrowing for the CLMs should only take place once a loan had been granted, in practice, DG XVIII issued loans autonomously. Borrowing operations were negotiated by phone and under time pressure, with insufficient records taken to trace funding decisions. In response to this criticism, the Commission reformed its borrowing operations to tightened controls, notably on documentation. In a 1990 special report, the Court of Auditors found the updated systems of controls to be sound (ECA 1990).

A first case of displacement took place with the internal reorganisation of the Commission's borrowing activities in the 1990s. After the NCIs and the use of Euratom loans within the EU were discontinued in the early 1990s, DG XVIII was disbanded. After 1996, the Commission's borrowing operations were internally streamlined and from then on, DG II ran almost all borrowing operations and lending decisions (ECA, 1997). Concretely, borrowing was managed by the Luxembourg-based Directorate L (Finance, Coordination with EIB group, EBRD, and IFIs)[2] which also managed the Commission's financial assets and risk management activities. In an evaluation conducted by IBRD and World Bank staff in 2014, Directorate L's risk management and governance was assessed as being in line with best practice and the Directorate received only medium and low priority recommendations (EC 2014).

In 2020, the responsibility for borrowing and lending operations was moved inside the Commission yet again, when the responsibility for borrowing was transferred to DG BUDG as a new Directorate 'Asset and Financial Risk Management'. While this shift represents another case of organisational displacement it was notably not related to the establishment of SURE and NGEU later that year. The move already took effect on 1 January after the reshuffling of portfolios under the new Commission in December 2019, before Covid-19 dominated the EU's agenda (DG Budget, 2021, p. 6). In November 2020, DG BUDG underwent a second re-organisation, which came in response to the increased borrowing activities after the pandemic. The new directorate moved swiftly to raise around €40bn under a newly developed social bond framework to fund SURE in the last three months of 2020 (EC 2021). DG BUDG also devised the communication strategy directed at potential investors (EC 2021, p. 9). Further, the Commission recruited a

[2] This unit is behind the publication of a 2015 prospectus of one of the EMTN (EC 2015).

number of financial markets specialists to set up the infrastructure for NGEU borrowing (EC 2021, p. 18). In 2021, DG BUDG underwent another considerable internal reorganisation to cope with the increased scale of borrowing and the increased sophistication of its borrowing operations. It appointed a Chief Risk Officer (CRO) and a Chief Compliance Officer for NGEU debt management and instituted a High Level Risk and Compliance Policy (EC 2022a, p. 5). The CRO oversees the Borrowing and Lending Unit. DG BUDG also developed the NGEU green bond framework (Spielberger, 2023).

4.2. Disbursement

The Commission's system for managing the disbursement of funds — through loans or grants — has relied on various intermediary financial agents, depending on the instrument, and evolving over time through layering and occasional displacement. The ECSC loans were contracted and managed directly by the High Authority in 1954 (Strasser, 1992, p. 81) through accounts both with private banks and with national central banks. Both the NCI loans and the Euratom loans (until 1994) were managed by the EIB, although their decision rules differed slightly. Euratom loans were granted by the Commission, based on an opinion of DG XVII ('Energy') and negotiated between DG XVII, DG XVIII, the EIB, and the project promoter's bank (ECA 1982). DG II was responsible for the coordination between the Commission and the EIB, but for NCI projects, there existed a contact group, involving representatives from DG XVI (Regional Policy) and DG XVII to examine the eligibility of infrastructure and energy-related projects. In the case of NCI loans, only the Commission could decide whether a loan was eligible, but the EIB had to grant the loan.

The Commission's borrowing was managed on dedicated bank accounts, separate from the Commission's accounting officer's budget. Once a loan was approved, the Commission would transfer the funds to the EIB, which would forward them to the recipient's bank. While the Commission conducted the borrowing for the BoP Facility, the treasury and accounting functions were managed separately by the European Monetary Cooperation Fund (EMCF) — a body consisting of Community central bank governors — with the BIS appointed as the agent. For the BoP Facilty programmes of the 1970s and 1980s, the banks that provided the loans to the Commission would transfer the funds directly to the BIS, which would then forward them to the recipient countries' central banks. When recipients repaid the funds, the BIS would redeem the loans on the Commission's behalf. Thus, the funds for the BoP Facility never went through the Commission's treasury or accounts (ECA 1982). In the late 1980s, the strict separation between investment instruments and the BoP Facility became blurred when the Commission started disbursing BoP assistance from accounts associated with the NCIs (ECA 1993).

In 1996, as an example of organisational displacement, the Commission's treasury functions were reorganised. The disbursement of the Commission's borrowed funds was transferred to DG II/ECFIN. Thus, it was DG ECFIN that commissioned an external evaluation of the Euratom loans facility in 2011 (EC 2011). For individual Euratom loans, DG ECFIN was to coordinate with DGs ENER and DEVCO. Given that loans had to be co-financed by the EIB (if they were inside the EU) or the EBRD (outside the EU under a 1994 amendment), coordination with the two banks was also close and functioned well, according to the evaluation (EC 2011, pp. 76-77).

In another case of organisational displacement, the role of the Commission's fiscal agent was brought 'in house'. This process began when the management of the BoP facility was moved from the EMCF to the European Monetary Institute (EMI) — the predecessor of the ECB — under the Maastricht Treaty and effectively in 1994 (Maastricht Treaty, Protocol 19/ EMI Statutes, Art. 6.1). When the BoP Facility was reformed by the Council of Ministers in 2002, the ECB was finally put in charge of the administration of the loans (Council 2002, Art. 9). While the Council in 2010 likewise placed the EFSM under the administration of the ECB (Council 2010, Art 8) it strengthened the Commission's position incrementally. Whereas the BoP Facility regulation had stated that '[t]he European Central Bank shall make the necessary arrangements for the administration of the loans' (Council 2002, Art. 9), the EFSM regulation notes that '[t]he Commission shall establish the necessary arrangements for the administration of the loans with the ECB' (Council 2010, Art. 8). The emergent task division between Commission and ECB now resembled that of contemporary national fiscal systems where a treasury raises funds and the central bank acts as the main fiscal agent (cf. Trampusch, 2015).

Against this backdrop, the provisions related to the disbursement of SURE and NGEU funds, adopted in 2020 and 2021 respectively, introduce few new elements. The SURE regulation includes the same clause as the EFSM regulation, while the RRF Regulation stipulates that '[t]he Commission shall establish the necessary arrangements for the administration of the lending operations related to loans granted' (Council 2020, Art. 10.1; European Parliament and Council 2021, Art. 15.4). However, the two regulations were forms of layering with regard to disbursement in that they added provisions related to the payments by recipient Member States, which had previously not been addressed in legal texts. The SURE regulation (Art. 10.2) stipulates that principal and interest need to be transferred to an account with the European System of Central Banks (ESCB) — and thus to EU national central banks — while the RRF regulation (Art 15. 5) leaves the choice of account up to the Commission.

In summary, both the Commission's borrowing functions and the disbursement of these borrowed funds moved between different institutions and inside the Commission over time. Though there appears to have been a general trend towards the centralisation of spending functions, borrowing tasks shifted from DG ECFIN to DG BUDG. There was Commission entrepreneurship and institutional innovation in each case that normally avoided the intervention of the Council and Member State governments thanks to the quiet politics of debt management. However, even in the 2020s — in the context of the somewhat noisy and very noisy politics of the SURE programme and NGEU-RRF, respectively — the Commission enjoyed some scope for entrepreneurship and institutional innovation on borrowing and debt management. Indeed, the two Dutch heads of DGs ECFIN and BUDG — Koopman and Verwey — had a major role in shaping debt management under both SURE and the NGEU-RRF (Peeperkorn, 2020). These two senior officials facilitated the expansion of the Commission's treasury capacities after they had been moved to DG BUDG shortly before the creation of SURE and the NGEU, while keeping analysis and disbursement decisions with DG ECFIN. There are still some discrepancies between the financial agents that the Commission relies upon — for some instruments it uses ESCB/ECB accounts, while others can be managed through private banks. However, this practice is in line with that of national treasuries and represents a considerable streamlining — through displacement and subsequent layering — relative to the intricate procedures of the 1980s.

5. Accountability provisions and Commission borrowing

There was also layering with regard to the formal accountability requirements for the Commission's borrowing and lending operations and its general approach to debt management.[3]

[3] We exclude ECSC borrowing, lending and debt management from this overview because the ECSC operational budget was separate from the other two Communities. In the ECSC's case, borrowing was always reported as a regular part of the budget and audited by the European Court of Auditors.

The legal text for the CLMs provides no information on reporting as part of the Community's / EU's budget or auditing. The reporting requirements for the CLMs were not very specific and the Commission was only required to submit annual reviews of its Euratom borrowing and lending activities (Council 1977, Art. 4). Financial control and auditing of Euratom borrowing and lending activities fell under the 1973 EU budget regulation (Council 1977, Art. 5). In its 1978 Decision empowering the Commission to contract NCI loans (Council, 1978), the Council included the requirement for the Commission to 'submit a report to the Council and the European Parliament on the experience gained during the operation of [the NCI]' after two years at the latest.

In 1978, after the Euratom loans and the NCI had been created, the Commission proposed — under pressure from the European Parliament — the 'total budgetisation' of borrowing and lending operations — that is, the application of the principle of budgetary unity to these operations (Strasser, 1992, p. 317). In its draft budget, the Commission proposed to enter for each loan raised and each loan granted:

(1) the annual amounts of borrowing and of associated loans;
(2) the annual instalments for the repayment of the principal to the Community and by the Community to the lenders;
(3) the annual amounts of interest payable to the Community and paid by the Community to the lenders, and
(4) the annual amounts of the 'one-off' costs incurred for the launching of the loans contracted and the annual amounts payable to the Community to cover the costs of administration for the same borrowing and loans and, on the expenditure side, the payments of the same costs to be made by the Community.

The Commission argued that by entering all loans in the budget, and entering the appropriations for repayment subsequently, it could reassure its lenders. The European Parliament sought to include borrowings and loans in the Community budget, not least because it saw inclusion as a way of authorising the Commission to spend and borrow at a rate that the Parliament could determine. However, the Council rejected the Commission's presentation, arguing that back-to-back loans were budget neutral and that any borrowings were already authorised in the basic acts Strasser, 1992, pp. 317-320). The Council's refusal to include borrowings and loans in the budget was one of the four 'important reasons' invoked by the European Parliament to refuse the 1980 budget (Vitsentzatos, 2014). After the conflict, the Commission continued to propose the inclusion of borrowing and lending operations in the Community budget every year in its preliminary draft budget until 1984 — only to be refused by the Council in successive years (Strasser, 1992, pp. 317-320).

The outstanding amounts of loans and borrowings are therefore to this day only included in the budget as pro memoria (p.m.) items, with outstanding principal and interest reported in an annex to the budget. However, the provisions governing the Commission's reporting have been reinforced over time. A first step was taken during the budget reform of 1995 when more precise accounting principles were instituted. The Council mandated the Commission to report twice a year to the Council and European Parliament, as well as the European Court of Auditors on budget guarantees (Council 1995, Art. 37, p. 7). These changes amounted to a partial inclusion in the EU budget and provided other EU institutions greater opportunity for scrutiny into the EU's financial commitments.

The next layering reform to the accountability regime for Commission borrowing and lending was introduced in 2010 through provisions in the EFSM regulation, which authorises the European Court of Auditors to review and audit the recipient Member States' use of funds and allows the

European Anti-Fraud Office (OLAF) to conduct financial controls in recipient Member States (EC 2010, Art. 8.3). This is a new provision that is absent from the 2002 Council regulation amending the BoP Facility (Council 2002). As another example of layering on accountability measures, the revised Financial Regulation of 2012 explicitly includes BoP Facility guarantees and the EFSM in the reporting requirements (European Parliament and Council 2012, Art. 7.2). The 2018 revision of the Financial Regulation consolidates many of these accountability measures, stating that the Commission's loan agreements should explicitly authorise the Commission, Court of Auditors and OLAF to conduct checks and audits (European Parliament and Council 2018, Art. 220 (5(d))) and report annually on all financial instruments, budgetary guarantees, financial assistance and contingent liabilities (European Parliament and Council 2018, Art. 250). The European Court of Auditors was to have right of access to all information about the Commission's borrowing and loans (European Parliament and Council 2018, Art. 257(5)).

In line with all previous borrowing instruments, the NGEU-RRF remains outside the EU budget. Funds are borrowed through the European Recovery Instrument (EURI) to be spent through the NGEU-RRF without separate budgetary appropriation — borrowings and loans are reported as p.m. items (Malůšková, 2023), even if an annex to the budget provides detailed breakdown of capital and interest payments. Given that the RRF includes a grant portion of €390bn and it is not clear how the EU will pay off these debts, the exclusion from the EU budget might appear especially surprising. However, the EURI is supposed to be temporary and the funds to pay off all debts by 2058 have been authorised under a temporary increase in the 2020 Own Resources Decision (Malůšková, 2023). While this timeframe stretches the logic that motivated the initial exclusion of borrowing operations from the budget, it shows that the partial inclusion in the EU budget has not been overturned by the NGEU.

The changes to Commission borrowing and lending through the NGEU-RRF were accompanied by the further layering of accountability measures and notably through increased Commission accountability to the European Parliament. Central to this increased accountability are the bi-monthly Recovery and Resilience Dialogues (RRDs) with the Parliament's ECON and BUDG committees — the eighth of which took place on 21 November 2022, with the full committee hearing made publicly available online (European Parliament 2022a; 2022b). The most recent example of layering to strengthen the accountability of Commission borrowing and lending was introduced in the context of the Commission's aspirations to establish a regular auction schedule and a funding strategy. In its Implementing Decision of 19 December 2022, the Commission unilaterally introduced the requirement that it report twice per year to the Council and the European Parliament:

> on all aspects of its borrowing and debt management strategy, such as legal basis, outstanding amounts of bonds and bills, maturity profile, disbursed grants and loans, repayment schedule of the disbursed loans, cost of funding and the amount that the Commission intends to issue in the coming semester (EC 2022d, Art. 12).

The Commission also undertook to inform the Council and European Parliament of its annual borrowing decision and funding plan in advance and in January 2023 held its first hearing with the newly-installed CRO. The European Court of Audtitors working programme for 2023 includes a special report on the Commission's debt management — among other reports on NGEU-RRF (ECA Officials, Interview, 30 March 2023). In sum, while the full inclusion of borrowing operations in the EU budget has still not been accomplished 45 years after the Commission proposed it for the first time, the introduction of increased reporting requirements and accountability arrangements through a series of incremental layering reforms nevertheless established and strengthened external controls over the Commission's borrowing and lending.

Conclusion

Taking stock, the Commission's borrowing, lending, and debt management operations have changed profoundly. Table 1 illustrates the cumulative degree of the reforms by outlining two ideal-types of the Commission's status as a borrower that are derived from the principles and practices governing the Commission's borrowing in the 1970s and the 2020s. When the Commission was put in charge of the three CLMs in the late 1970s, the member states envisaged an off-budget vehicle model to leverage the Community budget without empowering the Commission. Loans were supposed to be back-to-back, involve no financial risks or maturity transformation and remain outside the budgetary framework. However, the Commission soon subverted this model in practice and the European Parliament and the Court of Auditors contested the limited accountability provisions.

Table 1: Ideal types of Commission borrowing

	Off-budget vehicle	**EU treasury**
Debt issuance	Syndication	Auctions
Timing	Ad hoc	Pre-announced funding calendar
Cash management	Earmarked funds, limited cash reserve	Centralised cash pool
Debt management	Back-to-back loans, passive debt management strategy	Active debt management
Organisational responsibility	Separate DG Credit and Investment	DG Budget Chief Risk Officer
Fund disbursement	Disbursement via different intermediaries	Disbursement via ECB as fiscal agent
Inclusion in the EC/EU budget	Off budget	On budget
Accountability	Limited because debt management involves no financial risks	Extensive risk controls, parliamentary hearings and audits

Over time the Commission's borrowing activities have, however, approximated a strikingly different model, which we label 'EU treasury'. This model, ideally, would see borrowing operations included in the EU's budget, subject to comprehensive accountability arrangements, while establishing a task division between DG BUDG and the European Central Bank that resembles national treasuries and central banks. The Commission's issuance has not just increased in volume, but it has also built an infrastructure for auctioning bonds to primary dealers based on a funding calendar, and the Commission can conduct active debt management operations to hedge financial risks and support market liquidity for its bonds. Only in one respect does the Commission still fall short of the ideal type: despite its efforts since 1978, borrowing instruments are yet to be fully included in the EU budget.

Crucially for our argument, the transition from the off-budget vehicle model towards the 'EU treasury' has been gradual and staggered over more than forty years, even if the NGEU-RRF has provided a strong impetus for reform. In a case of displacement, the Commission had long struggled against the strictures of the back-to-back lending principle and had gained some flexibility in its issuance already under the EFSM, prior to developing its diversified funding strategy after 2021. Similarly, the consolidation of its debt and cash management in DG BUDG and the ECB, respectively, had begun with a displacement of the more intricate initial structure that took place in the 1990s. The gradual reinforcement of the Commission's accountability for, and reporting about, its borrowing, by contrast can best be understood as a process of layering. Table 2 (appendix) summarises the layering reforms and displacement that have taken place since the 1970s. Though the NGEU-RRF provided a window of opportunity to push through major changes, the Commission had long contested its status as an off-budget vehicle and, in Streeck and Thelen's (2005, p. 22) words 'prepared the ground' for a more fundamental transformation after an exogenous shock.

We understand the Commission's ambition to become a full-fledged treasury primarily as driven by its institutional interests to lower borrowing costs and strengthen its prestige as an issuer and manager of debt. Until the creation of the NGEU-RRF, there were few influential justifications related to the implementation of its borrowing instruments that required its push towards the treasury model. The Commission faced pressure from the European Court of Auditors to re-organise its borrowing and introduce more standardised issuance practices in order to lower its funding costs. Starting with the Jean Monnet issue in 1988, the Commission periodically demonstrated its ambition to issue a European benchmark asset and strengthen its market reputation. This desire has recently found expression in the Commission's ambition to become a 'sovereign-style' issuer of debt (Engelen 2022, 19:50min.; EC 2022b). Lastly, the Commission has unilaterally introduced provisions and policies that increase the transparency of its risk management and make it more accountable for its borrowing, in further steps aimed at shoring up its credibility as a large-scale issuer of European bonds.

The evolution of the Commission's role as borrower can largely be understood as a case of quiet politics. After a noisy conflict over the Community budget in 1979, the bulk of reforms to Commission borrowing and treasury operations took place through incremental technical changes negotiated between EU institutions without much public contestation. The European Court of Auditors focused the bulk of its critical attention upon the increased consistency and efficiency of Commission borrowing and debt management. The Commission and the Parliament have long advocated the inclusion of borrowing operations in the regular Community / EU budget, but this proposal has consistently been blocked by the Council, as Member States have remained wary of granting permanent borrowing competences to the EU. The creation of SURE and the NGEU-RRF in 2020-1 did involve noisy politics due to the amount of funds involved and the scale of necessary borrowing. Noisy politics surrounding the NGEU-RRF, in particular, resulted in a significant reinforcement of the accountability provisions. However, this noisy politics failed to result in significant institutional changes to Commission borrowing and debt management. Rather the displacement of 2018 — prior to the adoption of the NGEU-RRF — brought about more significant change, while the displacement of 2022 promised further change.

To conclude, another long-standing principle of EU lending was overturned in December 2022 — as the most recent form of incremental change. Until the 2018 Financial Regulation, it had been established practice that fund recipients would reimburse the Commission for administrative expenses related to the loan (Council 2018, Art. 220.5 e). This was overturned in the regulation on the Macrofinancial Assistance+ to Ukraine in 2023, where the EU for the first time waived administrative costs and created the possibility of covering interest rate costs from its own resources. Indeed, thanks to a series of incremental reforms, little remains of the principles of EU borrowing, lending and debt management that had developed over several decades and been consolidated as recently as 2018.

Appendix

Table 2: Timeline of layering and displacement reforms to Commission borrowing (D* = displacement)

Date / measure	Borrowing	Debt management (Treasury operations)	Funding instruments	Accountability
1980s-1990s	Basic acts: -Earmarked borrowing -No maturity transformation -Back-to-back lending -Principle of no borrowing without appropriation (and the controversy around the Monnet issue in 1988). In the late 1980s, the strict separation between investment instruments and the BoP facility became blurred when the COM started disbursing BoP assistance from accounts associated with the NCI. June 1988 'Jean Monnet Issue' of ECU-denominated debt (criticised)	BoP assistance provided via BIS (or rather the EMCF) until 1992; COM active debt management — contradicting the principle of raising funds only in response to loan demands — including early redemption and refinancing of loans during the late 1980s to take advantage of lower rates. The operation of the BoP facility moved to the EMI.	Ad hoc borrowing from a syndicate of banks	Commission includes borrowing in draft regular budget until 1984; Council insists reporting remain separate from the Community budget; One entire chapter in ECA annual report dedicated to Commission borrowing and lending (until 1997)

1994		End to EIB as the fiscal agency of NCI, Euratom loans (D*). Management of the Medium-term Financial Assistance facility shifted to the EMI and then ECB (D*)	COM establishes two EMTN programmes	
1995			Development of EMTN (ie up to 10 years maturity) in the 1990s.	COM to report twice a year to Council, EP, ECA on budget guarantees
1996	DG II (DG ECFIN) assigned borrowing operations and lending decisions; in coordination with the EIB and the EBRD	Disbursement of the COM's borrowed funds (including Euratom loans) transferred to DG II/ECFIN (D*);		
1999			COM updated the EMTN.	
2002 Council Regulation on BoP facility		ECB put in charge of the administration of BoP facility loans		
2005			COM updated EMTN.	
2010 Council Regulation (EFSM)		Increased COM margin of manoeuvre: COM authorised to borrow on capital markets or from financial institutions at the most appropriate time in between planned disbursements so as to optimise the cost of funding and preserve its reputation.	COM updated EMTN.	ECA to review and audit recipient MS use of EFSM funds; OLAF scrutiny of EFSM lending.

2012 European Parliament and Council Financial Regulation (amended)				BoP facility guarantees and EFSM included in COM reporting requirements.
2014		A number of minor changes in Directorate L's risk management, portfolio and report		
2018 European Parliament and Council Financial Regulation (amended)		Consolidated the principles of no maturity transformation, earmarking of funds, direct implementation of assistance by the COM, and the protection of the EU's financial interests. (Subsequently undermined by the COM through de facto layering.)		Article 220 and 250 ensure greater scrutiny by European Parliament and Court of Auditors. COM's loan agreements should explicitly authorise the COM, ECA and OLAF to conduct checks and audits.
2020 Council Regulation (SURE)	Contracting borrowings moved to DG BUDG (D*); Social bonds; Reform to DG BUDG risk management	Limits of back-to-back lending reached under SURE.	COM power to roll over debt as a part of its maturity management	
2021 European Parliament and Council Regulation (NGEU-RRF)	RRF green bonds; diversified general borrowing method; funding along the entire yield curve, up to 30 years.	Recital 47 undermined the principle of no maturity transformation; primary dealer network and competitive auctions; Modern, financialised debt management strategies (use of derivatives and reverse		Hearings in the EP on funding strategy (though those are still not authorised ex ante) (D*) Comprehensive EU controls on use of funds (OLAF, EPPO, Operation Sentinel)

		repo's, appointment of Chief Risk Officer)		Creation of Recovery and Resilience Dialogues between EP and Commission A lot of dedicated work by the ECA, even more comprehensive than in the 80s
2021 Commission Decision			COM establishes an official primary dealer network.	
2022 Commission Governance decision and revision of Financial Regulation		Displacement of the principles of debt management consolidated in the 2018 Financial Regulation: e.g., maturity transformation to be allowed; earmarking of funds. All bonds to be issued under the label 'EU bonds' (except NGEU green bonds). Aim to pool borrowed funds, to issue more flexibly and in response to market conditions. Aim to establish a European benchmark yield by providing regular pricing quotes for EU securities. Aim to establish a reverse repo facility to increase market liquidity, which was to	COM power to roll over debt as a part of its maturity management; COM allowed to trade derivatives	COM to report twice per year to the Council and the European Parliament on all aspects of its borrowing and debt management strategy, such as legal basis, outstanding amounts of bonds and bills, maturity profile, disbursed grants and loans, repayment schedule of the disbursed loans, cost of funding and the amount that the COM intends to issue in the coming semester.

		become operational in 2024; scrapping of borrower fee for Ukraine MFAF in 2022.		

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