

Kalin Anev Janse in interview with Lëtzebuenger Journal (Luxembourg)

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Interviews

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Interview with Kalin Anev Janse, ESM Chief Financial Officer

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Interviewer: Camille Frati

Lëtzebuenger Journal: Mr. Anev Janse, how would you describe the role of the European Financial Stability Facility and the European Stability Mechanism from their birth to today? Can we say that they have evolved from a fire-fighting role to a "European IMF"?

Kalin Anev Janse: I have to say that this institution is a bit like my child, because I worked on it from the beginning. When the Eurogroup chaired by Mr Jean-Claude Juncker decided to create this new institution in response to the financial crisis, I was working at the European Investment Bank. At the EFSF, we had to create a safety net available for up to three years, with 12 people and a lending capacity of €440

billion. We were supposed to be like an insurance, to have the funds available but hoping not to be used. We had to convince the global markets of the strength of Europe.

Very quickly we had to become firefighters and intervene to help Ireland, then Portugal, Greece, Spain and Cyprus. The European Financial Stability Facility, ESM's predecessor institution, issued its first bond ever in the first quarter of 2011 to fund the Irish financial assistance programme. We listed it on the Luxembourg Stock Exchange and raised €5 billion at a rate of 2.75% from hundreds of investors. Time passed and we became one of the largest bond issuers. We have listed more than 200 bonds on the Luxembourg Stock Exchange. As an institution, we have grown but I think many residents in Luxembourg do not know that we helped to keep the euro area together from within Luxembourg during those years.

How many people work at the ESM?

We have always intended to remain a lean institution - we do not aim at hiring thousands of people. We have around 200 staff, many of whom are financial experts, front office traders, economists, lawyers. We have more than 40 nationalities from Europe but also from further afield (USA, Australia...). We are truly an international and multinational institution, but with the front office (relations with traders and investors) and the back office in Luxembourg and not in Paris or Frankfurt.

What advantages do you see in being based in Luxembourg and not in Brussels or Frankfurt?

It was Mr Juncker and the Eurogroup - the ministers of finance of the euro area countries - who proposed the idea of basing the EFSF in Luxembourg in order to set up the EFSF fast - it had to go in rapid speed and efficiently. We had just a few weeks' time. The efficiency and support of the Luxembourg administration - together with the EIB and German debt agency - was crucial, that is why it could be up and running quickly. It turned out to be a good home base for us because the EIB is here. And we used many of their services, from IT and accounting to one of their buildings.

Moreover, today it is even more important because we have all the European financial issuers concentrated here. The EIB, the ESM, the European Commission's EU SURE and Next Generation EU programme all have their finance teams here, it

means Luxembourg has become a hub for European safe assets. If you want to buy European debt, it is in Luxembourg. Today we have €800 billion but it will soon be well over €1 trillion. This is good for Europe but also for the Luxembourg ecosystem.

We have also changed our legal basis for bond issuance in 2019 in view of Brexit. We are no longer governed by English law for our bonds, traditionally used in finance. We have chosen Luxembourgish law. All our new ESM bonds are now issued under Luxembourgish law.

The ESM is not very well known by European citizens. What are the concrete achievements of the ESM that you could mention to clarify your action?

I agree that probably not all Luxembourg residents know what we do. But the ESM is very well known in the countries we supported during the crisis, like Ireland, Portugal, Greece and Cyprus. And if you ask their people, they know us.

We helped during a very difficult period for these countries. They had lost their access to the financial markets; investors did not want to lend them money any more. We came in as a last resort: we gave them the possibility to finance themselves at very low rates and take the time to reform and regain their competitiveness. The benefits are clear, as these countries had become champions of reform and growth... until the health crisis hit us all. We helped them to get out of the previous crisis.

The International Monetary Fund, when it helps countries in difficulty, demands structural reforms and has been criticised for this. Do you ask for the same compensation from the countries you help?

The IMF helps countries around the world, the ESM in the euro area. We work closely with the IMF. We have similarities and some differences. We both offer support to countries in financial difficulty and help retain financial stability. Some elements are different, from a European angle. For example, we give countries more time to repay the loans: Greece's longest loan runs until 2070. And our interest rates are lower.

For example, for the Covid-19 crisis, we used an existing instrument, the precautionary credit line, transformed into Pandemic Crisis Support (PCS), with an amount of €240 billion maximum. All euro area countries have access to it and countries simply have to prove that they are using it to cover medical and care

expenditure directly or indirectly related to the fight against Covid-19, up to a limit of 2% of their GDP. This also shows a great sense of European solidarity, as the scheme is available to all 19 Member States of the euro area. For the moment, no country has used these credit lines as they enjoy favourable conditions in the markets, but it is a large insurance mechanism in case of difficulties. Like the EFSF was originally intended in 2010, an insurance, ready to help when needed. If the Pandemic Crisis Support is requested, we will issue pandemic social bonds listed on the Luxembourg Green Exchange.

Our mandate is then similar to the IMF's but we are unique and more oriented towards European solidarity.

The ESM is not an institution in its current form but an intergovernmental body. Does it suffer from the lack of coordination often blamed on European governments during this crisis?

Regarding the Covid-19 crisis, the reaction was much faster. In a few days after the pandemic started to spread in Europe, the ECB intervened with the first monetary support programme and in 8 weeks, the Eurogroup approved its "first response" of up to €540 billion (of which €100 billion is financed by the Commission, €200 billion by the EIB and the rest by the ESM). The €750 billion Next Generation EU was approved in July 2020. In this crisis, Europe acted very fast in terms of monetary and fiscal support. This speed and agility positively surprised investors around the world.

What is the outlook for the ESM in the coming years?

Beyond the Pandemic Crisis Support instrument, which is available until the end of 2022, last December we received a new mandate and new responsibilities through the new ESM Treaty. This is to be approved by the parliaments of the euro area member states this year. With this treaty, we will provide a financial backstop to the EU's vehicle for resolving failing banks, and, together with the European Commission, will play a stronger role in designing, negotiating and monitoring future assistance programmes, if these should arise.

What is the status of the ESM headquarters construction project planned for 2028?

I have been in charge of this project for the past few years and have worked closely with the Minister of Finance and the Kirchberg Fund as well as the Administration

des bâtiments publics [Public Buildings Administration]. The Eurogroup Finance Ministers approved this project in June 2020. The building will be located close to the EU Court of Justice. The next step will be to launch an architectural competition for the design of the building. In any case, the Covid-19 crisis had no impact on the initial schedule. This is good news, as our staff likes living here and being based in Luxembourg.

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