

THE GLOBAL FINANCIAL SAFETY NET IN A FRAGMENTED WORLD

#ESMYouthTalk at Bocconi University, promoted by Institute for European Policymaking

Nicola Giammarioli - European Stability Mechanism (ESM)

6 October 2025

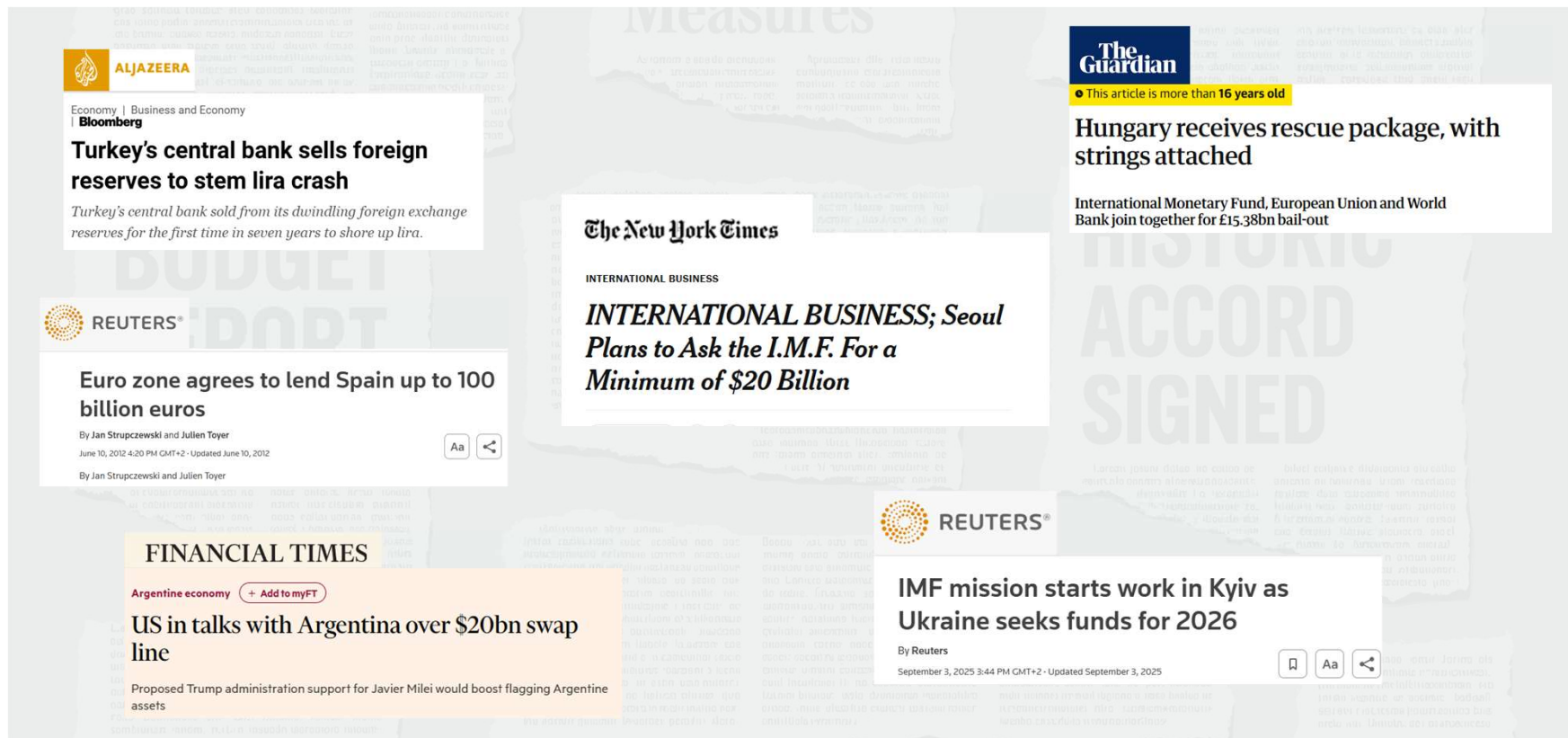


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IF A COUNTRY SUDDENLY FACES A SHOCK OR A CRISIS, WHICH INSTITUTION OR MECHANISM CAN COME TO THE RESCUE?

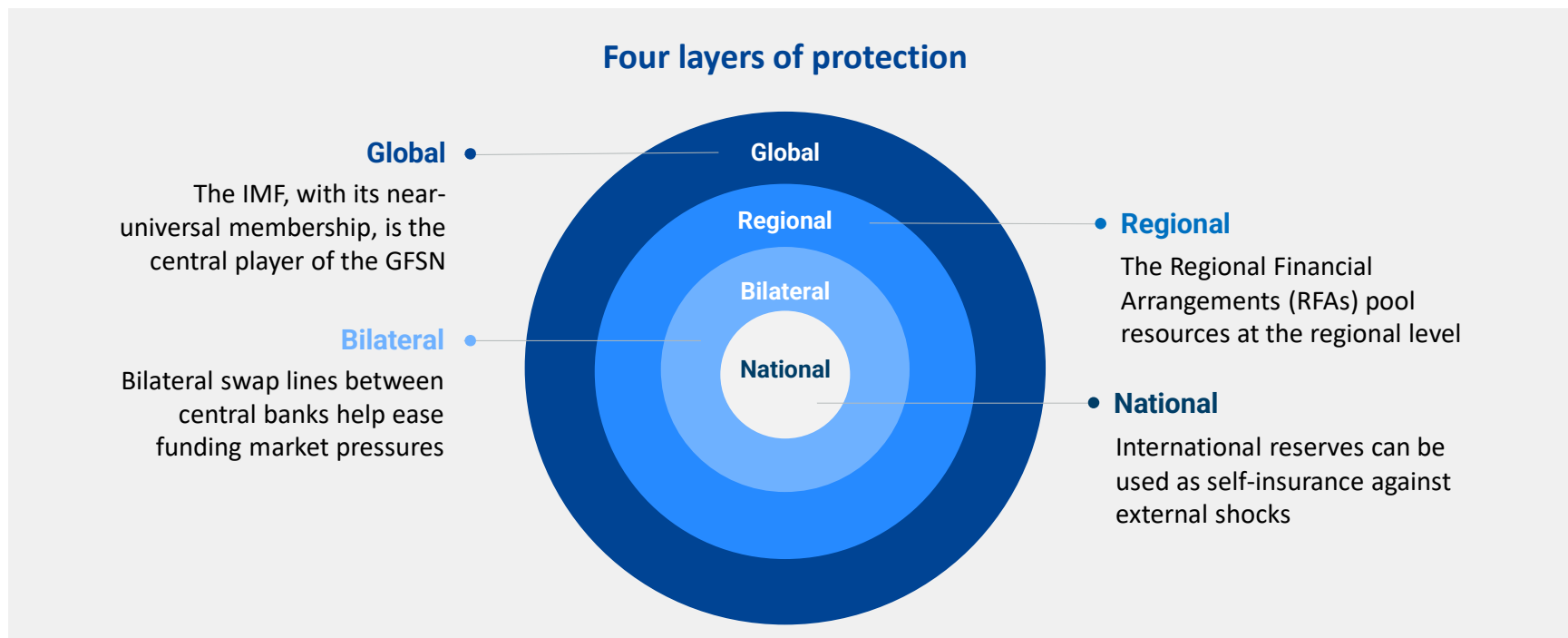


REAL-LIFE EXAMPLES AS REPORTED IN THE NEWS...



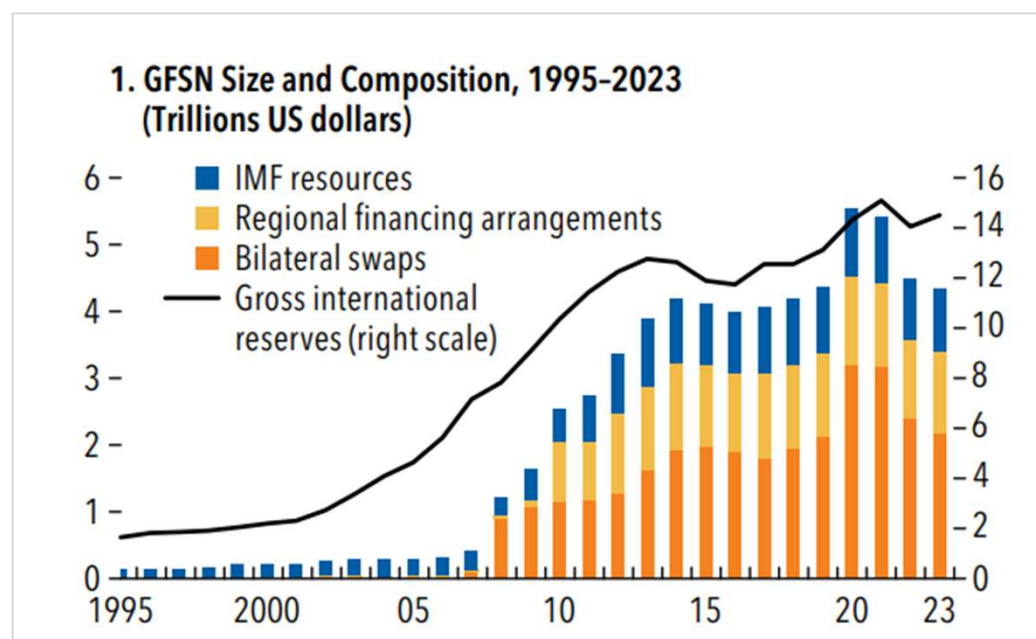
THE GLOBAL FINANCIAL SAFETY NET (GFSN)

The GFSN provides insurance and financing when shocks hit



SIZE AND EXPANSION OF GFSN RESOURCES

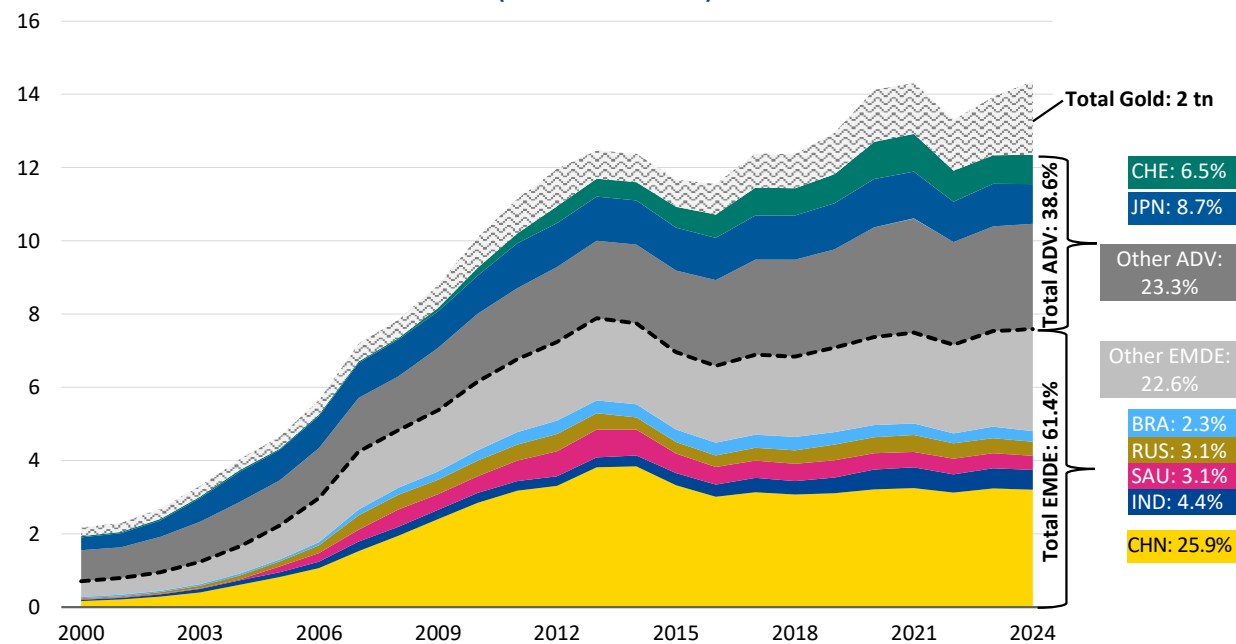
GFSN size and composition, 1995-2023
(Trillions USD)



Source: IMF (2025); see: [2025 External Sector Report: Global Imbalances in a Shifting World](#)

INTERNATIONAL RESERVES: A FORM OF SELF-INSURANCE

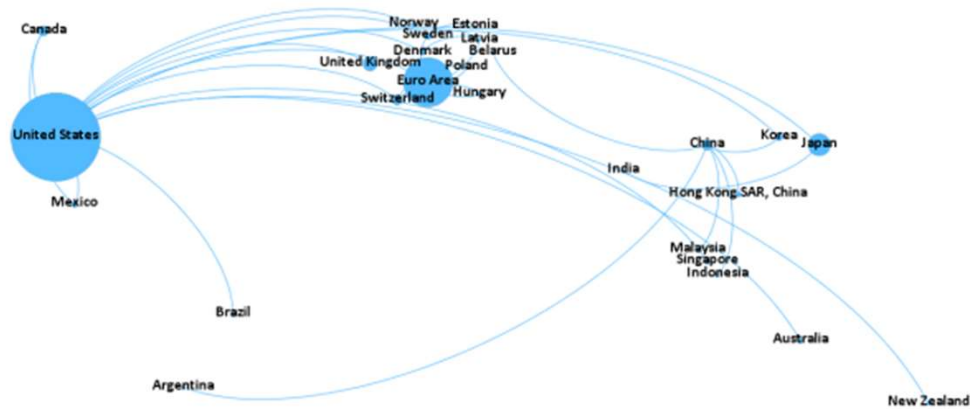
Gross foreign exchange reserves by country breakdown and gold aggregate
(trillions USD)



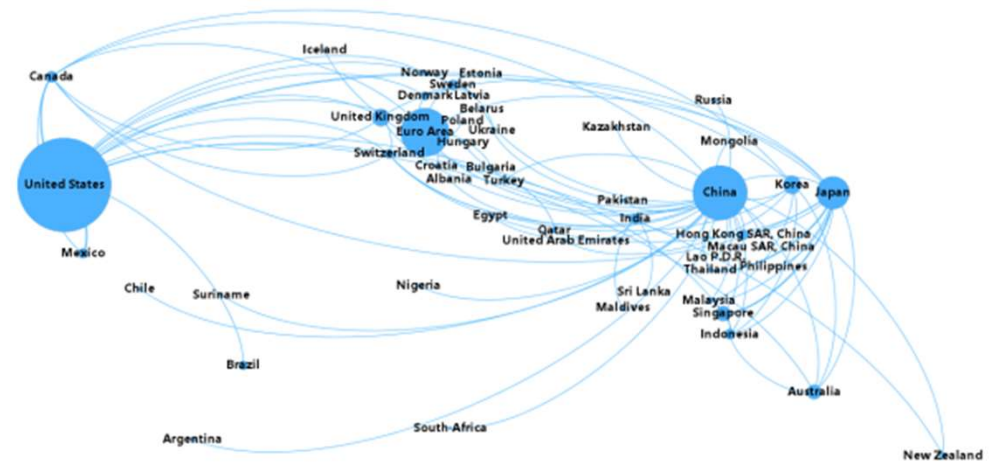
Notes: ADV = advanced economies (WEO grouping); EMDE = all other emerging and developing economies; country abbreviations use three-letter country codes.
Source: ESM calculations based on IMF International Liquidity and IMF International Reserves and Foreign Currency Liquidity databases

EVOLUTION OF THE BILATERAL SWAP LINES NETWORK

End of 2009

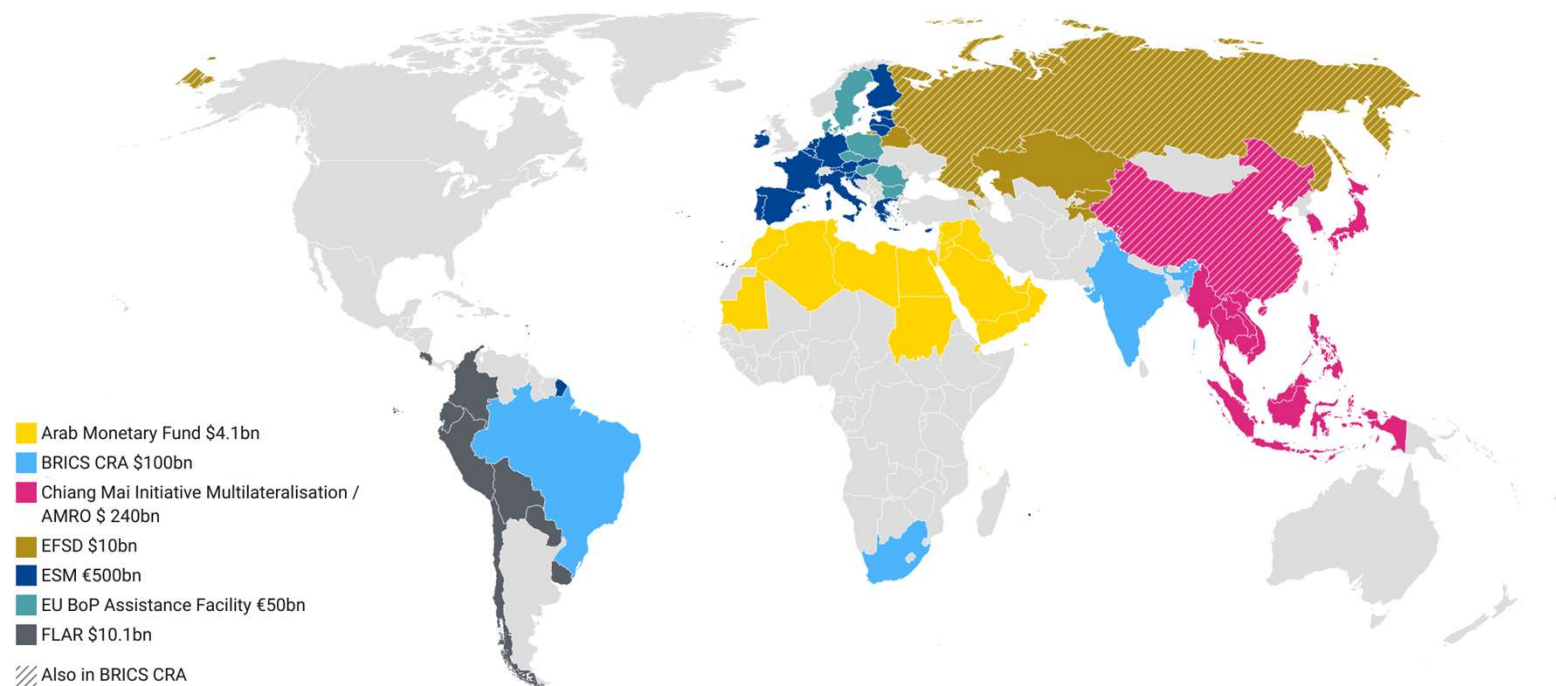


End of 2020



Source: Perks, Rao, Shin, and Tokuoka (2021). See: [Evolution of Bilateral Swap Lines](#)

REGIONAL FINANCING ARRANGEMENTS: COUNTRY COVERAGE



Notes: Maximum lending capacities; the European Commission manages two RFAs namely the EU Balance of Payments Assistance Facility for EU countries outside the euro area and Macro-financial Assistance for partner countries. The latter is not included in the graphic.

IMF: GLOBAL LENDER OF LAST RESORT



- **Established in 1944** in the aftermath of the 2nd world war
- **191 member countries** give it near-global membership
- **It provides:**
 - Temporary liquidity support to countries under stress
 - Policy advice
 - Capacity development
- **Lending capacity of about USD 1 trillion**
 - Resources come from quotas and temporary borrowing agreements
- **USD 170 billion** in credit outstanding

IMF-RFA COLLABORATION

Group-level collaboration

- Annual **High-level Dialogue** between leaders of RFAs and the IMF
- Annual **RFA Research Seminar**



RFA Research Seminar, 2025

Bilateral engagements include:

- Memorandums of Cooperation
- Regular exchanges at various levels
- Co-financing and joint test runs



RFA High-level Dialogue, 2023



Kristalina Georgieva, Pierre Gramegna, and Nicola Giammarioli, 2025

A CLOSER LOOK AT THE EUROPEAN STABILITY MECHANISM (ESM)



WHEN YOU THINK ABOUT THE ESM, WHAT IS THE FIRST WORD THAT COMES TO MIND?



THE ESM: THE RFA FOR THE EURO AREA



➤ Financial assistance

The ESM provides financial assistance to euro area countries experiencing or threatened by severe financing problems, through raising financing on debt capital markets

➤ Crisis prevention and market trust

ESM supports market stability and confidence through strong market presence and the existence of its diversified toolkit

➤ Enhanced mandate*

Common backstop to the Single Resolution Fund (SRF)

Strong capital structure:







€708.5 billion subscribed capital of which **€81** billion is paid-in capital

Max. lending capacity:

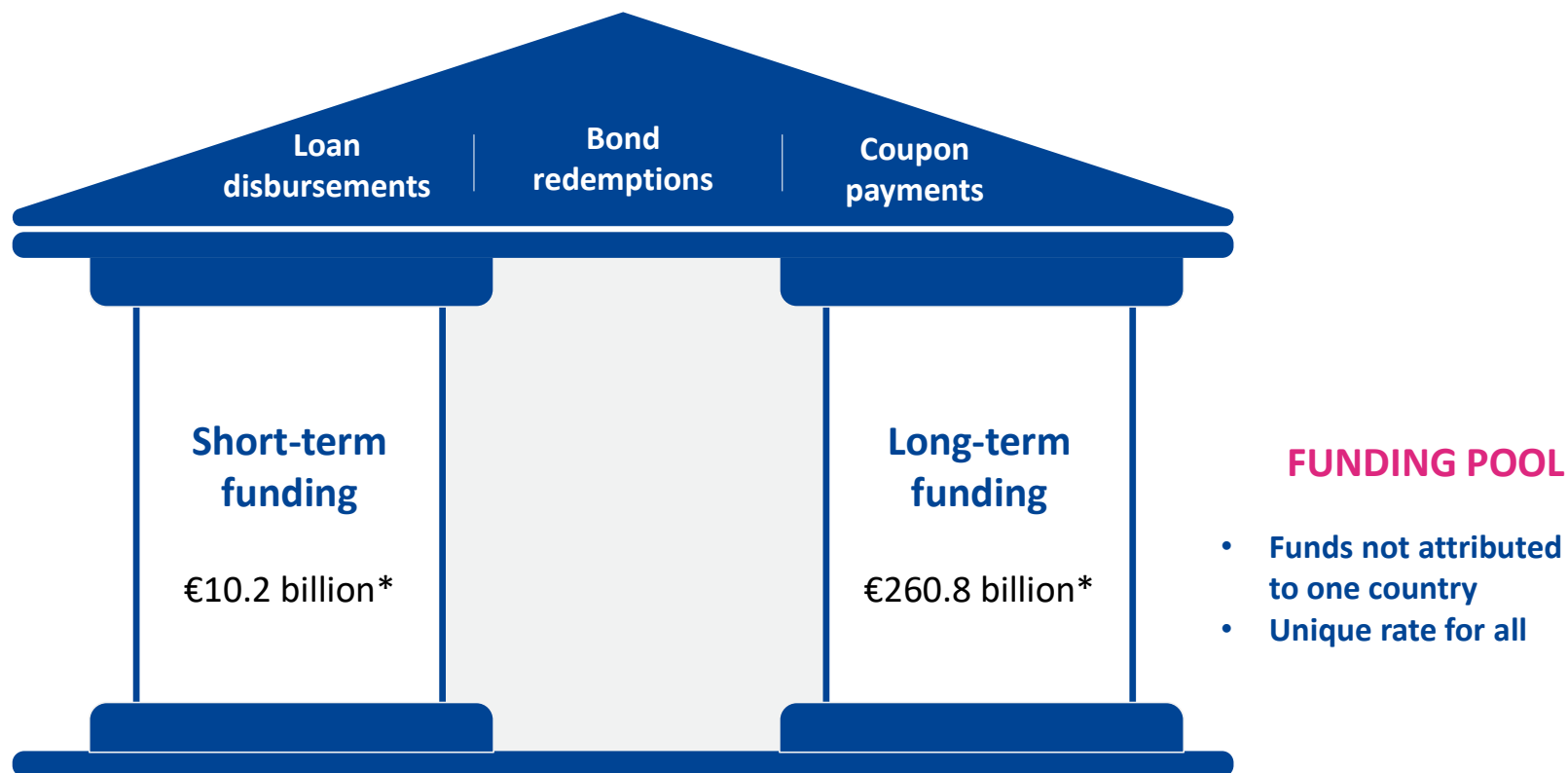
€500 billion of which **€428** billion available

*Ratification of the Amending Agreement to the ESM Treaty ongoing

EFSF AND ESM PROGRAMMES

EFSF	ESM	
 Ireland (2010-2013) €17.7 billion	 Spain (2012-2013) €41.3 billion	Total amount disbursed by EFSF and ESM: €295 billion
 Portugal (2011-2014) €26 billion	 Cyprus (2013-2016) €6.3 billion	
 Greece (2012-2015) €141.8 billion	 Greece (2015-2018) €61.9 billion	Total amount outstanding: €245 billion

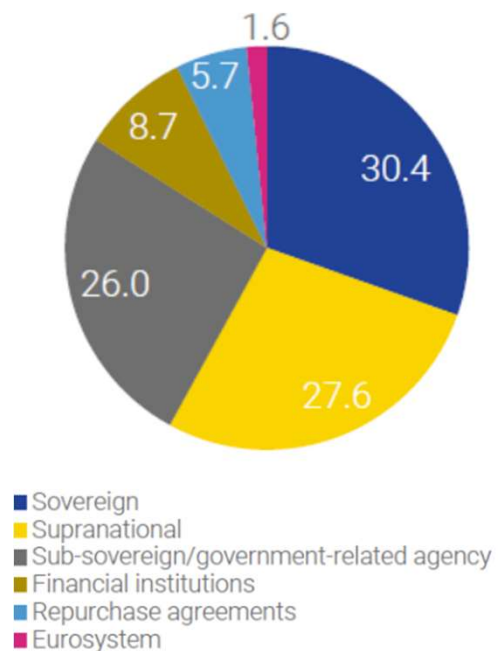
ESM FUNDING



Note: *outstanding amounts; short-term funding is ESM only.

ESM AS AN INVESTOR

Asset class distribution of investments
(in %)



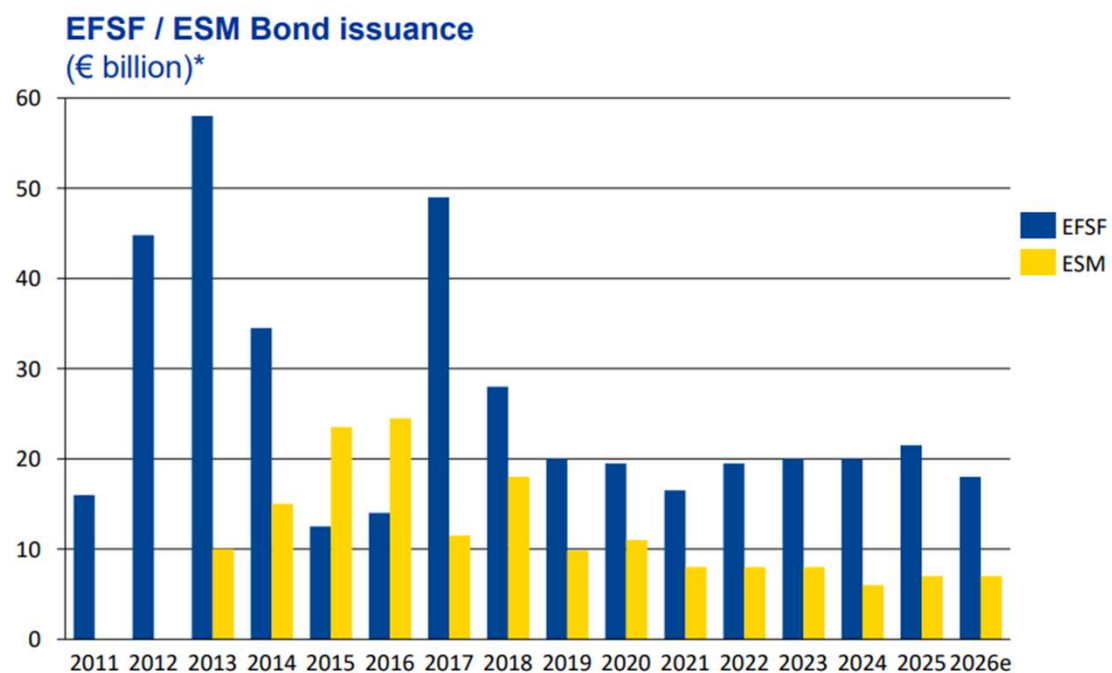
The ESM is a significant investor in the Sovereign, Supranational and Agency (SSA) space

With **€81 billion paid-in capital**, the ESM is one of the **most capitalised IFIs globally**

The ESM does **not use its paid-in capital to provide loans**

The ESM invests in secure liquid fixed-income assets rated **“A” and above**

FUNDING PLAN



The combined funding for
EFSF & ESM for 2025 is
€28.5 billion

- €21.5 billion for EFSF
- €7 billion for ESM

The estimated funding for
EFSF & ESM for 2026 is
€25 billion

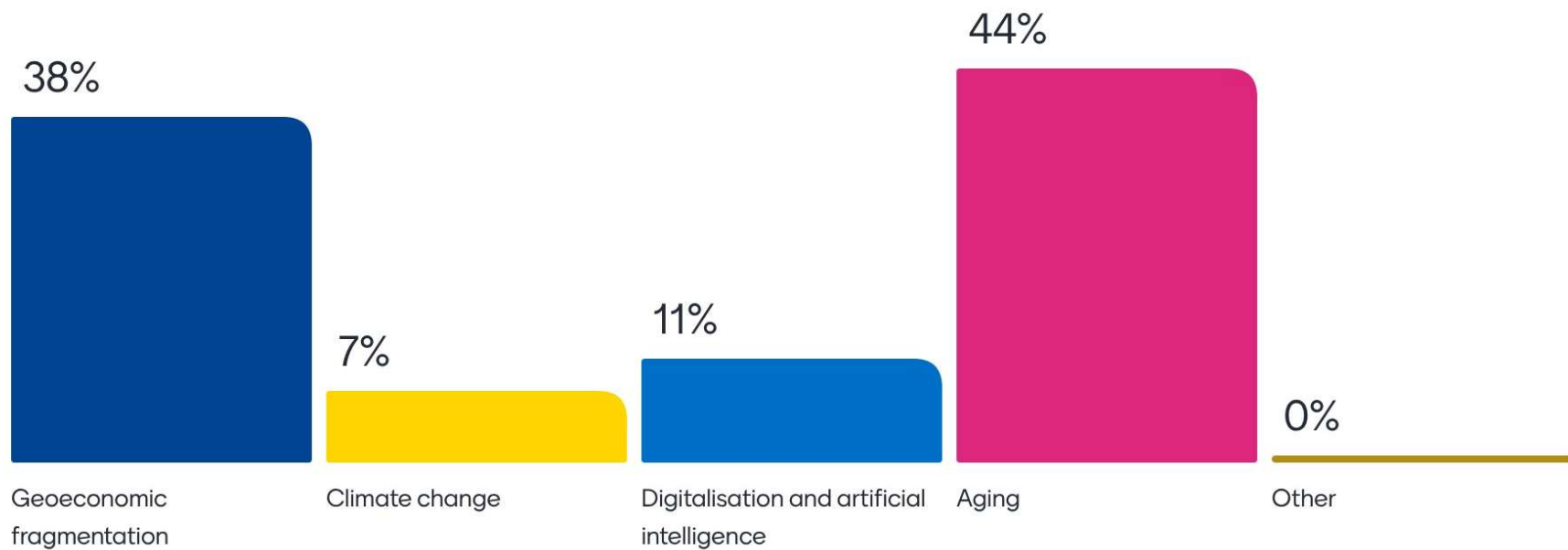
- €18 billion for EFSF
- €7 billion for ESM

*Please note that figures are based on estimates and may vary. These figures do not include any cashless operations.

A CHANGING ENVIRONMENT AND IMPLICATIONS FOR THE GFSN



IN THE COMING YEARS, WHAT ARE THE MAIN TRENDS/FACTORS THAT CAN CHALLENGE A COUNTRY'S FINANCIAL STABILITY?



A CHALLENGING LANDSCAPE ...

**Goeconomic
fragmentation**



Climate change



**Digitalisation and
Artificial Intelligence**

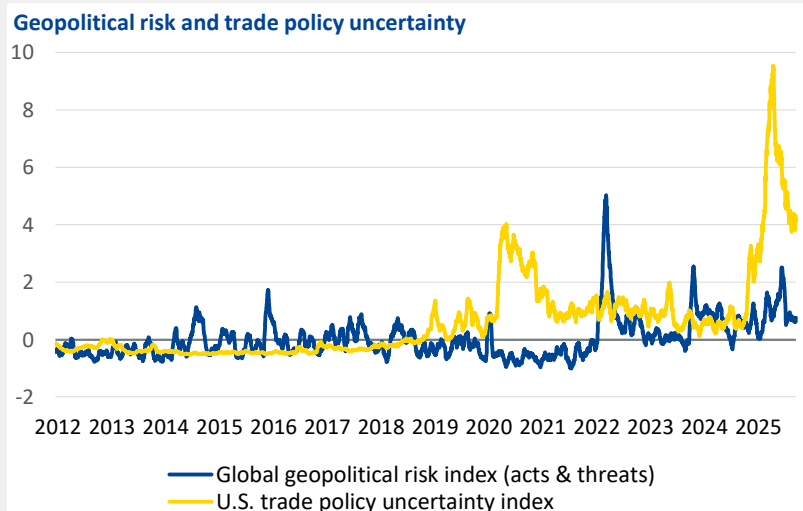


Ageing



THE GEO-ECONOMIC LANDSCAPE IS SHIFTING

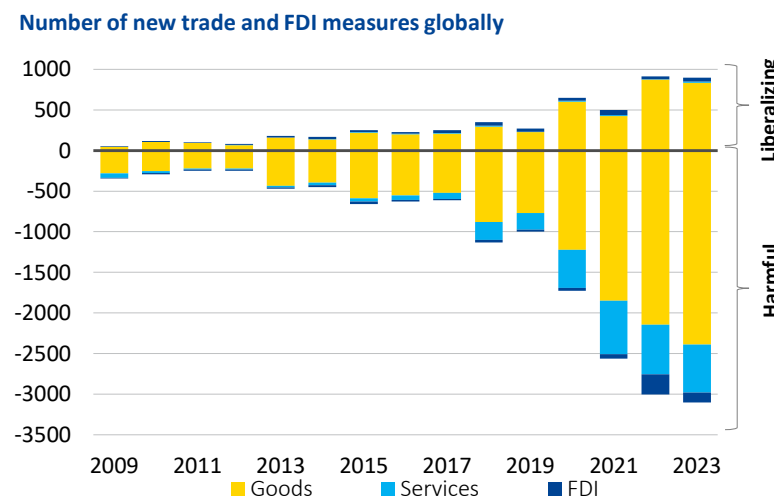
Geo-economic uncertainty is on the rise...



Notes: Series are standardized using historical means and standard deviations (z-score). Latest observation is October 1, 2025.

Source: ESM calculations' based on Caldara and Iacoviello (2022) and Baker et al. (2016)

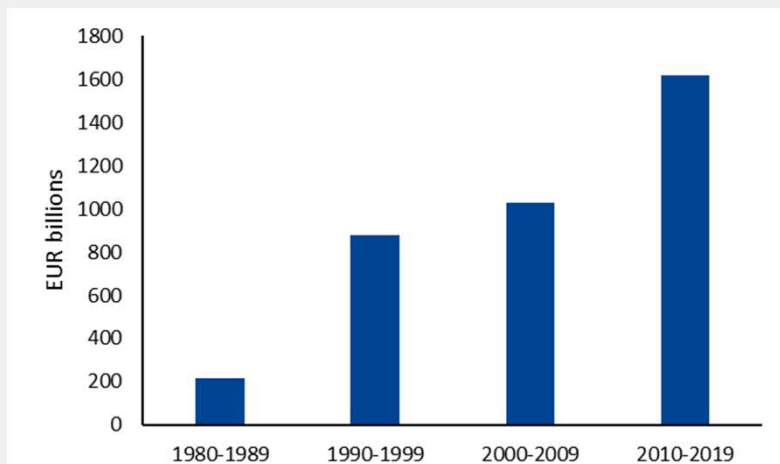
...with real world consequences.



Source: ESM Discussion Paper 23: [Goeconomic fragmentation: Implications for the euro area and ASEAN+3 regions](#), based on Global Trade Alert

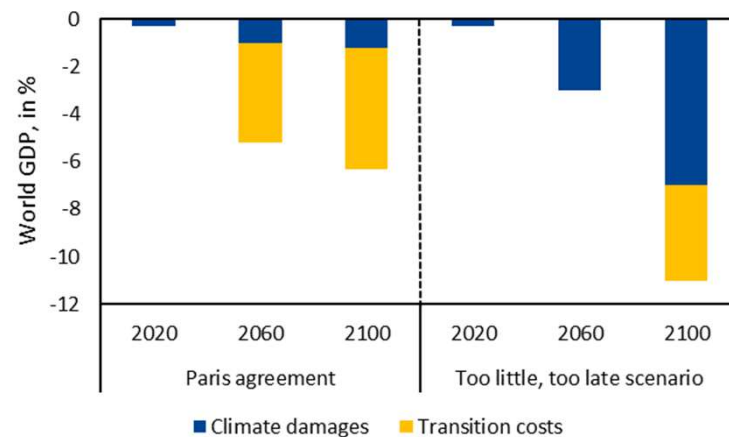
CLIMATE CHANGE CARRIES IMPORTANT IMPLICATIONS FOR GROWTH AND STABILITY ...

Global economic losses from weather-related catastrophes have been on the rise ...



Source: SwissRe (2020)

... while long-run GDP losses will depend on the ambition of transition policies.

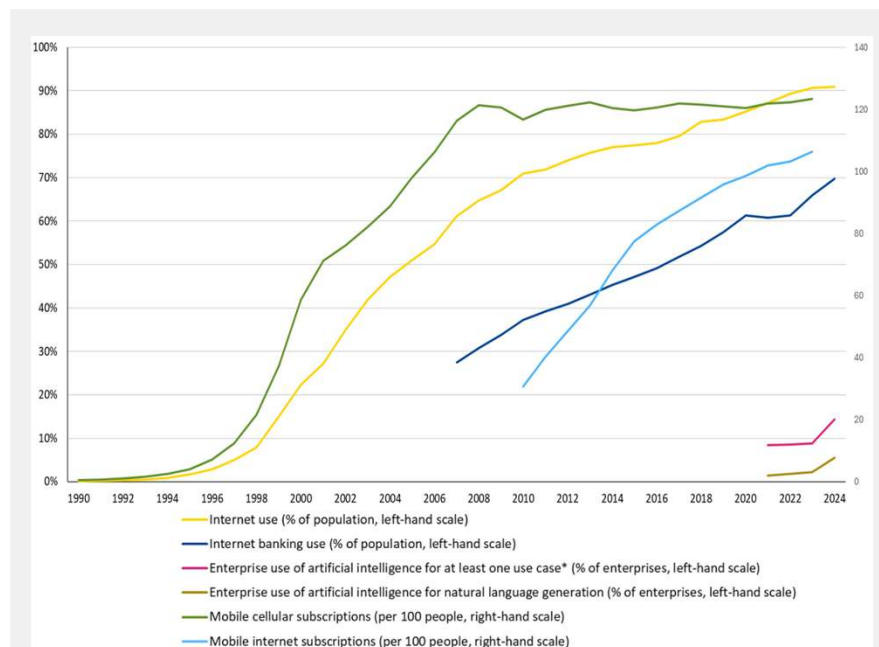


Notes: The "too-little, too-late" scenario is based on the assumptions defined by the NGFS.

Source: ECB, Climate-related risk and financial stability

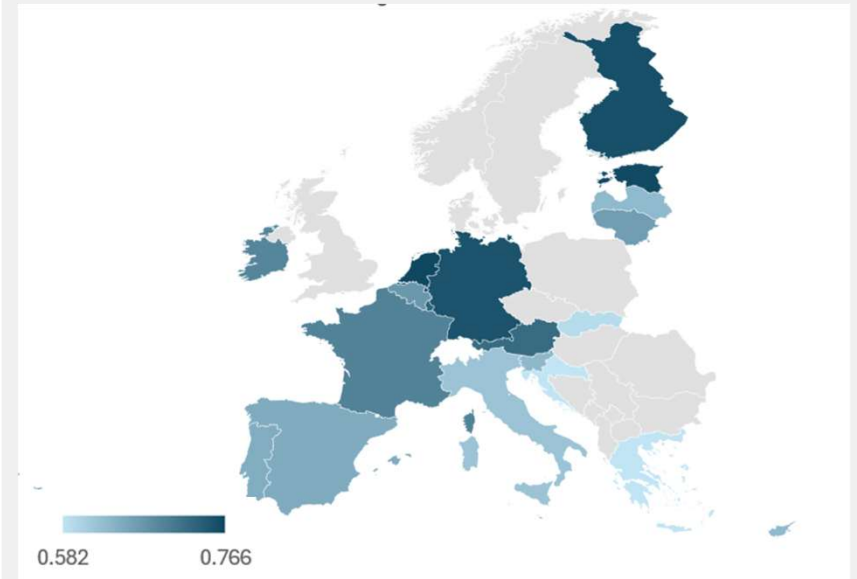
DIGITALISATION BRINGS OPPORTUNITIES... AND RISKS

Selected technology adoptions in the euro area



Source: ESM blog: [Preparing for systemic risks in the age of generative artificial intelligence | European Stability Mechanism](#) based on International Telecommunication Union and Eurostat data

AI preparedness index (0 low to 1 high)

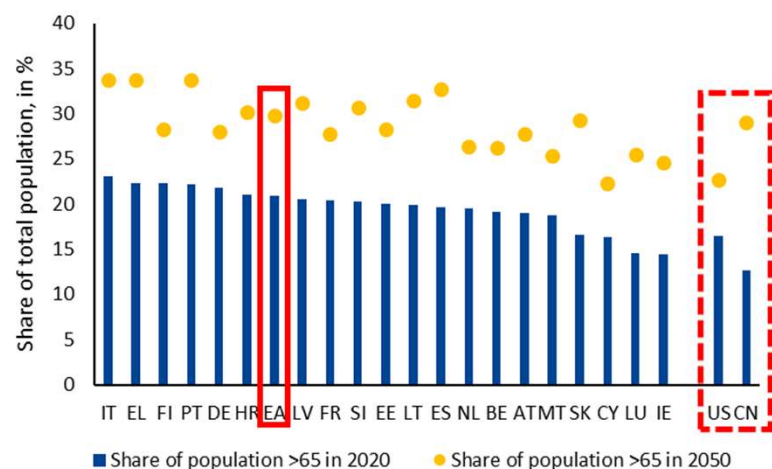


Notes: The index assesses AI preparedness across countries along four dimensions: digital infrastructure, human capital, technological innovation, and legal frameworks; data for 2023.

Source: IMF; see: [AI Preparedness Index](#)

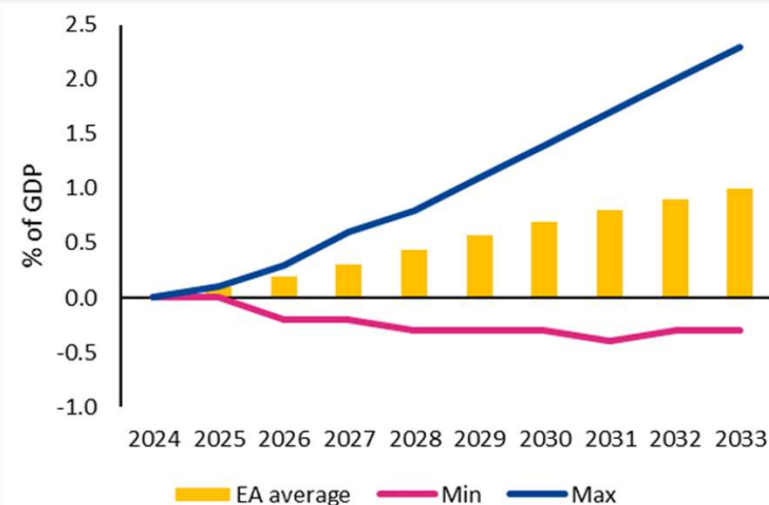
AGEING WILL CREATE BUDGETARY PRESSURES

The European continent is ageing ...



Source: Eurostat, U.S. Census Bureau

... which will increase ageing-related expenditures.



Source: EC Debt Sustainability Monitor, 2022

ENSURING THAT THE GFSN REMAINS EFFECTIVE

- The more challenging geo-economic environment calls for a **strong GFSN**
- IMF is currently taking stock of the GFSN identifying **areas for improvement**
- The RFAs do not stand still
 - Efforts to boost **monitoring tools** and finetune **lending toolkits**
 - Reflections on **financing structures**
- Priority area for the ESM is how to further deepen **IMF-RFA cooperation**