EUROPEAN COMMISSION

Brussels, 14.9.2011
COM(2011) 575 final

2011/0247 (NLE)

Proposal for a

COUNCIL IMPLEMENTING DECISION

amending Implementing Decision 2011/77/EU on granting Union financial assistance to Ireland

EXPLANATORY MEMORANDUM

In order to strengthen the sustainability profile and ease liquidity needs of the economic programme to Ireland and in line with the statement of the Heads of State and Government of the euro area and EU institutions of 21.7.2011, Council Implementing Decision 2011/77/EU on granting financial assistance to Ireland should be amended. The amendments concern in particular:

i) the reduction of the interest margin to zero, in order to bring it in line with the Balance of Payments facility, and

ii) the extension of the average maturity of the overall facility from “up to 7.5 years” to “up to 12.5 years” by extending the maturities of the individual disbursements so that drawings under the EFSM programme can take place with a maximum maturity of 30 years.

The reduction in margin will apply to all disbursements (i.e. those already made as well as future drawdowns) and the extension in the average maturity will be achieved by disbursing the future amounts on the basis of longer maturities. No extension of maturities is possible for already disbursed amounts, given the back-to-back nature of the EU lending. The Commission will make sure that the maturity at which the future disbursements are made caters for the proper management of the EU Budget margin.

Currently, the EFSM loan to Ireland carries a margin of 292.5 bps and allows for a maximum average maturity of the overall facility of 7.5 years with individual disbursements having maturities between 2 and 15 years. Within such terms, Ireland has so far received three disbursements maturing in 2015 (coupon of 2.5%), 2018 (coupon of 3.25%) and 2021 (coupon of 3.5%). The average maturity of the EFSM disbursements made up to now to Ireland is 6.88 years.

It should be noted that the saving expected from the amendments will enhance sustainability and improve the liquidity outlook of the programme. Moreover, there are also indirect confidence effects due to the enhanced credibility of programme implementation. This results in improved borrowing conditions for the sovereign as well as spill-over effects to the private sector. These indirect effects are beneficial for both creditor and debtor countries.

Taking into account the above explanations, the Commission considers that the changes consisting in the reduction in the margin and the extension of the average maturity of the EFSM loan to Ireland are beneficial to secure the programme's objectives.

2011/0247 (NLE)

Proposal for a

COUNCIL IMPLEMENTING DECISION

amending Implementing Decision 2011/77/EU on granting Union financial assistance to Ireland

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism[1], and in particular Article 3(2) thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) Upon a request by Ireland, the Council granted financial assistance to Ireland (Implementing Decision 2011/77/EU[2]) in support of a strong economic and reform programme aiming at restoring confidence, enabling the return of the economy to sustainable growth, and safeguarding financial stability in Ireland, the euro area and the Union.

(2) An extension of maturities and a reduction in the interest rate margin would be beneficial to secure the programme's objectives, in line with the conclusions of the Heads of State or Government of the euro area and EU institutions of 21 July 2011.

(3) In order to enhance liquidity and sustainability objectives, this Decision should also apply to the tranches that have already been disbursed.

(4) In light of these developments, Implementing Decision 2011/77/EU should be amended,

HAS ADOPTED THIS DECISION:

Article 1

Article 1 of Implementing Decision 2011/77/EU is amended as follows:

(1) Paragraph 1 is replaced by the following:

---

1 OJ L 118, 12.5.2010, p. 1.

2 OJ L 30, 4.2.2011, p. 34.

"1. The Union shall make available to Ireland a loan amounting to a maximum of EUR 22.5 billion, with a maximum average maturity of 12.5 years. The maturity of individual tranches of the loan facility may be of up to 30 years."

(2) Paragraph 5 is replaced by the following:

"5. Ireland shall pay the cost of funding of the Union for each tranche."

Article 2

Article 1(1), first sentence and Article 1(2) shall also apply to the tranches of the loan that have been disbursed before the entry into force of this Decision.

Article 3

This Decision is addressed to Ireland.

Article 4

This Decision shall be published in the *Official Journal of the European Union*.

Done at Brussels,

For the Council
The President