



IFI Initiative

EBRD, EIB and World Bank Group join forces to support Central and Eastern Europe

Up to €24.5 billion committed for banking sectors and bank lending to enterprises

The largest multilateral investors and lenders in Central and Eastern Europe - the EBRD, the EIB Group, and the World Bank Group - have pledged to provide up to €24.5 billion to support the banking sectors in the region and to fund lending to businesses hit by the global economic crisis.

This initiative complements national crisis responses and will deploy rapid, large-scale and coordinated financial assistance from the International Financial Institutions to support lending to the real economy through private banking groups, in particular to small and medium-sized enterprises. The financial support will include equity and debt finance, credit lines, and political risk insurance.

The response takes into account the different macroeconomic circumstances in and financial pressures on countries in eastern Europe, acknowledging the diversity of challenges stemming from the global financial retrenchment.

EBRD President Thomas Mirow said: "The institutions are working together to find practical, efficient and timely solutions to the crisis in eastern Europe. We are acting because we have a special responsibility for the region and because it makes economic sense. For many years the growing integration of Europe has been a source of prosperity and mutual benefit and we must not allow this process to be reversed."

"This joint action plan will help speed up the delivery of vital finance through the banks to support the real economy of hard-hit countries in Central, Eastern and Southern Europe, and particularly to help small businesses survive in these turbulent times," said EIB President Philippe Maystadt.

"This is a time for Europe to come together to ensure that the achievements of the last 20 years are not lost because of an economic crisis that is rapidly turning into a human crisis," said World Bank Group President Robert B. Zoellick. "I welcome the close cooperation among the EBRD, the EIB and the World Bank Group, and am committed to making this partnership work as we move forward to address the risk of a crisis of the banking sector in eastern Europe."

Under the two-year plan:

- The EBRD will provide up to €6 billion for the financial sector in 2009-10 in the form of equity and debt finance, to banks and directly to SMEs, and trade finance.
- The EIB will provide some €11 billion in SME lending facilities in Central, Eastern, and Southern Europe, of which €5.7 billion is already available for rapid disbursement, with a further €2.8 billion set for approval by end-April and further tranches expected to follow. The EIF, the EIB Group's venture capital and SME guarantee arm, is also aiming to increase its activity in the region over the next two years.
- The World Bank Group will provide support of about €7.5 billion:
 - IFC, through its crisis response initiatives in sectors including banking, infrastructure, and trade as well as through its traditional investment and advisory services, is expected to contribute up to €2 billion;
 - IBRD intends to increase lending in Europe and Central Asia up to €16 billion in 2009-10 out of which up to €3.5 billion is envisaged for addressing banking sector issues in emerging Europe;
 - MIGA will provide political risk insurance capacity of up to €2 billion for bank lending, subject to Board approval.

The response to Europe's integrated financial markets requires fast and coordinated action; from parent banks, which own a large part of the region's financial sectors; from systemically important local banks; from home and host country authorities of cross-border banking groups and from the European institutions and the IFIs.

By jointly addressing urgent financing needs, the three institutions in this initiative are drawing on their own mandates and specific capabilities to provide financial support.

The initiative goes beyond the pure provision of finance by engaging all parties concerned to seek appropriate solutions to the problems caused by the global economic crisis.

The IFI initiative has been developed in the broader context of the support that is being provided by parent banks to their subsidiaries in eastern Europe, to provide capital where needed and maintaining adequate funding levels.

The IFIs welcome the support that has already been provided to some countries by IMF and EU programmes that have had a clear stabilizing impact and have helped to raise confidence.

The IFIs believe firmly that coordinated action among the IFIs, the bank groups, governments across Europe and the European institutions will help the financial sector in the region emerge robustly from the current crisis.