EU and EFSF funding plans to provide financial assistance for Portugal and Ireland

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Press releases

EFSF

Luxemburg/Brussels - Following the formal request for financial assistance made on 7 April 2011 by the Portuguese authorities, the terms and conditions of the financial assistance package were agreed by the Eurogroup and the EU's Council of Economics and Finance Ministers on 17 May[1]. The financial package will cover Portugal’s financing needs of up to €78 billion. The European Union (EU), through the use of the European Financial Stabilisation Mechanism (EFSM), and the European Financial Stability Facility (EFSF) will both provide up to €26 bn each to be disbursed over 3 years. Further support will be made available through the International Monetary Fund (IMF) for up to €26 bn.

EU and EFSF have revised their issuance calendars – previously established on the basis of the Irish programme only - to include financial support to Portugal. The calendars are closely coordinated to ensure smooth market operations over the entire duration of the support programmes.

Various borrowing operations by EFSM and EFSF will take place between 23 May and 15 July to cover first disbursements to Portugal and Ireland for a total of €15.3bn. Complementary disbursements are foreseen by the IMF as agreed in the respective EU/IMF programmes.

Issues for both EU and EFSF under the programmes for Portugal and Ireland should be mainly in standard benchmark maturities of 5 to 10 years denominated in euros. Disbursements envisaged over the rest of the year will be subject to Portugal’s and Ireland's requirements and to quarterly reviews by the Commission in cooperation with the IMF and in liaison with the European Central Bank (ECB).

The EU, through the use of the EFSM and the Balance of Payments (BoP), has already funded €9.6 bn in the first quarter of 2011. In addition to 2 benchmark bonds the EU intends to launch in the second quarter, the EU plans to launch further 2 benchmark bonds in 2011 aiming at €3 to €5 bn for each transaction. The EU's first 2 benchmark bonds were placed in January and March.[2] The EU may complement its funding needs by smaller bond issues either through taps of syndicated issues launched under the EFSM or targeted transactions.

EFSF in 2011 has already funded €5 bn in the first quarter.[3] In addition to 2 benchmark bonds that it intends to launch in the second quarter, it plans, also subject to revision and market conditions, to launch a further 4 benchmark bonds in 2011 aiming at €3 to 5 billion for each transaction. In 2012, EFSF intends to raise up to €13 bn. EFSF may complement its funding needs by smaller bond issues, either through taps or through targeted transactions. Syndications, auctions and private placements may be used.

The EU and EFSF are rated triple A by the three major rating agencies, Fitch, Moody's and Standard & Poor's. Issuances by the EU are executed by the European Commission's financial operations department located in Luxembourg. Issuances by the EFSF will be executed in close cooperation with the German Debt Management Office (Finanzagentur).

About EFSM:

The European Commission is empowered to contract borrowings on the behalf of the EU for the purpose of funding loans made under the European Financial Stabilisation Mechanism (EFSM). The EFSM[4] is a Treaty-based mechanism, covering all EU Member States. Under the EFSM, the EU can borrow up to €60 billion to on-lend to any EU Member State. Under the Balance of Payments (BoP) facility, support is available only to Member States which have not yet adopted the euro. Also under the BoP Regulation[5], the European Commission is empowered to raise funds on behalf of the EU and on-lend to the beneficiary countries. Currently, Romania, Latvia and Hungary have benefitted from the BoP facility.

Investor relations website: http://ec.europa.eu/economy_finance/eu_borrower/

EFSM Media Enquiries:
Amadeu Altafaj Tardio
Tel. +32 2 2952658

Amadeu.altafaj-tardio@ec.europa.eu

About EFSF:

The European Financial Stability Facility (EFSF) was incorporated in Luxembourg under Luxembourg law on 7 June 2010. Its objective is to preserve financial stability of Europe's Economic and Monetary Union by providing temporary financial assistance to euro area Member States in difficulty. In order to reach its objective EFSF can - with the support of the German DMO – issue bonds or other debt instruments on the market to raise the funds needed to provide loans to countries which submit a request. Issues are backed by guarantees given by euro area Member States of up to €440 billion.

EFSF is part of a wider safety net. Its funds are combined with loans of up to €60 billion coming from the European Financial Stabilisation Mechanism (EFSM), i.e. funds raised by the European Commission and guaranteed by the EU budget, and up to €250 billion from the International Monetary Fund (IMF) for an overall rescue package worth up to €750 billion. Any financial assistance by EFSF, EFSM and IMF to a country in need is linked to very strict policy conditions.

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[1] *http://www.consilium.europa.eu/showFocus.aspx?id=1&focusid=598&lang=en*
[2] *5 Jan 2011: €5 billion bond issue for Ireland*
http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/4
17 March 2011: €4.6 billion bond issued to assist Ireland and Romania
http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/180
[3] *http://www.efsf.europa.eu/mediacentre/news/2011/2011-004-efsf-places-inaugural-benchmark-issue.htm.*
[4] *Council Regulation (EU) no. 407/2010 of 11 May 2010 establishing a European Financial Stabilisation Mechanism.*
[5] *Council Regulation (EC) 332/2002 of 18 February 2002 establishing a facility providing medium-term financial assistance for Member States balances of payments*

Contacts

Cédric Crelo
Head of Communications and Chief Spokesperson
+352 260 962 205
c.crelo@esm.europa.eu

Anabela Reis
Deputy Head of Communications and Deputy Chief Spokesperson
+352 260 962 551
a.reis@esm.europa.eu

Juliana Dahl
Principal Speechwriter and Principal Spokesperson
+352 260 962 654
j.dahl@esm.europa.eu