

Nicola Giammarioli in interview with Affari & Finanza (Italy)

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28/09/2020



Interview with ESM Secretary General Nicola Giammarioli

Published in Affari & Finanza (Italy), 28 September 2020

Interviewer: Eugenio Occorsio

Original language: Italian

“At the beginning of March, when the catastrophic scale of the Covid crisis was beginning to show, we gathered at the ESM’s headquarters in Luxembourg and asked ourselves: what can we do to help European countries? This is how the idea of Pandemic Crisis Support was born, which was approved by the finance ministers in May. From the beginning it was clear that it would be very different from our past interventions”, said Nicola Giammarioli, Secretary General at the ESM – the crisis fund at the centre of the political storm.

Giammarioli was appointed a member of the institution’s management board on 18 September. He has the crucial double responsibility of completing the reform of the organisation and developing its financial instruments, starting with the new

pandemic credit line. This is his first interview after having taken on his new role. "The credit line for healthcare expenses is worth €36 billion for Italy and is clearly different from our traditional activities: the only condition is that it is used to support healthcare costs caused by this unfortunate pandemic", confirms Giammarioli. Born in Perugia in 1972, Bocconi graduate, holding a PhD from the European University Institute of Fiesole and postgraduate studies at the University of California, Los Angeles (UCLA), Giammarioli has had a long career that has brought him to the European Central Bank (ECB), the Treasury with Padoa-Schioppa, the International Monetary Fund (IMF), and finally - since 2012 - to the ESM."

Affari & Finanza: You obviously keep out of the political clash, but as a technical expert, what's your view?

Nicola Giammarioli: We realize that the debate in Italy has gotten quite heated so we want to present the situation objectively. Some people, in Italy and in other countries, are trying to exploit the current debate in an anti-European way – but I can assure you that our efforts are driven by a genuine spirit of solidarity for the countries most affected by the Covid shock.

The issue is to distinguish this intervention from those in Greece, Ireland, Portugal, Cyprus and Spain, each of which has carried the Troika label with all the related controversies.

Let me point out that all the countries that have benefited from our financial assistance in the past have come out with economies significantly strengthened by adjustment programmes, although objectively these may have been tough in some respects. They have regained access to markets at competitive rates, they have resumed sustainable development paths by growing more than the European average, and they have created many jobs.

Today's crisis is completely different, so the solutions must be different. The pandemic hit everyone indiscriminately and the economic consequences are not the result of faulty policies in the countries involved. A common solution was therefore needed, complementary to the efforts that each country is making, to preserve the integrity of the monetary union and the single market. Each institution – the European Commission, the European Central Bank, the European Investment Bank – is doing its part. Our intervention at their side is specifically aimed at tackling, direct

or indirect, healthcare costs connected with the pandemic.

Maybe it is the name 'ESM' that is radioactive to some...

We have various instruments at our disposal, not only loans for macroeconomic adjustment programmes used in the past but also precautionary credit lines - never activated before - designed to help countries suffering from an external shock beyond their control. It works like insurance. The credit line that we are talking about is one of those.

You say "direct or indirect expenses": could you use ESM funds for school desks? If there was no Covid there would be no need to buy new ones.

Well, perhaps not the desks themselves. But for new health wards, including doctors to be hired, for resuscitation equipment, for the renovation of hospitals and other infrastructures, in short for everything needed to cope with potential new emergencies. And if a country requests this support, an amount equal to 2% of its GDP, it will be able to use its own resources for other important expenses such as schools. Moreover, given that the funds will be at negative interest due to the AAA rating that the ESM enjoys, it would result in savings for the state coffers estimated at around €4-5 billion over ten years.

The main concern resides with the conditions. Those who oppose the credit line do not believe that "enhanced surveillance" that comes with seeking any kind of European funding won't be triggered. Are you able to clear the doubts?

Before me, Commissioner Gentiloni and Vice-President Dombrovskis have done so with authority. They sent an official letter this summer to all governments reassuring them that ESM's new credit line to support the pandemic crisis is completely different from the instruments used in the past. This is an exceptional case, as exceptional as the pandemic and the recession it has caused. The European Commission's so-called enhanced surveillance will be limited to checking that the funds received are actually spent on health and not squandered.

This situation intersects with the reform of the ESM, which grants the European Commission and the ESM more power to monitor countries with

high debts and determine whether this debt is sustainable or needs to be restructured. What do you say to those who fear connections between the two?

As you say, this overlap is a coincidence. The reform has nothing to do with the pandemic credit line because it had been under discussion for two years and is linked with the natural development of the ESM, which is called to cooperate with the European Commission by providing specific technical and financial assessments. The reform is necessary to put another piece in place to complete banking union. In fact, the ESM will be equipped with an additional tool, equal to about €60 billion, to be used in case of banking crises and if the Single Resolution Fund's resources are insufficient. As you see, something different and conceptually separate from the pandemic crisis.

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