

# **EBCI / Vienna Initiative**

## **WHAT NEXT?**

*European Bank Coordination (“Vienna”) Meeting  
Brussels, 17 March 2011*

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# The strengths of the Vienna Initiative/ EBCI

- Helped prevent banking and exchange rate crises in EM Europe at the height of the global financial crisis
- Leveraged each player's incentives to develop a generally agreed consensus:
  - Home authorities extended bank support to Eastern European subsidiaries;
  - Host authorities committed to sound macro-financial policies and DI;
  - IFIs and EU provided massive balance of payments support and bank support in a complementary way;
  - Banks maintained exposures and recapitalised subsidiaries.
- The consensus-building carried over into the local currency and the EU structural fund working groups



# Key elements of success

- Unique composition: a private-public platform for coordination and consensus building
  - Process itself is as important as its outcome
- Informing decision-makers of other fora
- Governance: flexible ('ad hoc') with some light informal structure
- Combination of coordination + investment



# An example of new type task: The local currency working group

- All stakeholders contribute to good outcome:
- Process was important for internalising other stakeholders' views on which to build consensus:
  - Banks agreed to discontinue the riskiest forms of lending in FX;
  - Regulators agreed to gradual shifts towards local currency lending contingent on market development and in a coordinated manner;
  - IFIs agreed on supporting local currency development, including through bond issuance.
- Successful test for this type of work



## The way forward:

### Option 1 – Continue with modified mandate

- Discontinue the country-specific meetings on exposures
- Modify remit to focus on regularly identified emerging issues: location of bank capital; post-crisis balance sheet cleanup; bank levy etc.
- Modify governance slightly to match remit
  - Small Steering Committee with representatives of home and host authorities, banks, EU, IMF, EBRD, other IFIs to discuss emerging issues and identify topics of mutual interest;
  - Full Forum discusses and, subject to endorsement, publishes the results



# The way forward:

## Option 2 – Exit

- Declare victory in the press release for this Full Forum and pronounce that the Initiative have fulfilled its purpose
- But maintain readiness for rapid resuscitation of the Initiative should the need arise in this region or another.



# Pros and cons

- **Option 1:**

- + Continued consensus-building through joint work
- + Unique value to inform policy makers
- + Regional coverage complements other for a
- + Can be used in other regions if the need arises
- As recovery gets underway, increasingly diverging interests weakens commitment to consensus-building
- Consensus-building in working groups is resource consuming

- **Option 2:**

- + Legacy of high credibility of a successful PSI
- + Participants already meet in several other fora and topics can overlap
- An avenue for consensus-building with proven success is lost.



**On balance :**

**Option 1 in during the next year**





**Let's discuss!**

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