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At €33 billion, EBRD, EIB Group, World Bank Group Crisis Response for Banks Tops Target

IFI cooperation serves as model for the future

The European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) Group, and the World Bank Group provided over €33 billion in support for banks and economies of Central and Eastern Europe in 2009 and 2010, in a response to the global economic crisis that could be a template for cooperation in the future.

The three institutions believe this successful spirit of cooperation should be preserved for the future and potentially used in other regions.

They launched their *Joint IFI Action Plan* on 27 February 2009, at the very height of the economic crisis, initially pledging €24.5 billion over a two-year period. The sharply higher outturn reflected the IFIs' dynamic response to the fact that the crisis in this region was deeper than initially expected and the recovery was much more protracted.

Just as important as the pure financial contribution of the action plan was its role in helping the coordination of national support packages and policy dialogue involving other key stakeholders in the region and in close cooperation with the International Monetary Fund (IMF), the European Commission, and other key European institutions.

The unprecedented level of cooperation made a key contribution to restoring market confidence in the Central and Eastern European banking system when it was at particularly low ebb and illustrated the important counter-cyclical role played by the IFIs during the financial crisis.

It was also instrumental in ensuring that key Western banks maintained their engagement in the region at a time when international markets ground to a halt and private funding dried up.

In a joint paper reflecting on the conclusion of the *Joint IFI Action Plan*, the three institutions made clear that, even though this particular programme was now over, this successful format for cooperation initially designed for crisis-hit emerging Europe, should be replicated in the future and could be applied in other circumstances and in other regions that face challenges in transforming their financial sectors, reviving lending, and increasing employment. The report emphasized that the benefits of close IFI cooperation and coordination during the crisis should be preserved.

The paper noted that recovery was now finally underway in Central and Eastern Europe, although recovery in this region has considerably lagged others. As growth resumes, the challenge is now to ensure that it is sustainable. Credit plays a vital role in private-sector led growth that should create employment. Ensuring sustainable lending is therefore a priority.

The three IFIs will maintain their effort to support lending to the region in the future.

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*The full Final Report on the Joint IFI Action Plan can be accessed at:

http://www.ebrd.com/downloads/news/Final_Report_on_Joint_IFI_Action_Plan_Feb_2011.pdf

The following table outlines the contributions made by the three institutions under the *Joint IFI Action Plan*:

in billions of Euros

	Commitments 2009-2010	Available as of end-December 2010 ^{1/}	Of which: signed as of end- December 2010
TOTAL	24.5	33.2	28.6
EBRD	6.0	8.1	6.5 ^{2/}
EIB	11.0	15.5	13.1
(of which EIF)	(n/a)	(1.7)	(1.7)
World Bank Group	7.5	9.6	9.0
IBRD	3.5	5.2 ^{3/}	5.2
MIGA	2.0	2.0	1.4
IFC	2.0	2.4 ^{4/}	2.4

^{1/} Board approvals (EBRD, MIGA, IBRD, EIB), signings (IFC)

^{2/} Of which €4.2 billion disbursed.

^{3/} Including a €1 billion loan to Hungary that was later cancelled at the request of the government.

^{4/} Of which €1.7 billion disbursed.