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#### **WORKING DOCUMENT**

From:	Presidency
То:	Working Party of Financial Counsellors
Subject:	PSLF - Presentation by Presidency on the first political trilogue debriefing

Delegations will find attached a presentation given by the Presidency on the debriefing of the first political trilogue of the JTM third pillar- public sector loan facility at the Informal videoconference of the Financial Counsellors Working Party on 28 January 2021.



## Public Sector Loan Facility

- Debriefing of 1st Political Trilogue -

28 January 2021



## Summary



#### 1. Introduction

- 2. Exchange of views on:
  - a. Objectives of the Facility
  - b. Budgetary aspects
  - c. Eligibility requirements
  - d. Work programs and selection of finance partners
  - e. Monitoring and reporting
- 3. Outcome and follow-up





# Introduction



#### Scene Setter



- First political trilogue: 26 January 2021
- Council premises
- Heads of delegations:
  - Council: PT Permanent Representative, Nuno Brito
  - EP: President of ECON Committee, Irene Tinagli
    - Rapporteurs: Johan Van Overtveldt and Henrike Hahn
  - EC: Commissioner Elisa Ferreira
- Agenda:
  - Working methods
  - Exchange of views on main points of disagreement



#### **Introductory Remarks from Institutions**



- Positive atmosphere
- Both co-legislators agreed:
  - MFF and JTF agreements provide a clear reference for negotiation
  - Strive a quick agreement (end of February/early March)
- Commission reminded:
  - First PSLF loans to be disbursed between end 2023 and early 2024
  - EIB loans will cover 30%-40% of overall project cost
  - PSLF grants will cover maximum 15% of grants
  - Administrative burden and set of constraints should be commensurate to an effective grant rate of 5-6% of the project cost





# Exchange of views



## Objectives of the Facility



- Co-legislators agree on core objective
- EP would like to:
  - Include references (in article) to European Pillar of Social Rights and UN SDGs
  - Strengthen commitments towards a climate-neutral economy
- Commission agrees as general framing condition (not project-by-project)
- Council could go in this direction, adding framing only in recitals



## Budgetary aspects

Additionality	- Agreement on financing only projects that do not generate a sufficient stream of own revenues to cover investment costs; to be worked at technical level.
Resources	<ul> <li>EP asks for budget increase; Council refuses.</li> <li>EP asks for clarity on timing and significance of reflows; EC will present non-paper.</li> </ul>
Technical assistance	<ul> <li>EP: extra support beneficiaries with lower capacity;</li> <li>COM: 2% as ceiling for administrative costs of management of Facility, not ceiling for TA; InvestEU.</li> </ul>
Conditionalities	<ul> <li>EP: references to climate target and compliance with fundamental values;</li> <li>Council and COM: consistency with recent legislation; not to have in each project, avoid excessive burden.</li> </ul>
Availability of Resources	<ul> <li>EP: extend to 2027 grants under pre-allocated national shares;</li> <li>Council and COM: 2027 too far, but room for short extension of deadline;</li> <li>COM: competitive calls only in 2028 would give wrong signals.</li> </ul>



## Eligibility requirements

Retroactivity	<ul> <li>EP: include ongoing viable projects that might be facing financing shortfalls.</li> <li>Council and COM: cannot see how it would fit in PSLF framework</li> </ul>
Partnership principle	<ul> <li>EP: include a reference to underline its importance.</li> <li>Council and COM: no problem with principle, but matter for the JTF regulation.</li> </ul>
Gender	<ul> <li>EP: eligibility requirement; asks COM guidelines for assessment.</li> <li>Council and COM: principle ok; but not possible to assess project by project; projects gender-neutral or even male-specific.</li> </ul>
Do no significant harm / no look-in effect	<ul> <li>EP: eligibility requirement.</li> <li>Council: possible reference in recitals; similar to other cases.</li> <li>COM: a general, non-binding reference can be useful.</li> </ul>



## Work programmes and selection of finance partners

- EP: delegated acts for both cases.
- Council and COM:
  - Disagree in both cases.
  - Available to work on adequate wording to be included in Regulation



## Monitoring and reporting

Frequency	- EP: requests annual reporting from COM Council: ok, if no excessive administrative burden for COM
Interim evaluation	- EP: bring forward to January 2024 COM: too early; Facility will have just started working by then.
External audits	<ul><li>EP: wants ECA to be designated as an external auditor</li><li>Council; not impinge on ECA prerrogatives</li><li>COM: ECA and EIB have a special protocol</li></ul>
Disclosure of information	- EP: more "transparency"; - Council and COM: sensitive information; avoid overburden COM
Key Performance Indicators	<ul> <li>EP: extensive additions to the indicators relating to employment, housing, population; data by gender and by region.</li> <li>Council: some indicators are out of the central scope of PLSF.</li> <li>COM: some indicators cannot even be properly assessed.</li> </ul>





# Outcome and Follow-up



#### Outcome

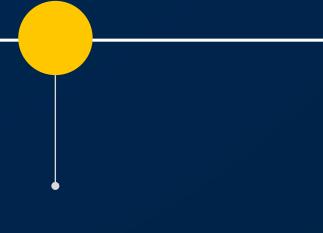
• Council and COM: frequently aligned; some indications on possible areas for compromise; EP: just a reminder of position.

- Work to continue at technical level:
  - On identified in the preparatory phase as not politically sensitive (yellow on 4-column table)
  - On several further issues: definition of objectives, additionality, selection of other finance partners, provisions for less developed regions, monitoring and reporting, etc.
- Legal services to look into involvement of ECA in the external audit; COM to present nonpaper on reflows.
- Recitals to be discussed later.



## Next Steps





29 January

1<sup>st</sup> technical trilogue(poss. other in February)

11 February (tbc)

2<sup>nd</sup> Political trilogue

Date(s) tbc

Technical trllogue(s)



3<sup>rd</sup> political trilogue.





# THANK YOU FOR YOUR ATTENTION

PORTUGUESE PRESIDENCY OF THE COUNCIL OF THE EUROPEAN UNION

