Council of the European Union
General Secretariat

Interinstitutional files:
2020/0100(COD)

Brussels, 23 February 2021

WK 2583/2021 INIT

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WORKING DOCUMENT

From:	General Secretariat of the Council
To:	Working Party of Financial Counsellors
Subject:	PSLF - Commission non-paper on external assigned revenues

Delegations will find attached a Commission non-paper on external assigned revenues pr oduced ahead of the 2nd political trilogue on the Public Sector Loan Facility Regulation.

Non paper

Public Sector Loan Facility – external assigned revenues

Financing of the Facility

The grant component of the Facility, amounting to EUR 1 525 million, will be financed as follows:

- EUR 250 million from the Union budget in accordance with the 2021-2027 MFF;
- EUR 275 million from the financial instruments established by the programmes listed in Annex I of the Public Sector Loan Facility legislative proposal ('the Commission proposal'), considered as external assigned revenue by derogation to Article 21(3)(f) of the Financial Regulation on the basis of Article 322(1) TFEU;
- EUR 1 000 million from the foreseeable surplus of the provisioning for the EU guarantee established by Regulation (EU) 2015/1017 (the 'EFSI Regulation')[1], also considered external assigned revenue by derogation to Article 21(3)(f) of the Financial Regulation on the basis of Article 322(1) TFEU.

Timetable on reflows

Table below provides the indicative profile of the implementation as per the Legislative Financial Statement accompanying the Commission proposal and the estimated share of resources stemming respectively from the MFF and external assigned revenues:

Table 1 EUR million

	2021	2022	2023	2024	2025	2026	2027	Total
Total budget	9.100	9.100	600.000	502.000	201.600	101.600	101.600	1 525.000
Out of which appropriations of administrative expenditure	4.100	4.100	4.100	4.100	4.100	4.600	4.600	29.700
From the MFF			50.000	50.000	50.000	50.000	50.000	250.000
From assigned revenues	9.100	9.100	550.000	452.000	151.600	51.600	51.600	1 275.000

The late adoption of the legislative package for the MFF 2021-2027 and the expected timing of availability of financial resources from reflows will have a marginal impact on the timetable of reflows, already taken into account in the above table but will not undermine the implementation profile for the Facility.

As grant agreements are expected to be signed approximately two years after the publication of the related calls, the corresponding available resources will amount to EUR 1 423 000 (budgetary appropriations until 2026 included), representing 93% of the resources of the Facility (see Table 2).

[1] Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 — the European Fund for Strategic Investments (OJ L 169, 1.7.2015, p. 1).

Table 2 EUR million

Implementation profile (estim.)	2021	2022	2023	2024	2025	2026	2027	Total
Total budget	9.100	9.100	500.000	552.000	251.600	101.600	101.600	1 525.000
Out of which MFF			50.000	50.000	50.000	50.000	50.000	250.000
Out of which assigned revenues	9.100	9.100	450.000	502.000	201.600	51.600	51.600	1 275.000

Identification of reflows from financial instruments

According to the Commission proposal, only repayments from the instruments listed in Annex I will be eligible to be used as assigned revenue to fund the PSLF, up to a maximum amount of EUR 275 million**.**

During the first two years, the contribution to the Facility will exclusively come from repayments from financial instruments, as surpluses from EFSI will not be available yet (see below).

It is expected that most of the reflows from financial instruments would come from risk sharing and equity instruments, in particular those in the field of research.

While it is not possible at this stage to provide a detailed breakdown per instrument, it is expected that initially most of the resources would come from 2007-2013 instruments whereas instruments under 2014-2020 MFF would provide significant reflows at a later stage.

Repayments from financial instruments will be available already in 2021. During 2021-2022, those reflows will allow to cover the EUR 9.1 million/year revenue necessary to fund the setting-up phase of the PSLF and to build up part of the revenue to cover the expenditure for 2023. Indeed, as external assigned revenues not used during the year are automatically carried-over in line with Article 12(4)(c) of the Financial Regulation, repayments could be progressively set aside in order to be available at the time the instrument reaches cruising speed, from 2023 onwards.

Reflows from financial instruments will be assigned to the Facility until the annual needs are met and, over the whole period, until the cap of EUR 275 million is reached. Only once that amount is secured will further reflows be assigned to InvestEU.

From 2023, next to repayments of financial instruments detailed in Annex I, the EFSI surplus will become available after the end of the constitution phase. More details in the section below.

EFSI reflows

According to the Commission proposal, up to EUR 1 billion will be financed from the surplus of the provisioning for the EU guarantee established by the EFSI Regulation.

Under the Financial Regulation, the construction of a budgetary guarantee and its provisioning is based on the global provisioning from the Union budget and on other sources of provisioning which materialise during the implementation of the guaranteed operations.

The global provisioning is constituted over the period of time foreseen in the financial statement of the relevant Regulation (according to EFSI Regulation[2], until end 2022 when the Union exposure will peak).

[2] Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments.

In line with the mechanism provided for in the Financial Regulation, surpluses from a budgetary guarantee only materialise once the global provisioning is completed and once the investment period (i.e. the time where the EIB/EIF may sign new operations and thus may increase the Union exposure) is finalised. In the EFSI Regulation, the global provisioning will be completed at the end of 2022.

As of this time, the financial exposure of the Union does not increase anymore and there are no new provisions from the Union budget.

The surpluses will materialise if the funds kept in the EFSI compartment of the Common Provisioning Fund exceed the provisioning needed. The latter is calculated as a product of the provisioning rate set out in the EFSI regulation and the outstanding Union exposure. The Financial Regulation envisaged that such surpluses are returned to the budget. However, the PSLF introduces a derogation to Article 213(4) FR and provides that up to EUR 1 billion of EFSI surpluses should finance the PSLF.

As of 2023, any surplus of provisions for EFSI will be redirected to the Facility until the annual needs are met and, over the whole period, until the cap of EUR 1 billion is reached. Further surplus amounts will be assigned to the provisioning of the InvestEU Fund.

Reflows estimates and consequences of the COVID crisis on the economy

It is difficult to establish the availability of reflows more precisely, given that the implementation cycle runs through implementing partners (EIB, EIF…) and financial intermediaries. The worsening economic environment may also affect the reflows from the financial instruments, though with a considerable delay.

Nevertheless, at this stage there is no evidence that the EFSI guarantee and risk sharing and equity instruments, which underpin the bulk of expected reflows would be significantly impacted by the worsening economic conditions.

Conclusion

As per the above analysis, the Commission expects that sufficient reflows will be available in due time for the full implementation of the initiative. There is therefore no need to set up remediation measures.

The Commission services will nonetheless continue monitoring closely the results of financial instruments in coordination with the implementing partners and will provide more information in the framework of the annual budgetary procedure.