

PANDEMIC CRISIS SUPPORT

On 23 April 2020 the EU Heads of State or Government agreed upon a comprehensive European response for up to €540 billion to the Covid-19 crisis:



European Commission: Backstop for workers and jobs (SURE) - loans to Member States for up to €100 billion.



European Investment Bank: Backstop for companies. Pan-European guarantee fund of €25 billion to support up to €200 billion of financing.



ESM: Backstop for countries (Pandemic Crisis Support) up to €240 billion based on enhanced conditions credit lines (ECCL) to support direct and indirect healthcare, cure and prevention related costs due to COVID-19 crisis.

KEY FEATURES OF PANDEMIC CRISIS SUPPORT

- Available to all 19 euro area members
- Amount available: 2% of each country's GDP as a benchmark (maximum combined amount of €240 billion)
- Available until end of 2022
- Maximum average maturity of loans: 10 years
- Disbursement of 15% of the total support per month
- Margin of 10 basis points, up-front service fee of 25 basis points, and annual service fee of 0.5 basis points

ADVANTAGES OF THE PANDEMIC CRISIS SUPPORT

The ESM is a well-established crisis resolution mechanism. Experience in raising funds in difficult market situations.

By using an existing instrument, the ESM can act quickly: Pandemic Crisis Support is available since **15 May 2020**.

No country is singled out, no individual conditionality; the money is available to all members of the euro area on equal terms, so no stigma for countries.

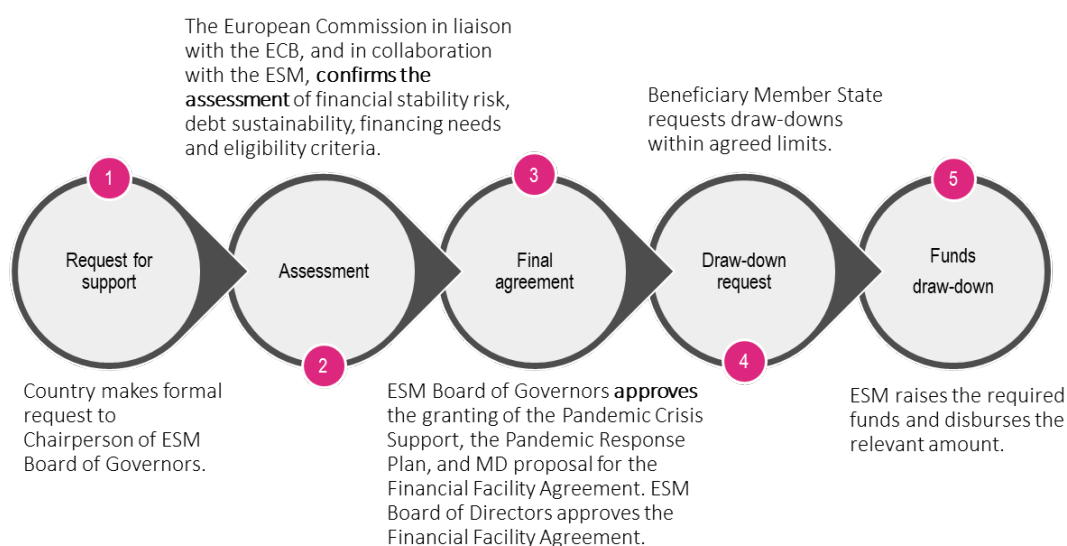


The Pandemic Crisis Support is cash that Member States can use to help citizens where they are hardest hit.

No country-specific conditionality will be requested. The only requirement is the commitment from the country to use the funds for direct and indirect healthcare, cure and prevention related costs due to the COVID-19 crisis.

The ESM's AAA/Aa1 rating means low funding costs passed on to member states. For some of them, it is cheaper funding than going to the market to fund themselves. This means annual budgetary savings for Member States.

PROCEDURE FOR REQUESTING AND GRANTING PANDEMIC CRISIS SUPPORT



ESM SOCIAL BONDS

FUNDING THE PANDEMIC CRISIS SUPPORT WITH SOCIAL BONDS

- The terms, conditions, and use of the Pandemic Crisis Support offer the ESM the possibility to finance this new instrument through the issuance of Social Bonds.
- The Pandemic Response Plan, approved by the ESM Board of Governors and signed by the European Commission, will detail the use of proceeds, and will be the basis for the ESM to define the eligible social expenditures that can be financed through Social Bonds.
- The ESM has developed a Social Bond Framework built around the four core components of the ICMA Social Bond Principles. The Second Party Opinion has been issued by Sustainalytics.

ESM SOCIAL BONDS FRAMEWORK

Use of Proceeds	Process for Evaluation and Selection	Management of Proceeds	Reporting
<ul style="list-style-type: none"> • Proceeds only used for direct and indirect health care related costs. • Uses of funds in line with the cost spending categories in the Pandemic Response Plan. 	<ul style="list-style-type: none"> • Terms agreed by the ESM Board of Governors. • Request assessed by European Commission, ECB, and ESM. • ESM identifies the eligible expenditures that qualify for Social Bond funding. 	<ul style="list-style-type: none"> • Central budgetary approach: Proceeds are pooled and an equal amount is allocated to eligible expenditures. • The total proceeds of Social Bonds cannot exceed the total amount of eligible expenditures. 	<ul style="list-style-type: none"> • Report on allocation and impact of the proceeds. • Based on monitoring and surveillance tools. • Reporting up to one-year following first bond, and every year until full allocation.

ESM SOCIAL BONDS

- ESM Social Bonds have the same rating and credit risk as conventional ESM bonds.
- Listed on the Luxembourg Green Exchange (LGX).
- Fully integrated in the ESM Funding Strategy of liquid benchmark bonds.
- Compliant with the ICMA Social Bond Principles.



Further information