European Issue Schemes – A Comparative Analysis
23 April 2012
Europe Based Supranational Issue Schemes

**EU/Euro area schemes**
- EFSF
- ESM*
- EFSM
- BoP assistance
- MFA assistance

**EU17**

**International Financial Institutions**
- EIB
- EBRD
- NIB
- CEB

**Euratom**

*As of 1 July 2012*

- =guarantee scheme
- =capitalised scheme
Purpose of Schemes – EU17 and EU27

**European Financial Stability Facility (EFSF)**
- Facilitate or provide financing to EU17 in financial difficulties
- Lending capacity €440bn (€19+66.2bn disbursed per 29.3.)
- Activated for Greece, Ireland and Portugal.
- €192bn committed

**European Stability Mechanism (ESM)**
- Mobilise funding and provide stability support to euro-area states (EU17) in severe financing problems
- Lending capacity €500bn (overlap with EFSF)

**European Financial Stabilisation Mechanism (EFSM)**
- Union financial assistance to all EU Member States.
- Lending capacity €60bn (€34bn disbursed per 5.3.)
- Activated for Ireland and Portugal

**Balance of Payments facility (BoP)**
- Support to non-euro-area Member States.
- Support capacity €50bn (€13bn disbursed per 30.3.)
- Activated for Hungary, Latvia and Romania

**Macro-Financial Assistance (MFA)**
- Financial aid to non-EU countries with an IMF programme. €592m outstanding.
- Central European EU Candidates represent 52%
## Purpose of Schemes - IFIs

<table>
<thead>
<tr>
<th>IFI</th>
<th>Description</th>
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</table>
| **European Investment Bank (EIB)**                                 | • European Union’s financing institution. Contributes to the balanced and steady development of the internal market in the interest of the EU  
• Loans outstanding €360bn (end 2010)                              |
| **European Bank for Reconstruction and Development (EBRD)**        | • Development bank supporting projects from central Europe and Eastern Europe to central Asia and fostering transition towards market-oriented economies and promoting entrepreneurial initiative  
• Financing outstanding €24bn                                       |
| **Nordic Investment Bank (NIB)**                                   | • Development bank of the Nordic and Baltic countries to promote sustainable growth  
• Financing outstanding €14bn                                       |
| **Council of Europe Development Bank (CEB)**                      | • Multilateral development bank with social vocation. Attached to the Council of Europe.  
• Financing outstanding €17bn.                                      |

* Outstanding amounts set out are approximations
• EFSF lending effectively capped at €440bn, guarantees up to €780bn. Theoretical borrowing ceiling assuming back-to-back lending.

• As of July 2012. EFSF and ESM will partially overlap.

• 2010 figures for EIB. Borrowing programme set annually for IFIs.
Funding Currencies

EUR only

10 currencies

20 currencies

EFSF  ESM  EFSM  BoP  MFA

EBRD

EIB  NIB  CEB

* Number of currencies set out are approximations only
## Legal Basis & Form – EU/Euro-area Schemes

<table>
<thead>
<tr>
<th>Scheme</th>
<th>Duration</th>
<th>Capital / Guarantee Structure</th>
<th>Law (governing the entity)</th>
<th>Legal form</th>
<th>Beneficiary</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESM*</td>
<td>Permanent (as of 1 July 2012)</td>
<td>Capital €700bn (whereof €620bn callable) From EU17</td>
<td>International (EU Treaty based)</td>
<td>Inter-governmental organisation (and IFI)</td>
<td>EU17 (and ad hoc EU27)</td>
</tr>
<tr>
<td>EFSF</td>
<td>3 years*</td>
<td>Guarantees €780bn* (lending max 440bn). Capital €28m. (from euro-area member states EU17)</td>
<td>Luxembourg (Framework Agreement based)</td>
<td>Company S.A. (Luxembourg)</td>
<td>EU17</td>
</tr>
<tr>
<td>EFSM</td>
<td>Unlimited</td>
<td>EU budgetary guarantee (backed by Member States EU27)</td>
<td>International (EU Council Regulation based)</td>
<td>None (European Commission acting on behalf of EU)</td>
<td>EU27</td>
</tr>
<tr>
<td>BoP</td>
<td>Unlimited</td>
<td>EU budgetary guarantee (backed by Member States EU27)</td>
<td>International (EU Council Regulation based)</td>
<td>None (European Commission acting on behalf of EU)</td>
<td>Non-euro EU Member States</td>
</tr>
<tr>
<td>MFA</td>
<td>Unlimited</td>
<td>EU budgetary guarantee (and covered by EU Guarantee Fund) (backed by Member States EU27)</td>
<td>International (Policy based ad-hoc scheme)</td>
<td>None (European Commission acting on behalf of EU)</td>
<td>Partner 3rd countries</td>
</tr>
</tbody>
</table>
# Legal Basis & Form – ‘European’ IFIs

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</tr>
</thead>
<tbody>
<tr>
<td>EIB</td>
<td>Permanent</td>
<td><strong>Capital €232bn (whereof € 220bn callable)</strong>&lt;br&gt;From Member States EU27</td>
<td>International (EU Treaty based)</td>
<td>International Financial Institution (IFI)</td>
<td>Focus on Member States + accession countries</td>
</tr>
<tr>
<td>EBRD</td>
<td>Permanent</td>
<td><strong>Capital €21bn (whereof €15bn callable)</strong>&lt;br&gt;From EBRD members (63 countries + EU and EIB)</td>
<td>International (Agreement based)</td>
<td>IFI</td>
<td>Focus on Central&amp; Eastern European Countries</td>
</tr>
<tr>
<td>NIB</td>
<td>Permanent</td>
<td><strong>Capital €6bn (whereof €5.6bn callable)</strong>&lt;br&gt;From NIB members (8 countries)</td>
<td>International (Agreement based)</td>
<td>IFI</td>
<td>Focus on Nordic and Baltic Countries</td>
</tr>
<tr>
<td>CEB</td>
<td>Permanent</td>
<td><strong>Capital €5bn (whereof €4.4bn callable)</strong>&lt;br&gt;From CEB members (40 countries)</td>
<td>International (Council of Europe decision and Agreement based)</td>
<td>IFI</td>
<td>Focus on Europe</td>
</tr>
</tbody>
</table>
Guarantee Scheme in Funding

- **EFSF:**
  - Separate legal entity
  - Several but not joint guarantee from Member States.
  - Up to 165% over-guarantee for each country’s share
  - Capped to a maximum country specific limit
- No fully pooled liability (not joint and several)
- Aggregate maximum guarantee of AAA-countries vs. maximum lending capacity for the scheme
- Single member rating sensitivity enhanced
Characteristics of current EU/Euro-area issues

• Excluding IFIs
• Euro-denominated only
• Purpose specific
  • EU may not borrow to finance its ordinary budgetary expenses (e.g. Art 311 of TFEU)
  • Member State not liable for commitments of other Member States (excluding guarantees) (Art 125 of TFEU)
  • Specific country assistance programme needed
• Funding is back-to-back to lending
  • Maturity, amount and timing constraints
  • Medium term
    • EU budget does not assume interest rate or foreign exchange risk
• EU budgetary guarantees or limited member state guarantees (not joint)
  • Guaranteed amounts known to the members beforehand
• For EU issues, syndicated, no auctions
Thank you

Jarno Tanhuannpää
Legal Counsel
Legal Directorate / Legal Aspects of Financial Issues
j.tanhuanpaa@eib.org
European Investment Bank