The ESM at a Glance

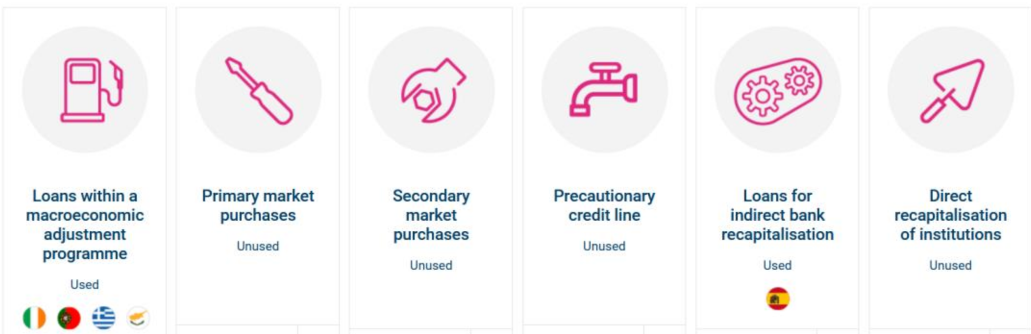
Overview

- The ESM is an intergovernmental organisation created by euro area countries to avoid and overcome financial crises and to maintain long-term financial stability and prosperity
- The ESM acts as a “lender of last resort” for its Members when they are unable to refinance their government debt in financial markets at sustainable rates
- The ESM and its temporary predecessor, the European Financial Stability Facility (EFSF), disbursed a total of €295 billion in loans to Ireland, Portugal, Greece, Spain, and Cyprus

EFSF	ESM
Ireland (2010-2013) €17.7 bn	Spain (2012-2013) €41.3 bn
Portugal (2011-2014) €26 bn	Cyprus (2013-2016) €6.3 bn
Greece (2012-2015) €141.8 bn	Greece (2015-2018) €61.9 bn

- As part of their ESM/EFSF programmes, these countries implemented reforms to address the weaknesses that led to economic and financial problems
- The ESM participates in post-programme surveillance missions (carried out by the European Commission and the ECB) to assess the countries’ capacity to repay their outstanding loans
- The EFSF can no longer provide loans, but continues to operate to receive loan repayments from beneficiary countries; make interest and principal payments to holders of EFSF bonds; refinance outstanding EFSF bonds
- ESM loans are financed through the issuance of bonds and bills; taxpayers’ money is never used for lending to beneficiary countries
- The ESM is able to offer beneficial loan conditions thanks to its strong credit rating, and €80 billion in paid-in capital from its Members

ESM lending toolkit



Institutional facts

- The EFSF was founded in 2010, the ESM two years later. Both institutions are based in Luxembourg.
- ESM maximum lending capacity: €500 billion; current available lending capacity: €413.8 billion
- Its shareholders are the 19 euro area members
- Around 220 staff from 50 different countries
- The highest decision-making bodies are the ESM Board of Governors (euro area finance ministers) and the ESM Board of Directors (top finance ministry officials)
- The Eurogroup President, Paschal Donohoe, is the Chairman of the ESM Board of Governors
- The ESM Managing Director is Klaus Regling (term expires on 8 October 2022)

The origin of the ESM/EFSF and the results achieved

- The ESM and the EFSF were created as part of Europe's comprehensive response to the euro crisis
- Their programmes helped euro area countries that needed financial assistance to achieve fiscal consolidation, structural reforms and improved competitiveness

Europe's coordinated response to the pandemic crisis

- In April 2020, the Eurogroup decided that the ESM, European Commission and European Investment Bank would create three safety nets: for sovereigns, workers and businesses
- The total package is worth up to €540 billion

ESM Pandemic Crisis Support: a credit line for sovereigns

- Credit line to finance healthcare and related costs
- Available to euro area countries until end of 2022
- Amount: 2% of the respective member states' 2019 GDP
- Low triple A lending rate
- Unlike other lending tools, no conditionality applies

ESM reform: new tasks

In January 2021 the revised ESM Treaty was signed, with an expanded scope of tasks for the ESM. It will enter into force following ratification by all 19 ESM Members.

- Backstop to the Single Resolution Fund (SRF): the ESM will be able to lend funds (up to €68 billion) to the SRF if its resources are depleted
- Stronger role in future country programmes: the ESM will be more involved in the design of policy conditionality, monitoring and debt sustainability analysis with the European Commission
- Crisis prevention: the ESM will follow macroeconomic and financial developments in all euro area countries
- More effective precautionary credit lines (PCCL and ECCL): the eligibility process for the ESM's precautionary credit lines will be made more transparent and predictable