Final Report on the Joint IFI Action Plan

By

THE EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

THE EUROPEAN INVESTMENT BANK GROUP

European Investment Bank

European Investment Fund

THE WORLD BANK GROUP

International Bank for Reconstruction and Development

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Foreword

Our institutions – the European Bank for Reconstruction and Development, the European Investment Bank Group, and the World Bank Group – launched a *Joint IFI Action Plan in support of banking systems and lending to the real economy in Central and Eastern Europe* on February 27, 2009, which turned out to be around the peak of the global crisis. The plan's objective was to commit to finance up to €24.5 billion for 2009-2010. We made joint assessments of large bank groups' financing needs and deployed rapid assistance in a coordinated manner, according to each institution's geographical and financing remit. We sought to complement our financing with efforts to coordinate national support packages and policy dialogue among key stakeholders in the region, in close cooperation with the International Monetary Fund (IMF) and the European Commission, and key European institutions.

We are pleased to report that our institutions have exceeded the initial commitment of up to €24.5 billion by a significant margin and made available more than €33 billion in crisis-related support for financial sectors in the region. This was necessary because the crisis was deeper than initially expected and the recovery much more protracted, with particularly slow progress in reviving credit and reducing high levels of unemployment in many countries. Each of our institutions delivered more than initially pledged.

We have participated in policy dialogue in the financial sector, in close cooperation with the IMF and the European Commission. This has facilitated the management of the crisis within what has emerged as a novel European private-public sector coordination platform. The "Vienna Initiative" has leveraged and at the same time strengthened incentives for preserving European integration. Our actions have been part of economic crisis response programs, supported by the IMF and the European Commission. These efforts have helped avoid a systemic regional crisis: parent banks have continued to support their systemically important subsidiaries and viable local banks have managed to stay in business.

The recovery is finally underway, 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, based on broadly agreed best practices, is therefore a priority. We have actively participated in public-private discussions to establish such best practices. These included measures to shift away from foreign currency denominated lending to unhedged borrowers towards local currency denominated lending and measures to strengthen the absorption of EU funds to finance much needed investment in the region.

Although the *Joint IFI Action Plan* was concluded at end-2010 as scheduled, we will persevere in our efforts to support lending to the real economy and in the region in the future. The benefits of close cooperation and coordination by International Financial Institutions (IFIs) during the crisis should be preserved. We also believe that the successful model of the *Joint IFI Action Plan*, initially designed for crisis-hit emerging Europe, can be useful for other regions that face challenges in transforming their financial sectors, reviving lending and increasing employment.

Thomas Mirow	*Philippe Maystadt*	*Robert B. Zoellick*
For the EBRD	For the EIB Group	For the World Bank Group

Executive Summary

At the height of the global financial crisis, in February 2009, three IFIs – the EBRD, the EIB Group, and the World Bank Group (IBRD, IFC, MIGA) – decided to deliver a uniquely coordinated and targeted financial assistance to crisis-hit Central and Eastern Europe and Central Asia.[1] They launched the *Joint IFI Action Plan*, committing to deliver assistance of up to €24.5 billion in 2009-2010 to support banking sector stability and lending to the real economy in that region.

During the following three months, the three IFIs met with 17 bank groups whose subsidiaries are present throughout the region. The resulting joint analysis and needs assessment informed and guided the institutions' operational work according to each institution's mandate as well as geographical and product remit. Additional banking groups were taken into the fold of the *Joint IFI Action Plan* after Greek sovereign debt market turmoil stressed financial markets in Spring 2010. By the end of 2010 when the *Joint IFI Action Plan* reached its closure, the three IFIs had made available € 33.2 billion in financial assistance, well in excess of their initial commitments (Table 1).[2] The bulk of the assistance was delivered to the worst hit regions in the most recent EU member states and the Western Balkans (Table 2). Each institution exceeded its initial pledge in the face of a deeper crisis and more protracted recovery than initially expected.

Table 1: Commitments and Delivery 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, EIB, IBRDMIGA), 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.

[1] Depending on each institution's geographic remit.
[2] Preliminary data.

Table 2: Delivery of Commitments under the *Joint IFI Action Plan*, up to end-2010 (in billions of Euros)

	Total available	Total signed
EU-10	***14.5***	***12.0***
EBRD	2.6	1.9
EIB	9.1	7.5
World Bank Group	2.8	2.6
Western Balkans and Turkey	***10.6***	***9.1***
EBRD	1.7	1.1
EIB	5.9	5.3
World Bank Group	2.9	2.6
Eastern Europe and Caucasus	***4.0***	***3.6***
EBRD	1.4	1.3
EIB	0.4	0.3
World Bank Group	2.2	2.0
Russia and Central Asia	***3.3***	***3.1***
EBRD	2.3	2.1
EIB	…	…
World Bank Group	1.0	1.0
TOTAL	***33.2***	***28.6***
EBRD	8.1	6.5
EIB	15.5	13.1
World Bank Group 1/	9.6	9.0

1/ Includes amount unallocated to these specific subregions for IFC and MIGA.
Note: EU-10 include the 10 new EU member states in Eastern Europe. Western Balkans and Turkey include Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, Montenegro, Serbia and Turkey; Eastern Europe and the Caucasus include Ukraine, Belarus, Moldova, Armenia, Azerbaijan, and Georgia (or Eastern Partnership for EIB); and Russia and Central Asia include Russia, Mongolia, Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan.

Overall, the *Joint IFI Action Plan* has reached its objectives:

- The first priority of the *Joint IFI Action Plan* – to avert a systemic banking crisis in the region with severe damage to the real economy – has been achieved. The Joint IFI Action Plan played a key role in restoring confidence in the region's financial systems. This initiative, unique in its scale, demonstrates the important counter cyclical role played by IFIs during financial crisis. It has taken place in close collaboration with the IMF, the European Commission, home and host governments, and private sector banks, which agreed to maintain their exposures to the region.

- The second priority, increasing lending to the real economy, is in advanced implementation. A severe credit crunch that could have plunged fragile economies back into recession has been avoided. However, in several countries, pre-crisis credit booms have yet to fully unwind and the recovery in credit growth has lagged. At the same time, lending appears to be increasingly in local currency, starting to reduce the systemic risks associated with foreign exchange lending to unhedged borrowers, and there is also more reliance on domestic savings and local capital markets.

- The design of the *Joint IFI Action Plan* has also contributed to its success: the initial needs assessment was conducted jointly by all the institutions involved, while delivery was affected individually, although in a coordinated way. This has allowed avoiding delays for reasons related to differing internal decision-making procedures. To the extent possible, processes were also harmonised, for example through joint or shared due diligence among the institutions. As such, the *Joint IFI Action Plan* represented a breakthrough in the coordination of IFI support for markets and clients.

- Finally, the participants of the *Joint IFI Action Plan* have been deeply involved in the Vienna Initiative. Resources made available to the private sector under the *Joint IFI Action Plan* have complemented those made available to public sectors by the IMF, the European Commission and IBRD, creating positive synergies between macroeconomic and micro/financial sector support and enhancing public confidence.

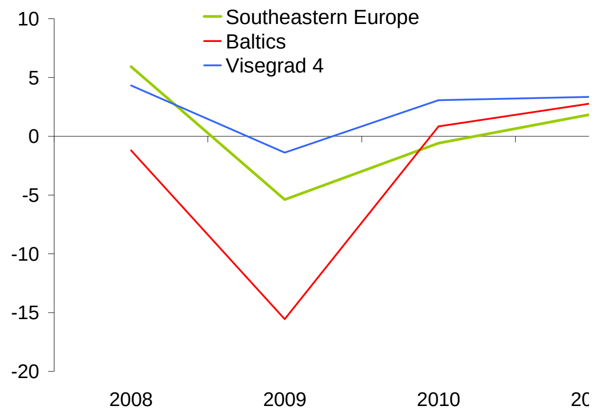
The Overall Setting

Macroeconomic environment

The recovery from the crisis is now well underway in Eastern Europe, although still somewhat haltingly especially in some of the Western Balkan countries, Romania, Bulgaria, and Croatia (South-Eastern Europe). With the exception of the financial market turmoil during the Spring, external and domestic economic conditions have steadily improved.

- ➢ The recovery in the core Eurozone, the resumption of credit growth, much of it in local currency, and the levelling off of unemployment rates propelled economic activity in Central Europe and the Baltics.

Chart 1. Real GDP Growth (%)



Source: *Regional Economic Prospects* January 2011, EBRD.
Note: Visegrad 4 includes Hungary, Poland, Slovakia and Slovenia. Baltics include Estonia, Latvia, and Lithuania. South-Eastern Europe includes Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, Montenegro, Romania, and Serbia.

- ➢ Elsewhere, however, and especially in much of South-Eastern Europe, the recovery was held back by domestic fiscal adjustment, often under the auspices of balance of payments support programs, and by the strains of the Eurozone sovereign debt crisis. 5-30% of banking system assets of South-Eastern European economies are owned by Greek banks. As their parents suffered funding shocks during the Greek sovereign debt turmoil, local subsidiaries – albeit typically highly liquid and well capitalized – risked coming under funding pressures as well. IFI intervention alleviated some of these spillovers.

- ➢ Further East, in Ukraine, Kazakhstan and the Caucasus, agricultural crop damage due to summer droughts slowed an otherwise solid recovery (backed by rapidly rising commodity prices).

In the short-term, Eastern Europe's growth is likely to be in the range of 2-4%, although with short-term downside risks (Chart 1). Much of the region is deeply integrated into global and regional production and financial networks or commodity markets. This makes the region particularly vulnerable to trade shocks or to changes in global risk aversion that affect Western European parent bank groups.

The long-term growth potential of the region remains strong once competitiveness is regained. The region is closely connected to large product and labour markets and is well placed to benefit from technological and knowledge spillovers from these markets. With, at times severe, fiscal consolidation underway in many countries in the region, pre-crisis losses in competitiveness will gradually be reversed. However, in this process, governments and private sectors will need to reduce excessive pre-crisis reliance on foreign savings and make better use of those foreign savings that do return to the region.

Financial sector

Structure

A few ownership changes as a result of the crisis have marked the beginning of a possible broader change in the structure of the Eastern European banking systems. As the crisis redefined banks' strategic orientations, several Western European banks have sold stakes in subsidiaries that were no longer strategically important. Spanish and Turkish banks in particular have seized the opportunity to expand into Eastern Europe.[3] Some banks, such as Allied Irish Bank or KBC, divested or are in the process of divesting their non-core operations in Central and Eastern Europe in the context of restructuring plans coordinated with the European Commission.

[3] Some prominent recent deals are the purchase of Polish Zochodni Bank by Banco Santander from Allied Irish Bank; the purchase of a stake in Garanti bank by BBVA from GE; and the purchase of Polbank EFG by Raiffeisen Bank International. Among the Turkish banks, Isbank has announced its intention to open branches in South-Eastern Europe, Garanti bank has expanded its retail operations in Romania, and Aktifbank has acquired all remaining shares in its Albanian subsidiary, the second largest bank in the country.

Developments

The strong capital inflows that have returned to many emerging markets since mid-2009, have benefited the region only modestly. Fuelled by abundant global liquidity, more favourable growth prospects and debt dynamics as well as better risk-return prospects than in advanced economies[4], large emerging markets in Latin America and Asia have received strong and mostly non-FDI capital inflows. Capital inflows are starting to return to the region too, but with a lag (except in Turkey and Poland) and a different composition from that seen in other emerging markets. In the region, capital inflows are bolstered by more stable FDI inflows. Many countries in the region continued to experience non-FDI outflows, as also reflected in outflows of BIS reporting banks that were similar to those from Western Europe (Chart 2a, b). This is a reflection of the deep integration of Western and Eastern European banking systems which experienced similar reductions in assets of BIS-reporting banks.[5]

Chart 2a. Capital inflows
(% of annual GDP, balance of payments data)

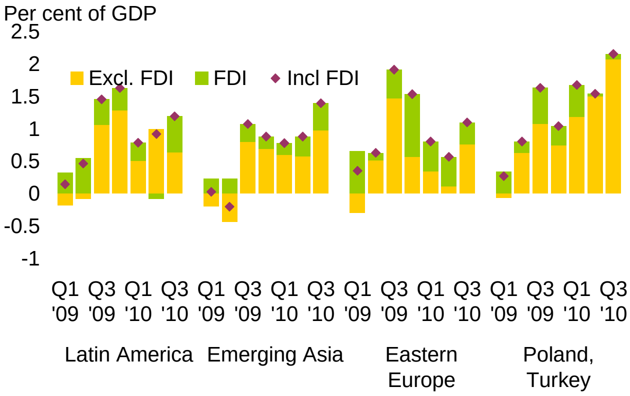
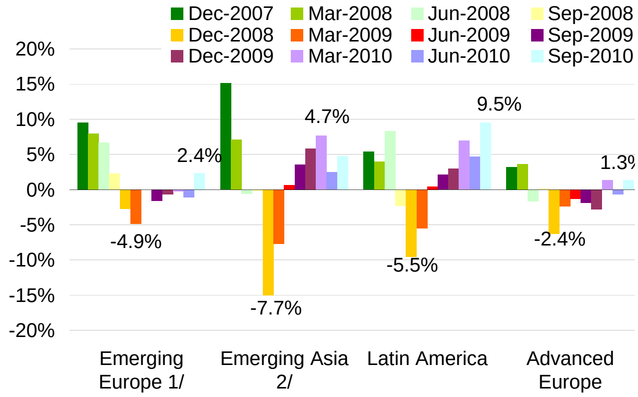


Chart 2b. Cross-border BIS-reporting bank lending flows
(Exchange rate adjusted changes in cross-border assets of BIS-reporting banks, % of previous quarter stocks)



Source: IMF BoP statistics and official authorities, BIS.
Note: In Chart 2a, Latin America includes Brazil, Mexico and Columbia and Emerging Asia includes India, Indonesia and Thailand. Eastern Europe includes the 10 new EU member states in Eastern Europe, the Western Balkans, Turkey, the Caucasus, Ukraine, Belarus, Moldova, Russia, Mongolia, and Kazakhstan. In Chart 2b, definition of regions from BIS, i.e. EM Europe excl. Caucasus, Central Asia, Mongolia.

With the exception of those countries with the largest pre-crisis credit booms and the slowest recoveries, credit growth is resuming across the region. As of end-October/November 2010, credit to the private sector had been steadily growing for several months in most countries and most strongly for those countries with

- Strong capital inflows (Turkey, Armenia, Poland);
- State-supported lending (Belarus); or
- Strong deposit growth following withdrawals during the financial crisis and/or during the Greek sovereign debt crisis (Serbia, FYR Macedonia, Moldova, Georgia).

Credit growth has remained slow where the recovery has lagged (South-Eastern Europe) and negative where pre-crisis credit booms are unwinding or regulatory policies have restricted

[4] See IMF World Economic Outlook and Global Financial Stability Report, October 2010.
[5] Corporates have generally deleveraged in fewer countries thus far.

lending (Chart 3). In Hungary, in particular, regulatory policies to restrict mortgage lending in foreign currency – combined with underdeveloped local currency funding alternatives – contributed to a contraction in household lending. In Ukraine, private sector credit is growing only slowly, as the unwinding of the pre-crisis credit bubble is offsetting the impact of a return of deposits that had been withdrawn during the crisis and before the presidential election. In those countries where pre-crisis credit booms were the strongest (Baltics, Montenegro, Kazakhstan) credit continues to contract.

- Since the crisis[6], the main source of credit growth has been local currency lending[7], although the balance has recently been tilting towards foreign currency lending in some countries with strong capital inflows (Poland, Ukraine).[8]

- Household lending has been driving credit growth in the Baltic and Central European countries and corporate lending elsewhere. In the Baltic and Central European countries (and Kazakhstan), corporate credit was still contracting or stagnant at end-November 2010, although in some (Poland, Slovenia) mitigated by robust household lending growth. Elsewhere in the region, corporate credit has been robust and stronger than household lending growth. In Ukraine in particular, robust corporate credit growth offset the contraction in household credit. Both household and corporate lending was typically driven by local currency.

Chart 3a. EU Member States, Croatia and Turkey: Contribution to Credit Growth, Local Currency versus Foreign Currency (year-on-year, in %)

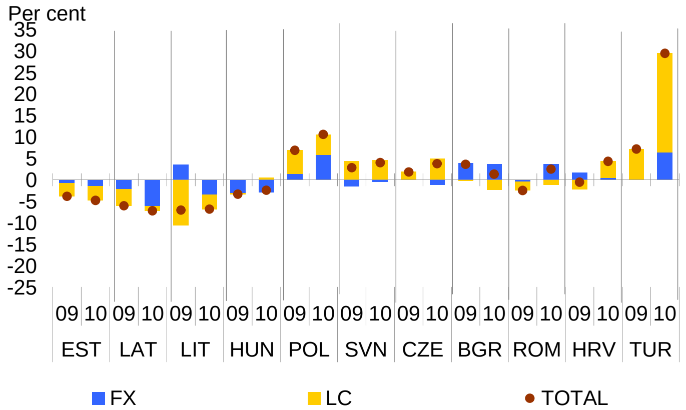
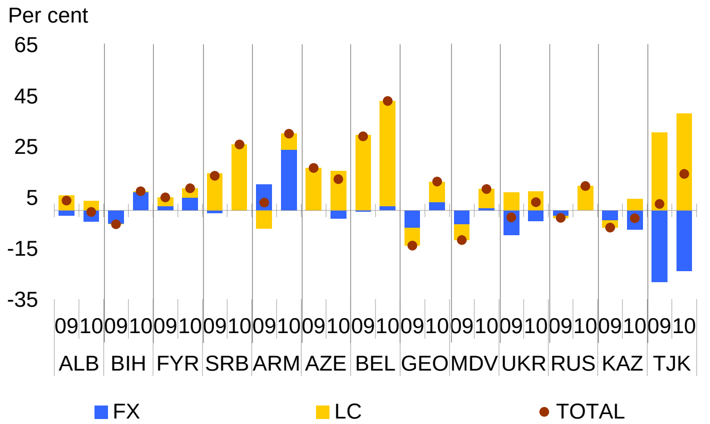


Chart 3b. Non-EU member states: Contribution to Credit Growth, Local Currency versus Foreign Currency (year-on-year, in %)



Source: CEIC, WEO.
Note: Latest data on year-year credit growth typically for November 2010. Data for October 2010 for Bulgaria, Slovenia, Montenegro, Romania, and Tajikistan. End-2004 data not available for Bosnia and Herzegovina, hence end-2005 data for Bosnia and Herzegovina.

With few exceptions (Hungary, Bulgaria, Romania, Ukraine), nonperforming loan ratios have begun to level off, thus relieving bank balance sheet pressures. However, in some countries

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6 Pre-crisis, foreign currency lending was pervasive across much of the region (Transition Report 2010, EBRD, pp. 46-65, available at http://www.ebrd.com/downloads/research/transition/tr10.pdf).

7 Data for some South-Eastern European countries suggest an increase in foreign currency lending. However, the data does not correct for foreign-currency indexed lending. In Serbia, for example, there has been a pronounced switch away from foreign-currency index lending towards outright foreign currency and (mostly) local currency lending.

8 In Turkey, despite strong capital inflows, most lending tends to be local currency denominated. Regulation restricts lending in foreign currency to borrowers without matching foreign currency income.

where nonperforming loans have stabilized, this has been at high levels (Latvia, Kazakhstan, Georgia). The balance sheet pressures from high and/or rising nonperforming loan portfolio thus continue to constrain credit growth in a handful of countries in Eastern Europe and Central Asia.

Delivery under the *Joint IFI Action Plan*

Joint needs assessment

The three institutions had joint discussions with banking groups operating in the region. Between March and May 2009, the three IFIs held joint meetings with 17 banking groups that cover over 60% of bank assets in the region. Following the Greek sovereign debt market turmoil, the IFIs further expanded the group to their partner banks.

- Overall, banks have found the joint needs assessment and cooperation/information sharing with the IFIs to be an efficient forum to discuss operational and regulatory issues.
- Banks' initial needs were for liquidity, as major credit and money markets had frozen up. This has since expanded towards improving capital buffers, including through recapitalization and risk mitigation/risk sharing mechanisms.
- Banks have participated in a public-private working group tasked with distilling best practices for foreign currency borrowing in the region. A renewed emphasis on local currency lending is now evident.

Project Delivery

Overall, the IFIs have provided funds well in excess of their commitments under the *Joint IFI Action Plan*. This section summarizes individual institutions' project delivery up to end-2010.

EBRD

EBRD's delivery under the Joint IFI Action Plan exceeded the initial objective of €6.0 billion, to reach a total of €8.1 billion, of which €6.5 billion have been signed and €4.2 billion disbursed (Table 3). Most of the support was in the form of senior debt funding (64% of signed amounts); followed by Tier I and Tier II equity (20%) and trade finance (16%). Recipients included the subsidiaries of international groups, principally from Austria, France, Italy and Greece (56%) as well as local financial institutions (44%). The distribution was fairly even among regions/major countries: Central Europe (16% of approved amounts), South Eastern Europe (22%), Russia (25%) and Ukraine (16%).

Table 3: Delivery on EBRD's Commitments under the *Joint IFI Action Plan*, up to end 2010 (in millions of Euros)

By Country	Total approved	Total signed	Total disbursed
Bulgaria	449	299	181
Hungary	483	467	87
Latvia	151	104	127
Lithuania	30	30	35
Poland	585	545	407
Romania	799	431	282
Slovakia	70	55	35
Slovenia	50	-	-
EU-10	***2,617***	***1,931***	***1,154***
Albania	50	29	25
Bosnia and Herzegovina	156	154	70
Croatia	159	159	146
FYR Macedonia	64	57	10
Montenegro	60	38	6
Serbia	447	301	213
Turkey	781	343	340
Total South-Eastern Europe and Turkey	***1,717***	***1,081***	***810***
Armenia	52	49	34
Azerbaijan	91	92	41
Belarus	105	90	58
Georgia	200	183	118
Moldova	81	79	47
Ukraine	912	846	674
Total Eastern Europe and Caucasus	***1,441***	***1,339***	***972***
Mongolia	4	5	3
Kazakhstan	361	360	173
Kyrgyzstan	30	23	12
Russia	1,861	1,676	1,056
Tajikistan	29	29	12
Turkmenistan	2	2	-
Uzbekistan	10	10	-
Total Russia and Central Asia	***2,297***	***2,105***	***1,256***
By Ownership structure			
Foreign owned	3,815	2,853	2,164
Local owned	2,908	2,256	1,681
By Product			
Debt	5,503	4,150	3,085
Tier 1&2	1,567	1,304	1,107
Guarantee	1,001	1,001	-
TOTAL EBRD	***8,071***	***6,455***	***4,192***

EBRD's delivery has been supported by a new packaged group approach for international strategics with a broad regional presence (Table 4), which has allowed creating efficiency and consistency in preparing bundled facilities. This approach applied from the start of the crisis with groups such as Unicredit (€430 million in 12 projects across 8 countries), Société Générale or Raiffeisen Bank International and carried through 2009-2010, with most recently the Greek banking groups National Bank of Greece, EFG Eurobank, Alpha Bank and Piraeus Bank (€980 million for 11 subsidiaries of the 4 groups, across 4 countries). Beyond the customary review of the final borrowing subsidiaries in the countries of operation, the analysis also focused on the assessment of the parent group as a whole and of its ability to sustain its presence in the region.

Table 4: Ten largest Funding packages by EBRD under the *Joint IFI Action Plan*, up to end-2010 (in millions of Euros)

International Parent Group	Total Approved*	Total Signed*	Total Disbursed*
Unicredit Group	445	429	345
National Bank of Greece	365	190	3
Société Générale	343	171	150
EFG Eurobank	244	138	113
BNP Paribas	238	174	174
Erste Bank Group	235	235	176
Piraeus Bank Group	208	110	97
Alpha Bank Group	200	100	53
Intesa SanPaolo	199	199	140
Raiffeisen Group	170	158	137
Others	1,169	949	778
TOTAL*	***3,815***	***2,853***	***2,164***

* Excludes trade finance.

Looking ahead, the EBRD is staying engaged with the financial sector in the region with an expected flow of business of €2.5 - 3 billion of new annual commitments, which it plans to deliver in coordination with its partner IFIs. As banks in the region are gradually reconsidering more significant portfolio growth, the EBRD will continue to support lending through various facilities, dedicated to mid-size corporates and SMEs or in support of specific objectives such as energy efficiency investments. New funding approaches through syndicated loans or capital markets will be considered in order to promote more diversified long-term funding sources. The EBRD will also continue to provide equity to strengthen existing balance sheets and support future growth opportunities or, where applicable, mergers and acquisitions. Addressing the high level of nonperforming loans will be a major challenge. As macroeconomic and regulatory conditions permit, the EBRD aims to further increase its lending in local currency as well as to support the development of local capital markets in close coordination with other international financial institutions.

EIB Group

The EIB Group successfully delivers on the commitment to double available resources for the Central, Eastern and Southern Europe region's real economy via banks: as of 31st December 2010, EIB had made available €15.5 billion (141% of the € 11 billion initially committed), and signed loans for over €13.1 billion.[9]

- At the end of 2010, disbursements reached €8.4 billion (Table 5). At the same date, over €6.5 billion had already reached their final beneficiaries – SMEs or small infrastructure projects – via some 50 financial intermediaries including the majority of large Western European banking groups' subsidiaries in the region (Table 6).

- In terms of geographical distribution, 59% of the €15.5 billion resources have been directed to the EU Central and Eastern European member states, 15% to the Western Balkans, 23% to Turkey and the remaining 3% to Eastern Partnership countries. This distribution reflects the focus of activity of EIB.

- EIF – the subsidiary of EIB focusing on venture capital and guarantees for SMEs – committed in the region €1.7 billion for the period 2009-2010. A wide range of financial products has been made available to intermediaries, from equity and equity-like investments to funding products, in order to address both capital and liquidity issues, always with the objective of stimulating SME financing. The implementation of the JEREMIE initiative following the establishment of five Holding Funds in the area started to successfully address the specific regional requirements often with the development of tailor-made financial instruments. As a result, a number of funded risk sharing agreements have been put in place, combining an upfront funding of a new SME loan portfolio and a risk sharing of losses on a loan-by-loan basis.

[9] Includes €1.7 billion of committed resources by EIF of which €237 million of Equity and Mezzanine Investments in Funds investing in SMEs (with different sector focus and investment stage) and €1.5 billion of guaranteed volumes of SME loans portfolios and funded risk sharing products.

Table 5: Delivery on EIB Group's Commitments under the *Joint IFI Action Plan*, up to end 2010 (in millions of Euros)

Country	Total Approved	Total Signed	Total Disbursed
Bulgaria	444	424	224
Czech Republic	1,349	1,269	995
Estonia	155	50	50
Hungary	1,596	1,306	851
Latvia	518	332	147
Lithuania	268	213	170
Poland	2,494	1,918	1,392
Romania	795	700	437
Slovakia	564	544	363
Slovenia	956	791	559
Total EU – 10	***9,137***	***7,546***	***5,187***
Albania	35	10	0
Bosnia Herzegovina	459	334	82
Croatia	913	733	305
FYROM	120	110	75
Montenegro	130	109	56
Serbia	664	604	335
Total Western Balkans	***2,321***	***1,900***	***853***
Turkey	3,625	3,428	2,407
Eastern Partners	420	275	0
TOTAL EIB	**15,502**	**13,149**	**8,446**

- The increase of amounts available and disbursed to banking groups was substantial and corresponds to the commitment of the EIB Group under the European Economic Recovery Plan to increase its support to the real economy in EU Member States and in the CEE/SEE region by substantially increasing its activity in 2009 and 2010.

- Although absorption by banking groups varied by country and by customer type, most banks drew some 50% of the available resources, which rapidly reached final beneficiaries: this corresponds to doubling absorption in some of the most affected countries. This result is considered a notable success as EIB resources substituted unavailable lending from local banks, as the crisis heavily affected availability of traditional funding sources.

Table 6: Delivery on EIB Group's Commitments under the *Joint IFI Action Plan*, up to end 2010 (in millions of Euros)

By Bank	Total Approved	Total Signed	Total Disbursed
UniCredit Group	1,641	1,309	844
Erste Bank Group	1,163	1,086	877
Société Générale	738	522	256
Intesa Sanpaolo	555	385	322
Dexia Group	599	593	277
RZB	407	337	213
BNP Paribas / Fortis	405	355	125
EFG Eurobank	246	246	26
KBC Group	288	138	130
Volksbank	318	318	213
HAA	256	179	19
National Bank of Greece	183	183	183
Nordea	74	74	74
OTP	51	50	50
Total	***6,923***	***5,774***	***3,609***
Other Banks	8,343	7,138	4,826
EIF Equity commitments	237	237	11
Grand Total	***15,502***	***13,149***	***8,446***

Looking forward, EIB aims at:

- maintaining SME and small infrastructure lending as one of its priority areas in the Central, Eastern and Southern Europe region via its large network of banks. Whereas overall available financing from EIB is supposed to come back to lower pre-crisis levels from 2011, in CEE and SEE countries the focus on SMEs support and convergence is expected to be maintained over the medium term, while gaining momentum in Eastern Partnership countries, to which SME support was extended only end of 2009;

- as to product development, the EIB Group is intensifying its efforts to further reduce borrowing costs for the SME sector also via its subsidiary the EIF by providing guarantees for securitised SME financing instruments and via risk sharing operations with banks.

Overall, the EIB Group expects to maintain a strong presence in the CEE, SEE and Eastern Partnership countries while increasing activity in SME guarantees and risk capital for EIF. Closer coordination among IFIs will remain as a key tool to ensure optimal allocation of resources.

The World Bank Group

In 2009, the World Bank Group pledged under the *Joint IFI Action Plan* to make available €7.5 billion over 2009-2010 to the region; as of end-December 2010, the World Bank group exceeded this objective by over 20 percent with commitments of €9.6 billion across its various agencies, including €5.2 billion from IBRD, €2.0 billion from MIGA and €2.4 billion from the IFC (Table 7).

Table 7: Delivery on World Bank Group's Commitments under the *Joint IFI Action Plan,* up to end-2010 (in billions of Euros)

Institution	Commitments	Total available
IBRD	3.5	5.2 1/
MIGA	2.0	2.0
IFC	2.0	2.4
TOTAL World Bank Group	***7.5***	***9.6***

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

The International Bank for Reconstruction and Development (IBRD) has implemented nearly three dozen operations during the period of implementation of the *Joint IFI Action Plan,* for €5.2 billion – largely exceeding its original commitment of €3.5 billion (Table 8)**.** IBRD operations aimed at assisting in stabilizing the financial sector through budget support for reforms, and credit lines to provide funding security to banks and access to credit, especially for small- and medium-enterprises. Lending operations have been complemented by technical assistance and analytical work across the region, emphasizing diagnostic work in the financial sector and strengthening of the sector and its regulation and supervision.

More recently, efforts have concentrated on dealing with the legacy of the crisis, including the pervasive contraction in credit in many countries, management of non-performing loans, and strengthening of still weak bank balance sheets in several countries. Assistance is being provided for balance sheet restructuring and asset disposal, risk-mitigation, and meeting of new regulatory requirements, and through additional credit lines, particularly for small- and medium-enterprises and exporters.

More broadly, the IBRD strategy for countries in Europe and Central Asia continues to focus on longer developmental needs of the region, with an emphasis on deepened reforms for strengthening competitiveness, support to social sector reforms for inclusive growth, and a renewed focus on climate action for sustainable growth.

Table 8: Delivery on IBRD's Commitments under the *Joint IFI Action Plan*, up to end-2010 (in millions of Euros)

By Country	Commitments	Total available
Hungary		1,043
Latvia		309
Poland		480
Romania		218
TOTAL EU – 10		***2,050***
Bosnia		52
Croatia		141
Macedonia		6
Montenegro		79
Serbia		129
Turkey		1,149
Total Western Balkans and Turkey		***1,556***
Armenia		65
Belarus		37
Georgia		41
Moldova		22
Ukraine		1,033
Total Eastern Europe and Caucasus		***1,198***
Kazakhstan		369
Tajikistan		11
Total Central Asia		***380***
TOTAL IBRD	***3,500***	***5,184 1/***

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

MIGA delivered € 1.4 billion of signed guarantees under the *Joint IFI Action Plan* (Table 9). Since the launch of the initiative, MIGA has issued 21 guarantees in support of 17 financial institutions – 14 banks and 3 leasing companies - in 13 countries. MIGA has mobilised € 0.5 billion of market capacity in the form of reinsurance and supported the rest from its own balance sheet. Additional guarantee capacity of €0.5 was available as agreed with MIGA's Board under the Financial Sector Initiative, MIGA's framework for implementing the Joint IFI Action Plan.

MIGA played an important role in helping parent banks mobilise IFI support as such support was conditional upon shareholders funding a portion of subsidiary needs. While the parent banks were prepared to provide such funding, some of them were constrained by their internal country risk limits, which MIGA coverage has helped them to address.

The majority of the coverage was issued to Unicredit Group and Raiffeisen Group (Austria), MIGA's long-time clients which have extensive networks of subsidiary banks and leasing companies in the region. During the crisis, Unicredit and Raiffeisen showed strong support to their subsidiaries, including rolling over of maturing loans and providing long-term stable shareholder funding. In the early phase of the crisis, the majority of funding was provided as liquidity support for asset-liability management, whereas later a portion of the shareholder loans funded lending to the real economy.

In December 2010, MIGA also issued coverage to ProCredit Holding AG (Germany) for its new and existing equity investments in subsidiary banks for coverage of their mandatory reserves held in respective Central Banks. By freeing up equity at the holding level, MIGA guarantees will enable ProCredit to make new equity investments in its subsidiaries in order to increase their lending to micro, small and medium-sized enterprises in their respective countries.

Under the Joint IFI Action Plan, MIGA was the only IFI that provided political risk guarantees in support of shareholder funding. While MIGA received a large number of requests for coverage early in the initiative, many banks faced with tight and volatile funding environments have ultimately opted for the IFI loan products as opposed to political risk guarantees. MIGA's guarantees were complementary in that they helped banks leverage IFI loans.

Table 9: Delivery on MIGA's Commitments under the *Joint IFI Action Plan*, guarantees issued up to end-2010 (in millions of Euros)

Investor name	Host country	Project enterprise	Total available	Total signed
Unicredit Bank Austria	Hungary	Unicredit Bank Hungary Zrt.	95	95
Unicredit Bank Austria	Hungary		190	190
Unicredit Bank Austria	Latvia	AS Unicredit Bank	95	71
Unicredit Bank Austria	Latvia		90	48
Total EU-10			***470***	***404***
ProCredit	Albania	ProCredit Bank S.A.	19	19
ProCredit	Bosnia and Herzegovina	ProCredit Bank A.D.	10	10
Unicredit Bank Austria	Croatia	Zagrebacka Banka d.d.	190	190
Unicredit Bank Austria	Croatia		266	266
ProCredit	FYR Macedonia	ProCredit Bank A.D.	10	10
ProCredit	Kosovo	ProCredit Bank JSC.	38	38
ProCredit	Serbia	ProCredit Bank A.D.	3	3
Raiffeisen	Serbia	Raiffeisen Leasing JSC	29	29
Raiffeisen	Serbia		14	10
Unicredit Bank Austria	Serbia	Unicredit Bank Serbia JSC	95	95
Total Western Balkans			***674***	***670***
ProCredit	Armenia	ProCredit Bank CJSC	3	3
ProCredit	Georgia	ProCredit Bank JSC.	7	7
ProCredit	Moldova	ProCredit Bank S.A.	3	3
ProCredit	Ukraine	ProCredit Bank JSC.	4	4
Total Eastern Europe and the Caucasus			***17***	***17***
Unicredit Bank Austria	Kazakhstan		141	141
Unicredit Bank Austria	Kazakhstan	ATF Bank JSC	102	102
Unicredit Bank Austria	Kazakhstan	ATF Bank JSC	39	39
Total Central Asia			***281***	***281***
ProCredit	Additional capacity		56	0
Total ECA	Additional capacity (gross)		500	0
TOTAL			***2,000***	***1,373***

The International Finance Corporation's (IFC's) pledge under the Joint IFI Action Plan was €2 billion over 2009-2010. As of end-December 2010, IFC exceeded this objective by more than 20% with commitments on its own account of €2.4 billion and disbursements of €1.7 billion (Table 10)**.** IFC's investments were done through the following products:

- Loans, Quasi-Loans and Risk-Management products: €1,098 million or 46% of total commitments.
- Global Trade Finance Program (GTFP) and Global Trade Liquidity Program (GTLP): €940 million or 39% of total commitments.
- Equity and Quasi-Equity investments: €279 million or 12% of total commitments.
- Debt and Asset Recovery Program (DARP): €92 million or 4% of total commitments.

IFC also mobilised from third-party sources €633 million for our clients through IFC's syndicated lending program, structured and securitised products, and the Global Trade Liquidity Program. Notable examples include Commerzbank GTLP (Eastern Europe / Southern Europe region), MDM Bank B Loan (Russian Federation), and Credit Bank of Moscow B Loan (Russian Federation).

IFC's investments were focused on its regional priorities to reach more of the region's poor and vulnerable, create jobs, increase access to infrastructure, support agricultural development, and tackle climate change (Table 11). Notable projects include IFC's support in Serbia (Komercijalna Banka, Cacanska Banka ad Cacak, Eurobank EFG Beograd, Société Générale Banka Srbija and ProCredit Bank Belgrade), and Armenia (ACBA Leasing, Ameriabank and Armeconombank).

In terms of geographical distribution, IFC's commitments included investments in 23 countries in the region, of which 9 are IDA countries (GNI per capita below US$1,165). IFC's major transactions in IDA countries included TBC Bank (Georgia), Bank Republic (Georgia), and Bank Respublika OJSC (Azerbaijan).

Under the Joint IFI Action Plan, EBRD, EIB, and IFC are working together to ensure that their investments complement each other, especially when all IFIs are working with a single strategic investor. When appropriate, the banks coordinate due diligence and harmonise investment terms and conditions to simplify and accelerate investment packages for strategic banks. IFC and MIGA are also expanding a partnership to undertake joint financial market-related business development activities in Europe and Central Asia.

To complement its investments, IFC Advisory Services responded to the crisis with programs designed to support and stabilise banks and businesses. It delivered training to over 500 stakeholders on crisis-related topics and provided advice to banks on the management of risks and distressed assets.

Table 10: Delivery on IFC's commitments under the *Joint IFI Action Plan*, up to end-2010 (in millions of Euros)

Country	Total signed	Total disbursed	Total mobilization
Czech Republic	44	-	-
Hungary	1	1	-
Lithuania	10	-	-
Poland	14	8	-
Romania	168	90	-
Total EU-10	***236***	***98***	***-***
Albania	2	2	-
Bosnia & Herzegovina	12	4	-
Macedonia FYROM	26	24	-
Montenegro	11	11	-
Republic of Kosovo	6	7	-
Serbia	139	47	18
Turkey	351	300	-
Southern Europe Regional Projects	127	16	7
Total Western Balkans and Turkey	***675***	***411***	***25***
Armenia	43	38	-
Azerbaijan	56	38	-
Belarus	72	72	-
Georgia	85	68	-
Moldova	24	7	-
Russian Federation	544	433	346
Ukraine	117	117	-
Eastern Europe Regional Projects	4	6	7
Total Eastern Europe and Caucasus	***944***	***777***	***353***
Kazakhstan	360	350	-
Kyrgyz Republic	14	10	-
Tajikistan	6	2	-
Uzbekistan	4	5	-
Total Central Asia	***385***	***367***	***-***
Other Regional Projects	169	60	254
TOTAL	***2,409***	***1,714***	***633***

Table 11: Delivery on IFC's Commitments under the *Joint IFI Action Plan*, up to end 2010 (in millions of Euros)

By Bank	Total signed	Total mobilization	Total
Intesa SanPaolo (Italy)	103	-	103
Erste Bank Group (Austria)	97	-	97
EFG Eurobank (Greece)	94	-	94
UniCredit Group (Italy)	87	-	87
Raiffeisen Bank International (Austria)	65	-	65
Société Générale (France)	53	-	53
National Bank of Greece (Greece)	44	-	44
KBC Group (Belgium)	36	-	36
Other Parent Banks	96	124	221
Subtotal	***676***	***124***	***801***
Other Banks	1,733	508	2,241
TOTAL	***2,409***	***633***	***3,041***

Under the *Joint IFI Action Plan*, EBRD, EIB, and IFC worked together to ensure that their investments complement each other, especially when all IFIs are working with a single strategic investor. When appropriate, the banks coordinated due diligence and harmonized investment terms and conditions to simplify and accelerate investment packages for strategic banks. Post-crisis, the institutions plan to continue close coordination to benefit from synergies and complement each other's delivery.

Policy Dialogue

Policy dialogue has linked the *Joint IFI Action Plan* with the European Bank Coordination "Vienna" Initiative.[10] The EBRD, the EIB Group and the World Bank Group participants have participated in policy dialogue in the financial sector, in very close collaboration with the IMF and the European Commission. This has facilitated the management of the crisis within what has emerged as a novel European private-public sector coordination platform, the "Vienna Initiative". Projects under the Joint IFI Action Plan have been embedded into macroeconomic crisis response programs, supported by the IMF and the European Commission.

Epilogue

The *Joint IFI Action Plan* has achieved its objectives and drew to its end, as scheduled, at the end of December 2010. It helped avert systemic banking crisis and a severe credit crunch, and helped re-start a credit recovery in many countries.

Important post-crisis challenges remain. These include vulnerabilities arising from foreign exchange denominated borrowing by unhedged entities, the limited amount of local currency savings, the underdevelopment of local capital markets, adjustments to the new post-crisis regulations including possible capital increases, and balance sheet constraints on lending in countries where non-performing loans are high or rising.

The IFIs are well equipped to help address these challenges. Via their diversified range of products, they will continue providing support to the region as country-specific circumstances require. The IFIs' common experience during 2009-2010 showed that not only long-term lending was needed, but that increasing amounts of equity, mezzanine financing, risk-sharing products and guarantees can provide suitable solutions and that IFIs can deliver these in a complementary and coordinated manner.

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[10] The Vienna Initiative has emerged as a platform to coordinate private banking groups, the IFIs, and home and host country authorities. Under the Initiative, parent banks originally committed to maintain adequate capitalization of their subsidiaries while national government bank support packages were made available for parent bank support of subsidiaries in EU host countries. Host country authorities pursued appropriate macroeconomic policies; strengthened their deposit insurance schemes; and provided local currency liquidity as needed. IFIs have delivered macroeconomic and private sector financial support. For five countries with IMF and/or EU support programs, these commitments were formalized as voluntary public agreements. The commitments under the Vienna Initiative have been observed by the participants.

Overall, the *Joint IFI Action Plan* of the EBRD, the EIB Group, and the World Bank Group, as an integral part of a massive international crisis response, has played a crucial role in the restoration of confidence in the European region. The challenge is now to build on this success to develop – in close cooperation of all participants of local markets and the international community – structures that are resilient to future disruptions should they arise.

Although this particular *Joint IFI Action Plan* has drawn to its close, it leaves a legacy of much stronger cooperation between the IFIs than ever before, which will continue in post-crisis Central and Eastern Europe and which is also ready to be deployed again and elsewhere as needed.