

### Term sheet: ESM Pandemic Crisis Support

This term sheet includes the main elements of the Pandemic Crisis Support based on the Enhanced Conditions Credit Line (ECCL). It focuses on the main features of the instrument, as stated in the Eurogroup report on the comprehensive economic policy response to the COVID-19 pandemic, issued on 9 April 2020, as endorsed during the meeting of the members of the European Council held on 23 April 2020, and the Eurogroup statement of 8 May 2020.

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| <b>Instrument</b>          | Pandemic Crisis Support based on the ECCL  |
| <b>Purpose</b>             | Credit line supporting ESM Members' domestic financing of direct and indirect healthcare, cure and prevention related costs due to the COVID-19 crisis, incurred since February 2020.  |
| <b>Volume</b>              | Access granted to ESM Members will be 2% of the respective Member's GDP as of end-2019 as a benchmark.   |
| <b>Eligibility</b>         | ESM support will be made available to all ESM Members in view of the pandemic impact, on the basis of preliminary assessments by the European institutions. The relevant procedures envisaged by the ESM Treaty and the Guideline on Precautionary Financial Assistance will be followed for each request for Pandemic Crisis Support.   |
| <b>Conditions</b>          | The only requirement to access the credit line will be that the requesting ESM Member States would commit to use ESM Pandemic Crisis Support to support domestic financing of direct and indirect healthcare, cure and prevention related costs due to the COVID 19 crisis. Such commitment would be included in an individual Pandemic Response Plan (PRP), which would be based on standardised terms for all ESM Members (template PRP).                                      |
| <b>Request Period</b>      | Requests for ESM Pandemic Crisis Support may be made until 31 December 2022. Upon proposal by the Managing Director, the BoG may decide by mutual agreement to adjust this deadline. The MD proposal would be based on objective evidence on the course of the crisis.   |
| <b>Availability Period</b> | As per standard precautionary instruments, the initial availability period will be 12 months, which could be extended twice for 6 months.  |
| <b>Disbursements</b>       | Once granted, the ESM Members could draw from the credit line within the volume as detailed above and according to the modalities set out in the individual Financial Facility Agreement (FFA), which will be based on the BoG resolution endorsing the Pandemic Crisis Support and the standardised proposal of the ESM MD for financial assistance.<br>Disbursements will be in cash or "in kind". The framework for disbursements as specified in the MD proposal will apply. |
| <b>Loan maturity</b>       | Maximum average maturity of 10 years.  |

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| <b>Funding</b>     | <p>The ESM will finance the loans through the issuance of financial instruments. To increase access to ESG-focused investors, some of these financial instruments might be “Social Bonds”, or similar, in line with the purpose of the use of funds.</p> <p>All disbursements in cash will be sourced from a common funding silo, and the base rate charged to the Pandemic Crisis Support beneficiaries will reflect the cost-of-funding of that silo.</p>  |
| <b>Pricing</b>     | <p>Without prejudice to Article 20 of the ESM Treaty, the following pricing will apply to this instrument:</p> <ul style="list-style-type: none"> <li>• The Margin under the instrument will be 10 basis points annually.</li> <li>• The Up-Front Service Fee of will be 25 basis points.</li> <li>• The Annual Service Fee will be 0.5 basis points.</li> <li>• The Commitment Fee and Base Rate will reflect ESM funding cost allocated to Members based on the silo funding.</li> </ul> <p>The ESM will calculate and charge the above pricing elements to Members in accordance with the ESM Pricing Policy and as described in the MD proposal. Changes to the methodology of cost allocation have to be approved by the BoG.</p> |
| <b>Monitoring</b>  | <p>The relevant provisions of the ESM guideline will be followed. The Commission has provided clarification on monitoring and surveillance, which should be commensurate with the nature of the symmetric shock caused by COVID-19 and proportionate with the features and use of the Pandemic Crisis Support, in accordance with the two-pack (EU Regulation No 472/2013). The ESM will implement its Early Warning System to ensure timely repayment of the Pandemic Crisis Support.</p> <p>The ESM and the Commission will cooperate according to the modalities agreed in their Memorandum of Understanding of April 2018.</p>   |
| <b>Legal Basis</b> | <p>The current ESM legal framework, notably Article 14 of the ESM Treaty, the ESM Guideline on Precautionary Financial Assistance<sup>1</sup> and the ESM lending documents (General Terms and Facility Specific Terms<sup>2</sup>, as such Terms may be adapted to the extent necessary to give effect to the specific features of the Pandemic Crisis Support).</p>  |

<sup>1</sup> [https://www.esm.europa.eu/sites/default/files/esm\\_guideline\\_on\\_precautionary\\_financial\\_assistance.pdf](https://www.esm.europa.eu/sites/default/files/esm_guideline_on_precautionary_financial_assistance.pdf)

<sup>2</sup> [https://www.esm.europa.eu/sites/default/files/facility\\_specific\\_terms\\_15122015\\_clean.pdf](https://www.esm.europa.eu/sites/default/files/facility_specific_terms_15122015_clean.pdf)