An Roinn Airgeadais
Department of Finance

Eighteenth Report under Section 8 of the European Stability Mechanism Act 2012 (No. 20 of 2012)

Reporting period: 1 January 2021 to 30 June 2021

Prepared by the EU and International Division,
Department of Finance
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Contents

Chapter 1 Introduction

In accordance with Section 8 of the European Stability Mechanism Acts 2012 and 2014, the Minister for Finance is obliged to lay before Dáil Éireann a report containing the information set out at Section 2.1.:

1.1Background

The European Stability Mechanism Act 2012 (No. 20 of 2012) allowed Ireland to ratify the European Stability Mechanism (ESM) Treaty, in accordance with the agreement by the euro area Heads of State or Government, on 9 December 2011, on the acceleration of the entry into force of the ESM Treaty.

The ESM Treaty set out in the schedule to the Act was signed by euro area Member States on 2 February 2012. The original version of the Treaty was signed on 11 July 2011, but was subsequently modified to incorporate decisions taken by the euro area Heads of State or Government on 21 July and 9 December 2011, aimed at improving the effectiveness of the mechanism.

Like its temporary predecessor the European Financial Stability Facility (EFSF), the mandate of the ESM is to provide financial assistance to euro area countries experiencing or threatened by severe financing problems. Assistance is granted only if it is proven necessary to safeguard the financial stability of the euro area as a whole and of ESM Members. The ESM currently has available the following instruments:

- Issue bonds or other debt instruments on the market to raise the funds needed to provide loans to countries in financial difficulties;
- Intervene in the primary and secondary debt markets;
- Provide precautionary financial assistance; and
- Finance recapitalisations of financial institutions through loans to governments including in non-programme countries.
- Direct recapitalisation of systemically important euro area financial institutions.

All financial assistance will be provided under strict conditionality, appropriate to the financial instrument chosen.

On 8 December 2014, the ESM Direct Recapitalisation Instrument (DRI) was adopted by the ESM Board of Governors, following the completion by all euro area Member States of their own national approval procedures.

The European Stability Mechanism Act 2012, which enabled Ireland's ratification of the Treaty, was enacted on 3 July 2012 as Act No. 20 of 2012, and was subsequently amended by the European Stability Mechanism (Amendment) Act 2014 (No. 34 of 2014) which provided for the introduction of the Direct Recapitalisation Instrument.

Ireland's instrument of ratification was lodged on 1 August 2012.

The ESM Treaty entered into force on 27 September 2012, when, in accordance with Article 48 of the ESM Treaty, ratification, approval or acceptance was deposited by signatories whose initial subscription represented no less than 90 percent of the total subscription in accordance with ESM Treaty Clause 48. It has now been ratified by all 19 euro area Member States.

On 27 January and 08 February 2021, euro area Member States signed amending agreements to the ESM Treaty and Single Resolution Fund (SRF) Intergovernmental Agreement (IGA). The two amending agreements are required to implement the Eurogroup agreements are necessary to implement the Eurogroup agreement of 30 November 2020 regarding ESM Treaty reform and the early introduction of the Common Backstop of the SRF, two years ahead of schedule. Member States are invited to complete national ratification procedures during 2021 to enable the entry into force of both amending agreement from 01 January 2022.

1.2 Paid-in Capital

Article 8 of the ESM Treaty provides that the ESM shall have a capital stock of €704,798.70 million divided into paid-in and callable shares, with the value of paid-in shares set at €80,548,400,000. The original paid-in capital was €80 billion but this was increased following the accession of Latvia and Lithuania to the Euro Area in 2014 and 2015 respectively.

Article 41(1) of the ESM Treaty establishes that payment of paid-in shares of the amount initially subscribed by each Member shall be made in five annual instalments of 20 percent each of the total amount initially subscribed. Each Member's share is based on the contribution key. Ireland's Contribution Key in 2012 was 1.5922 percent but this decreased to 1.5814 percent following the accession of Latvia and Lithuania. It decreased to 1.5806 percent following the end of the temporary correction period in respect of the Republic of Slovenia in 2019, and further decreased to 1.5804 percent on 15 January 2020 upon the expiry of the Maltese temporary correction period.

On 30 March 2012, the Eurogroup committed[1] to accelerate the payment of paid-in capital. The acceleration did not affect the size of each instalment, which remains at 20 percent of the total amount.

[1] The Eurogroup agreed at the time that two tranches of capital would be paid in 2012, the first one in July, a second one by October (another two tranches were to be paid in 2013 and a final tranche in the first half of

On 13 September 2012, the Eurogroup, to pay the first two instalments jointly in October 2012. A timeline of Ireland's instalments is as follows:

- On 11 October 2012, under Section 2 of the ESM Act 2012, Ireland paid the first two of five equal instalments towards the paid-in shares of the ESM, totalling €509,504,000.
- On 19 April 2013, under Section 2 of the ESM Act 2012, Ireland paid the third of five equal instalment towards the paid-in shares of the ESM, totalling €254,752,000.
- On 30 October 2013, under Section 2 of the ESM Act 2012, Ireland paid the fourth of five equal instalments towards the paid-in shares of the ESM, totalling €254,752,000.
- On 28 April 2014, under Section 2 of the ESM Act 2012, Ireland paid the fifth and final instalment towards the paid-in shares of the ESM totalling €254,752,000.
- To date, Ireland has received three refunds of paid in capital.
- Following the end of the temporary correction period of the capital contribution key in respect of the Republic of Slovenia, Ireland received a refund of paid-in capital amounting to €571,428 on 19 February 2019. The refund reduced the value of Ireland's shareholding by that amount, from a total pay by Ireland under Section 2 of the ESM Act 2012 towards the paid-in shares of the ESM of €1,273,760,000, to the adjusted €1,273,188,572.
- Following the end of the temporary correction period for Malta in 2020, Ireland received a refund of paid-in capital amounting to €228,572 on 15 January 2020. The refund reduced the value of Ireland's ESM shareholding by the same amount – from a total pay towards the paid-in shares of the ESM by Ireland, as adjusted under Section 2 of the ESM Act 2012, of €1,273,188,572 to €1,272,960,000.
- As a result of the expiration of the correction period for Slovakia, on 1 January 2021, Ireland received a further refund from the ESM of €2,160,000, on 9 December 2020. As a result, the value of Ireland's paid in share was reduced from €1,272,960,000 to €1,270,800,000.

1.3 Legislation

Section 8 of the ESM Act 2012 reads as follows:

"8.-(1) In respect of each reporting period the Minister shall, as soon as practicable after the end of the period, cause a report to be laid before Dáil Éireann that includes the following information:

2014). In line with the ESM Treaty, the payment of the capital was to be further accelerated if needed to maintain a 15 percent ratio between the paid-in capital and the outstanding amount of ESM issuances, and guarantees a minimum lending capacity of the ESM of €500,000 million.

a) the aggregate value of contributions made by the State to the authorised capital stock of the ESM under Section 2 during the reporting period,

b) the aggregate amount of monies (including dividends) received by the State to which Section 4 relates, during the reporting period,

c) the aggregate value of contributions made by the State to the authorised capital stock of the ESM under Section 2 up to the end of the reporting period, and

d) the aggregate amount of all monies (including dividends) received by the State, to which Section 4 relates, up to the end of the reporting period.

(2) In subsection (1) "reporting period" means –

a) each of the following periods –

i. the period from the passing of this Act to 31 December 2012,

ii. the period in any year after 2012 from 1 January to 30 June,

iii. the period in any year after 2012 from 1 July to 31 December,

or

b) within each period to which paragraph a) relates, such shorter periods as the Minister may from time to time consider appropriate in the circumstances."

Chapter 2

2.1 Report covering the period 1 January 2021 to 30 June 2021

This chapter provides the report as required in accordance with Section 8 of the European Stability Mechanism Acts 2012 and 2014.

This report is the eighteenth report under this legislation and covers the reporting period 1 January 2021 to 30 June 2021. Each previous report has been laid before Dáil Éireann.

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a. the aggregate value of contributions made by the State to the authorised capital stock of the ESM under Section 2 during the reporting period is:	*a. zero*
b. the aggregate amount of monies (including dividends) received by the State to which Section 4 relates during the reporting period is:	*b. zero*
c. the aggregate value of contributions made by the State to the authorised capital stock of the ESM under Section 2 up to the end of the reporting period is:	*c.* €1,270,800,000 .[1]
d. The aggregate amount of all monies (including dividends) received by the State to which Section 4 relates up to the end of the reporting period:	*d. €2,960,000*[2]

[1] Representing the sum of the five equal instalments by Ireland towards the paid-in shares of the ESM, amounting to €1,273,760,000., from which the refund of paid-in capital in respect of the Republic of Slovenia (€571,428.), in respect of Malta (€228,572.) and in respect of Slovakia (€2,160,000.), has been subtracted.

[2] Ireland has received three refunds of paid in capital to the amount of €2,960,000. Following the end of the temporary correction period of the capital contribution key in respect of the Republic of Slovenia, Ireland received a refund of paid-in capital amounting to €571,428 on 19 February 2019. At the end of the temporary correction period for Malta, Ireland received a refund of paid-in capital amounting to €228,572 on 15 January 2020. Ahead of the 1 January 2021 expiration of the temporary correction period in respect of Slovakia, on 9 December 2020, Ireland received a refund amounting to €2,160,000.

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