

Nicola Giammarioli in interview with Rai 3 TV (Italy)

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Interviews

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Transcript of interview with ESM Secretary General Nicola Giammarioli

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Interviewer: Serena Bortone

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Rai 3: I understand that the ESM is first and foremost a fund, right? How much money has Italy put in it?

Nicola Giammarioli: Italy has paid in €14 billion, that is deposited with us.

What came out of the Eurogroup, we need to understand how it will be developed on Thursday, when there is the meeting of heads of state or government, that is tomorrow, because I understand that the so-called recovery bonds will not be approved and the main discussion will be about

the ESM. The ESM is a fund into which states pay in some amounts, this is what has been said. Is it true that we can ask for up to €36 billion or 2% of GDP? How long is the loan? And at what rates? What does it mean that there are no conditions? At least going out, then we'll see later, Mr Giammarioli?

Yes, the finance ministers met on 9 April and took some decisions, which must of course be confirmed tomorrow by the heads of government. Among these decisions is to activate a credit line that has always existed at the ESM but has never been used. But not only to activate it, but to adapt it to the specific conditions that we are experiencing. And especially the economic effects of the COVID crisis.

Our credit lines, our loans, are granted under certain conditions. The ministers have decided that for this particular loan, the only condition that will be negotiated, that will be decided with the countries, is that the money should be spent only to cover the health and auxiliary expenses resulting from the COVID crisis, for example hiring doctors, nurses, renovating hospitals, scientific research, a vaccine when there will be one. Distributing it to the entire population will have a cost, so this money will be spent for these purposes, these objectives, nothing else.

There is a debate, there are doubts about the conditions under which we will have to repay this loan. First of all, in how many years, that is how much interest will we pay on the loan and in how many years must it be repaid?

The credit line is available for one year and can be renewed for up to two years. In this period of time, the countries that request it can draw from it, they can receive the money. Once this period is over, obviously this debt must be repaid. The duration, meaning by when it will have to be repaid, is being negotiated during these days so I cannot say. The interest rates are very low, I dare say close to zero because we spend the costs that we incur to finance ourselves because our securities are sold very well in the financial markets, even at negative rates, so the rate that will be applied to these loans is very low, certainly lower than most European countries pay on their securities, for example Italy on its sovereign bonds.

So it's lower than 2%?

Surely it will be lower than 2%, I would say it will be lower than 1%. The 2% you are referring to is the available amount as a percentage of Gross Domestic Product (GDP) and for Italy this is about €36 billion, for Spain it is €25 billion, for France it is €48 billion, so it depends on the wealth of the various countries.

Greece didn't use the ESM but an instrument similar to the ESM, when there was the famous crisis, there was also a problem of public accounts - that Greece had declared that the accounts were different from what they really were, but when it had to return this money, it was subjected to a very hard austerity plan, cuts in public spending, cuts in health care, cuts in public salaries, cuts in pensions. Isn't there a risk that all this will be imposed on us Italians if we access the ESM and get a loan?

At that time, we gave loans to Greece but also to four other European countries: Spain, Cyprus, Portugal, Ireland. We often talk about Greece and just Greece, but it was not the only country that received the ESM's help. Moreover, as far as Greece is concerned, at the beginning we didn't exist, so it received a loan directly from the countries, so maybe the viewers don't know that the first loan was made by Italy, it was €10 billion, the money went directly from Rome to Athens and that loan is still outstanding.

The conditions that were negotiated with Greece and other countries had to be respected during the period while the loan was being disbursed, now all the countries that received this loan, including Greece, are in the post-programme phase, in the phase when they will have to pay it back. So these conditions no longer apply, in the sense that the objectives have now been achieved, so Greece, Spain, all countries are subject to the common rules, the same that apply to Germany and France, the Stability Pact and everything that the European Treaties prescribe. By the way, the Stability Pact has been suspended to date...

So there won't be any more rules?

No there won't. The conditions during the first phase are the ones I told you, the money has to be spent on health care. There are no specific conditions for the second phase. When the European rules will be reintroduced and the deficit must be

reduced below 3%, this rule will be valid for everyone, both those who have taken money from the ESM and those who have not taken it, it will be valid for Italy, Germany, France, Netherlands and everyone. So they are not specific conditions for the loan but they are the European rules that all countries have set themselves.

How do you check that the money will be spent only on health expenses?

Obviously you are asking a very relevant question because once the money is distributed, the countries can't just spend the money on anything. At the same time, we are not a police body. I think that countries have the internal structures to check that this money will be well spent and they will have to submit quarterly reports, a report, which will show that this money has been well spent. I can't imagine ESM employees going to the hospital in Milan, or the pharmacy, to check it out. The Ministry of Finance will be there, they will collect the data and submit tables, balance sheets, and with that, they will check if the agreement has been respected.

[Remarks by other interview guests]

If there is such a lack of confidence in the EU, which we also see in the polls, it is because we have seen what happened to Greece, with the cuts in health care, sick children, so this in everyone's minds and is traced back to the ESM, the loan and the austerity rules.

I would like to clarify something: this line of credit we are talking about will be a contract and as a contract, it has clauses. The countries will have a document in front of them and will assess whether or not it is convenient. So it's not something where there will be surprises. It is a contract, as citizens go to a bank, they make a loan agreement, they read the terms and it's not as if the bank adds other terms in the process, it's what you signed.

The conditions are necessary because, as Mr Molinari rightly said, Article 136 of the European Treaty prescribes the conditions, but it is precisely the European Council, the legal department of the European Council, that has established that the condition for spending this money on health care costs is sufficient to comply with Rule 136 of the Treaty, which is why there will be no surprises.

You were asking me about Greece. There were other problems there, it was a country that had gone bankrupt, it was a country that was going to exit the euro, it was necessary to make a whole series of reforms, whether this country made use of the ESM or not.

There were also some quite heavy reforms in Italy, think about the pension reforms even without Italy requesting the ESM's assistance.

The need to reform countries that are in difficulty exists regardless of whether or not they have a loan. The loan actually helps to gain time to make the right reforms and spread them over time. Our loan to Greece lasts until 2070, Greece will not pay interest for the next 20 years, so it is a very advantageous loan to a country that had no access to financial markets.

That's why we also say, to reassure Italians, that we are not in the economic conditions of Greece.

We are in a totally different situation, historically, in Europe as well as Italy. Here we are facing a health crisis and its economic consequences and it is nobody's fault if this virus is going around.

Ten years ago, the economic crisis was due to the wrong policies being implemented by the various governments and therefore to solve that problem, it was necessary to negotiate reforms. Here we are not talking about wrong policies but about a crisis that arrived overnight, in an unexpected way and affects everyone indiscriminately. Italians, Greeks, Germans, Dutch. And so collectively we are trying to give an answer to those citizens who do not yet know when they will be able to go back to work. This is the problem that needs to be solved now.

Watch interview with Nicola Giammarioli (in Italian)

Author



[Nicola Giammarioli](#)

Secretary General and Management Board Member

Contacts



[Cédric Crelo](#)

Head of Communications and Chief Spokesperson

+352 260 962 205

c.crelo@esm.europa.eu



[Anabela Reis](#)

Deputy Head of Communications and Deputy Chief Spokesperson

+352 260 962 551

a.reis@esm.europa.eu



[Juliana Dahl](#)

Principal Speechwriter and Principal Spokesperson

+352 260 962 654

j.dahl@esm.europa.eu



[George Matlock](#)

Senior Financial Spokesperson

+352 260 962 232

g.matlock@esm.europa.eu