

# COMMUNIQUE

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  
International Finance Corporation  
Multilateral Insurance Guarantee Agency

## **Joint IFI Action Plan In Support of Banking Systems and Lending to the Real Economy in Central and Eastern Europe**

1. As the largest international financial institutions (IFIs) investing and lending in central and eastern Europe (“the region”),<sup>1</sup> the EBRD, the EIB Group (EIB and EIF), and the World Bank Group (IBRD, IFC, and MIGA) are launching a **Joint IFI Action Plan** to support the region’s banking sectors and lending to the real economy. The objectives are threefold, to:

- Deploy rapid and sizeable financial assistance to strengthen banks and support lending to the real economy, particularly to small and medium enterprises (SMEs), in a coordinated manner and building on each IFI’s capabilities;
- Engage other stakeholders and mobilise financial resources for the region, using IFI financing as a catalyst;
- Facilitate coordination of national bank support packages and policy dialogue between key private and public sector stakeholders in countries most affected by the crisis.

2. The Joint IFI Action Plan is a key part of our institutions’ effort to address the effects of the global economic crisis. An effective crisis response in Europe’s integrated financial markets requires fast and coordinated action by *all* stakeholders: parent banks, which own a large part of the region’s financial sectors important local banks; home and host country authorities of cross-border banking groups, European institutions and the IFIs. Policy responses that have been initiated at the national level are necessary but may not be sufficient to contain the crisis and maintain lending to the real economy. A coordinated,

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<sup>1</sup> Defined for each institution according to its own geographical remit.

regional approach is required because national policy packages can have effects beyond national boundaries, and because support and stimulus packages compete for a limited pool of resources.

3. While all countries of the region face the challenge of global financial retrenchment, our approach recognizes that countries differ very significantly in terms of their financial vulnerability, their need for support and their status with regards to EU membership.

4. As part of this Action Plan, we expect to commit up to €24.5 billion in financial resources in 2009-10:

- **EBRD** will finance up to €6 billion over the next two years as part of its sharply increased business plan for the financial sector across its region of operations. EBRD's financing will take the form of equity investment and capital supporting instruments to ensure that its clients are adequately capitalised to meet the challenges ahead, targeted medium and long term debt finance to support lending to the real economy, particularly to the SME sector, and the doubling of limits available under its Trade Facilitation Program (TFP) to support trade flows in the region.
- **EIB** group has € 5.7 billion in SME lending facilities available for drawing by Central, Eastern, and Southern European banks, and further tranches totalling a similar amount are expected during the 2009-2010 period (€ 11 billion in all) as part of the EIB volume increase under the European Economic Recovery Plan adopted by the December 2008 European Council. A first further tranche of € 2.8 billion should be approved by end-April 2009. The distribution of these SME facilities, currently totalling € 8.5 billion, is as follows: €4.4 billion for New EU member states; €1.9 billion for pre-Accession Western Balkan states; and €2.2 billion for pre-Accession Turkey.<sup>2</sup> The EIF, the EIB Group's venture capital and SME guarantee arm, is also aiming to increase its activity in this region over the next two years.
- **World Bank Group** intends to propose to its respective Boards lending and guarantee support to the banking and real sectors in the region of up to €7.5 billion equivalent as follows:
  - a) IFC, intervening mainly through its crisis response initiatives, is expected to contribute up to €2 billion, in particular equity/quasi equity investments in banks by the IFC Recapitalization Fund, and trade finance under the Global Trade Finance Program, in order to complement IFC's traditional investment and advisory services in the region;
  - b) 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 and SME/export financing in the region;

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<sup>2</sup> The EIB's mandate does not allow for SME lending in Russia and Eastern Neighbour countries.

- c) MIGA will provide a political risk insurance facility of up to €2 billion for bank lending to the financial sector in the region.

Each institution would approve its funding package based on its internal approval processes and eligibility criteria.

5. Our resources will contribute to meeting the financial sector's need for capital and liquidity. They will complement financing from parent banks of bank groups, which have strongly committed to supporting their subsidiaries in the region, with assistance from their home countries, and by governments that host the subsidiaries of bank groups and possibly additional sources.

6. The Joint IFI Action Plan will support the governments' macroeconomic and structural reform programs, and, where applicable, coordinate with macroeconomic support provided in the context of IMF and EU-led programs. We are working particularly closely with the IMF and complement the Fund's macroeconomic financial assistance with support to banks and lending for the real economy.

7. The Joint IFI Action Plan is based on a set of shared principles that reflect our respective institutions' philosophies and operating practices, as well as our own internal exposure limits:

- Equal country access within each institution's geographical remit;
- Equal bank group access irrespective of nationality (foreign/local), cross-border network, and ownership status (private/public);
- Voluntary participation of countries and banks/bank groups.

8. The Joint IFI Action Plan operates at three different, mutually reinforcing levels or "platforms."

- *Banking groups:* We jointly invite all major banking groups to discuss with us their business plans for the subsidiaries and their associated financing needs to support lending to the real economy. Under the Joint IFI Action Plan, we will provide assistance to bank groups to underpin their continued engagement, especially to support lending to SMEs. Beyond joint needs assessments, we will step up our shared operational work such as joint due diligence.
- *Home-host authorities:* Facilitation of coordination among home and host supervisors with regards to transnational banking groups, in close coordination with the IMF.
- *Public-private sector coordination platform:* Facilitation of a public-private sector policy dialogue involving key public and private sector stakeholders in financial sectors in the region, in coordination with other bilateral and multilateral institutions.

9. We will monitor progress under the Joint IFI Action Plan on a regular basis.

10. We believe firmly that with the significant and coordinated support by IFIs, bank groups, governments across Europe and European institutions, financial sectors in Central, Eastern and Southeastern Europe will pass the test of the global financial crisis and emerge from it healthier and stronger.

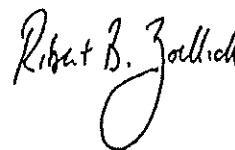
Agreed in London, Luxemburg, and Washington on 26 February of 2009



For the European Bank  
for Reconstruction and  
Development



For the European Investment  
Bank Group



For the World Bank Group