



NextGenerationEU: European Commission raises further €10 billion in a successful third bond to support Europe's recovery

Brussels, 13 July 2021

The European Commission has today issued a further €10 billion to support Europe's recovery from the coronavirus crisis and its consequences, in a third NextGenerationEU bond since the start of the programme in mid-June. The Commission issued a 20-year bond due on 4 July 2041, which was welcomed by the market with a very strong interest, with books close to €100 billion.

Thanks to the almost 10-fold oversubscription – a demonstration of the ongoing strong interest by investors – the Commission has obtained very favourable pricing conditions, in line with the strong performance of the NextGenerationEU programme so far.

This was a dual-tranche transaction, and the Commission raised further €5.25 billion in 10-year back-to-back loan due 22 April 2031 for its European Financial Stabilisation Mechanism (EFSM) and Macro-Financial Assistance (MFA) programmes.

Commissioner in charge of Budget and Administration, Johannes **Hahn**, said: *“The third NextGenerationEU bond takes the total raised for NextGenerationEU to €45 billion in four weeks. This represents a very encouraging start to the NextGenerationEU funding programme. It means that the Commission is well-placed to support all planned NextGenerationEU payments to Member States over the summer, thereby supporting the economic and social recovery.”*

This is the third transaction under the NextGenerationEU programme, following the €20 billion 10-year bond that the Commission issued on 15 June 2021 and the dual-tranche transaction of €15 billion – that consisted of a €9 billion 5-year bond and a €6 billion 30-year bond – from 29 June.

Following today's transaction, the Commission has so far raised €45 billion under NextGenerationEU. The funds will now be used for the first payments under NextGenerationEU, under the Recovery and Resilience Facility and various EU budget programmes. The [first disbursement under NextGenerationEU](#) already took place at the end of June, and was carried out under the REACT-EU programme. The first payments under the Recovery and Resilience Facility will follow in due course, after the approval by the Council of the national Recovery and Resilience Plans (12 of which have already passed this stage) and the signature of the respective financing and/or loan agreements by EU Member States and the European Commission.

Today's transaction has also raised €5 billion which will be used to extend financial assistance provided to Portugal* in the wake of the financial and sovereign-debt crisis. A further €250 million has been raised to finance a loan to Jordan under the Macro Financial Assistance programme.

By the end of 2021, the Commission expects to raise some €80 billion in bonds, to be complemented by short-term EU-Bills, as per the [funding plan](#) published in June 2021. The exact amount of both EU-Bonds and EU-Bills will depend on the precise funding needs, and the Commission will revise its initial assessment in the autumn. In this way, the Commission will be able to fund, over the second half of the year, all planned grants and loans to Member States under the Recovery and Resilience Facility, as well as cover the needs of the EU policies that receive NextGenerationEU funding.

Background

NextGenerationEU is a temporary recovery instrument of some €800 billion in current prices to support Europe's recovery from the coronavirus pandemic and help build a greener, more digital and more resilient Europe.

To finance NextGenerationEU, the Commission – on behalf of the EU – will raise from the capital markets up to around €800 billion between now and end-2026. €421.1 billion will be available mostly for grants (under RRF and other EU budget programmes); €385.8 billion for loans. This will translate into borrowing volumes of an average of roughly €150 billion per year.

Given the volumes, frequency and complexity of the borrowing operations ahead, the Commission will follow the best practices used by large and frequent issuers, and implement [a diversified funding](#)

[strategy.](#)

This strategy presents a diverse range of instruments and techniques, going beyond the back-to-back approach that the Commission has used so far to borrow from the markets, including in the framework of the SURE programme. Over the past 40 years, the European Commission has run several lending programmes to support EU Member States and third countries. All of these lending operations were financed on a back-to-back basis, mainly through syndicated bond issuances.

Technical section

NextGenerationEU bond

The 20-year bond carries a coupon of 0.45% and came at a re-offer yield of 0.471% providing a spread of +7 bps to mid-swaps, which is equivalent to +53.1 bps over the 20-year Bund due in July 2040.

The final order book was close to €100 billion, which meant that the bond has been almost 10 times oversubscribed. This broke a new record, for the largest ever orderbook for a new 20-year bond.

EFSM/ MFA bond

The 10-year bond carries a coupon of 0% and came at a re-offer yield of -0.043% providing a spread of -6 bps to mid-swaps, which is equivalent to 30.1 bps over the 10 year Bund due in February 2031.

The final order book was over €51 billion, which meant that this bond has also been nearly 10 times oversubscribed.

The joint lead managers of this transaction were Barclays, BNP Paribas, BofA Securities, Citi and Commerzbank.

Investors' profile

NextGenerationEU 20-year bond

By Geography

	%
UK	24%
Germany	19%
Other Europe	15%
Nordics	12%
Benelux	11%
France	9%
Italy	7%
Asia	3%

By Investor Type

	%
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Fund Managers	37%
Bank Treasury	24%
Insurers / Pension Funds	18%
Central Banks / Official Institutions	17%
Banks	2%
Hedge Funds / Other	2%

ESFM/ MFA 10-year bond

By Geography

	%
UK	19%
Nordics	19%
Asia	18%
Other Europe	12%
Germany	11%
Italy	10%
France	9%
Benelux	2%

By Investor Type

	%
Bank Treasury	34%
Central Banks / Official Institutions	26%

Fund Managers	20%
Insurers / Pension Funds	14%
Banks	3%
Hedge Funds / Others	3%

For More Information

[Press release first NextGenerationEU bond](#)

[Press release Commission's first funding plan](#)

[Q&A diversified funding strategy](#)

[Factsheet - NextGenerationEU - Funding strategy](#)

[EU as a borrower website](#)

[Primary Dealer Network](#)

[Recovery plan for Europe](#)

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