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Background Material
Irish „rescue": 67.5 bn of bail-out loans, 89.5 bn to banks

A. Overview of the Ireland-Programme

Application by Irish government:	21 November 2010
Decided on:	28 November 2010, by Ecofin, ECB und European Commission
Volume:	€67.5 bn
of which:	EFSF: €17.7 bn
	EFSM: €22.5 bn (The EFSM, European Financial Stability Mechanism, has been part of the rescue structure of the euro zone since 2010. It is funded through bonds issued by the European Commission and guaranteed by the EU budget.)
	IWF: €22.5 bn
	Bilateral loans: €4.8 bn (UK, DK, SE)
additionally:	Ireland's own contribution: €17.5 bn, from the National Pension Reserve Fund (NPRF) und Central Bank Reserves
Duration:	three years (end of 2010 until end of 2013) (1)

B. Cash flows to the financial sector during the Irish programme (late 2010-2013)

Over the past three years, Ireland received €67.5 bn in international loans. While the state had already supported its banking sector with huge capital injections before this period (see below), this was continued during the „rescue" programme. The following table shows which funds went into the financial sector directly or indirectly to support both Irish and European banks between late 2010 and 2013. The sum of these funds exceeds the volume of loans in this period: The Irish population not only didn't benefit from these loans, it even had to raise more money through harsh austerity, the plundering of the national pension fund NPRF and new public debt.

The technical details of the bank bail-out are highly complex. The following table lists its different components, their volume and gives a short explanation of how they function. Sources are named in (brackets) in the text.

Cash flow to the financial sector during the Irish programme (late 2010-2013)		
Type of cash flow	**Details and evaluation**	**Volume**
Direct bank recapitalization	After the much bigger recapitalization 2008-2010 (see below), the Irish state further supported the banking sector with capital injections during the bail-out programme. (2) Part of this recapitalization was "outsourced" to NPRF, the tax-financed National Pension Reserve Fund, which was founded in 2000 to secure Ireland's future pensions. During the crisis however, the fund's money was used for bank bail-outs. (3)	18.1 bn
NAMA bonds (regular)	The National Asset Management Agency (NAMA) is the state's bad bank buying property portfolios from banks to help them consolidating their balance sheets. Its purchases are financed through special bonds issued by NAMA which amounted to €1.6 bn in 2011 (4) after the initial, larger issue before the bailout (see below). NAMA operates through a SPV (special purpose vehicle) co-financed by private investors. Thanks to this construction, NAMA-bonds are not officially counted as government debt. (5) Still, NAMA is a public entity and the Irish state is liable for NAMA's debt (6) whereas the private investors are not. NAMA bonds are therefore considered part of the public bank bail-out. A similar assessment has been made by rating agencies. (7)	1.6 bn
NAMA bonds (following IBRC liquidation)	As a consequence of the liquidation of Irish Bank Resolution Corporation (IBRC) in February 2013, a merger of the nationalized bankrupt banks Anglo Irish and Irish National Building Society, NAMA was assigned the responsibility for IBRC's assets. NAMA paid €12.9 bn for these assets. It is currently unclear how many of them the special liquidator will be able to resell and how many junk assets the state will be forced to keep. (8) These assets were initially used by the banks as collateral with the Irish Central Bank to access short-term emergency funding (ELA - emergency liquidity assistance) to repay their creditors. (9) NAMA is now taking over liability for these ELA loans and thereby retroactively taking responsibility for the repayment of private bank debt. Since NAMAs operations are guaranteed by the state, this is classified as money benefiting the financial sector.	12.9 bn
ELG guarantee payments	ELG, the Eligible Liabilities Guarantee Scheme, is a state bank guarantee scheme. As a result of the IBRC liquidation in February 2013, the state had to repay liabilities guaranteed by ELG amounting so far to €1.1 bn. (10)	1.1 bn
Maturing government debt	During the bail-out period, €37.5 bn in maturing government debt were repaid by the Irish state. (2) This directly benefited investors and the financial sector.	37.5 bn
Interest	Between 2011 and 2013 (projections), the Irish state paid another €18.3 bn in interest to financial investors. (10, 11)	18.3 bn
Total amount going to the financial sector		**89.5 bn**

C. Bank bail-out before the Irish programme (2008-2010)

The main part of the Irish bank bail-out was conducted before the „rescue“ programme started. Between the outbreak of the global financial crisis in 2008 and late 2010, Ireland supported its major banks with massive capital injections and vast guarantees. In order to get an adequate picture of the funds flowing into the financial sector, these previous measures have to be looked at as well.

Like above, the technical details of the Irish bank bail-out between 2008 and 2010 are highly complex. The following table lists its different components, their volume and gives a short explanation of how they function. Sources are named in (brackets) in the text.

Bank rescue before the Ireland-Programme (2008-2010)		
Type of cash flow	**Details and evaluation**	**Volume**
Direct bank recapitalization	Direct bank recapitalization took place through equity, preference and investment shares (12). Like in 2011 (see above), parts of this recapitalization were “outsourced” to NPRF, the tax-financed National Pension Reserve Fund. (3)	15.4 bn.
Indirect bank recapitalization through promissory notes	”Promissory notes“ are debt certificates issued by the government in 2010 to troubled banks (Anglo Irish, INBS and EBS), entitling them to future payments by the state. (13) The notes were used by the banks as collateral to access short-term emergency funding by the Irish central bank (ELA – emergency liquidity assistance).. After the liquidation of IBRC (a merger of Anglo Irish and INBS), the promissory notes were converted to longer-term government bonds. Since the whole amount of €30.9 bn was accounted for in the national deficit in 2010 (14), we include it in this year.	30.9 bn.
NAMA bonds	The National Asset Management Agency (NAMA) is the state’s bad bank buying property portfolios from banks to help them consolidating their balance sheets. (15) Its purchases are financed through special bonds issued by NAMA. It operates through a SPV (special purpose vehicle) co-financed by private investors. Thanks to this construction, NAMA-bonds are not officially counted as government debt. (5) Still, NAMA is a public entity and the Irish state is liable for NAMA's debt (6) whereas the private investors are not. NAMA bonds are therefore considered part of the public bank bail-out. A similar assessment has been made by rating agencies. (7)	30.2 bn.
Total bank bail-out 2008-2010		**76.5 bn.**

D. Overview

Bail-out loans to Ireland during the Irish programme (late 2010-203):	€67.5 bn
Transfers to the financial sector during the Irish programme (2011-2013):	€89.5 bn
Bank bail-out before the Irish programme (2008-2010):	€76.5 bn

E. Sources (as of 19 December 2013)

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