



# First Report on the Joint IFI Action Plan for Growth in Central and South Eastern Europe

## Executive Summary

- Growth in Central and South Eastern Europe faltered in 2012, largely because of the recession in the Euro area. Concern over sustained recovery in these economies, which were also facing reduced access to private capital inflows, prompted the EIB Group, the World Bank Group, and the EBRD to launch a new Joint IFI Action Plan for Growth. This Plan, announced in November 2012, built upon the success of the earlier Joint IFI Action Plan of 2009-10, and covers the period from announcement to end-2014.
- Under the new Joint IFI Action Plan for Growth in Central and South Eastern Europe, the three institutions made commitments to the region of at least EUR 30 billion. Between November 2012 and the end of July 2013, the IFIs have made available to the region new lending of almost EUR 16 billion, showing that they are well on their way to meeting the commitment for the two-year period.
- This assistance has been targeted to help the countries of Central and South Eastern Europe rekindle growth, make further progress towards convergence, and reorient their growth strategies towards greater competitiveness and exports. It has involved considerable lending for infrastructure, both local and to integrate the countries in Trans-European Networks. Support of growth has been reflected in actions to ensure that enterprises, particularly small and medium-sized enterprises (SMEs), have access to the credit they need. The region's financial systems are being strengthened and the basis for domestic capital markets is being laid, with the aim of allowing more reliance on domestic savings, while IFI lending to improve competitiveness, increase energy efficiency and raise productivity is helping develop strong export sectors.
- The initiative has spurred closer collaboration of the IFIs in their approach to the problems of the countries and in operational matters. It is too early to assess the contribution of the Joint IFI Action Plan, and growth forecasts for 2013 remain lacklustre. However, preliminary indications are that the initiative is helping to lay the foundations for a resumption of sustainable growth and convergence.



# 1. Introduction

The Joint IFI Action Plan for Growth in Central and South Eastern Europe was announced in a statement by the Presidents of the European Investment Bank (EIB) Group, the World Bank Group<sup>1</sup> and the European Bank for Reconstruction and Development (EBRD) on November 8, 2012.<sup>2</sup> Under this plan, the three institutions have jointly committed to making more than EUR 30 billion available to the countries in Central and South Eastern Europe from the date of announcement to end-2014. These resources are aimed at rekindling growth in the region by supporting private and public sector initiatives covering infrastructure, corporate investment and the financial sector, among others.

The new Action Plan was designed in the context of the "Vienna Initiative"<sup>3</sup> and follows the successful 2009-2010 Joint IFI Action Plan.<sup>4</sup> However, its scope is wider and more ambitious than the first plan, which concentrated on supporting growth by funding the financial sector in the context of the global financial crisis.<sup>5</sup> The present report covers developments under the new initiative in the period up to end-July 2013 and will be followed by further reports at approximately six monthly intervals during the life of the plan.

## 2. Macroeconomic Background and Challenges facing the Region

The severe crisis of 2008-9 hit Central and Southeastern Europe harder than any other emerging market region, largely because of the macroeconomic vulnerabilities that had developed from the earlier credit boom, the sudden stop of capital inflows, and the collapse in export markets. Nevertheless, the countries of the region generally returned to growth in 2010 and 2011, with output growing 4.5 percent in the latter year as world trade recovered and financing conditions stabilized. The original Vienna Initiative played a crucial part in stabilizing conditions by maintaining the cross-border commitments of international banks in conjunction with strong adjustment programmes.<sup>6</sup> The first Joint IFI Action Plan delivered over EUR 33 billion of assistance to support banking sector stability and financing of the real economy.<sup>7</sup>

However, the recovery came to a virtual halt in 2012 throughout the region, with the exception of the Baltic States, and the overall growth rate for that year was only 1.2 percent. Conditions in the Euro area were the primary cause, although the drag of fiscal consolidation and rebuilding balance sheets also played a role. With much of the Euro area in recession, the

<sup>1</sup> The World Bank Group institutions contributing to this financial outcome are: the World Bank, which is made up of the International Bank for Reconstruction and Development (IBRD), which provides financing, risk management products, and other financial services to middle-income countries; the International Development Association (IDA), which provides interest-free loans and grants to the poorest countries; the International Finance Corporation (IFC), which makes equity investments, and provides loans, guarantees, and advisory services to private-sector business in developing countries; and the Bank Group's political risk insurance agency, the Multilateral Investment Guarantee Agency (MIGA).

<sup>2</sup> <http://www.worldbank.org/en/news/press-release/2012/11/08/new-joint-ifi-plan-for-growth-central-southeastern-europe>

<sup>3</sup> [www.vienna-initiative.com](http://www.vienna-initiative.com)

<sup>4</sup> [http://www.eib.org/attachments/final\\_report\\_on\\_joint\\_ifi\\_action\\_plan\\_feb\\_2011.pdf](http://www.eib.org/attachments/final_report_on_joint_ifi_action_plan_feb_2011.pdf)

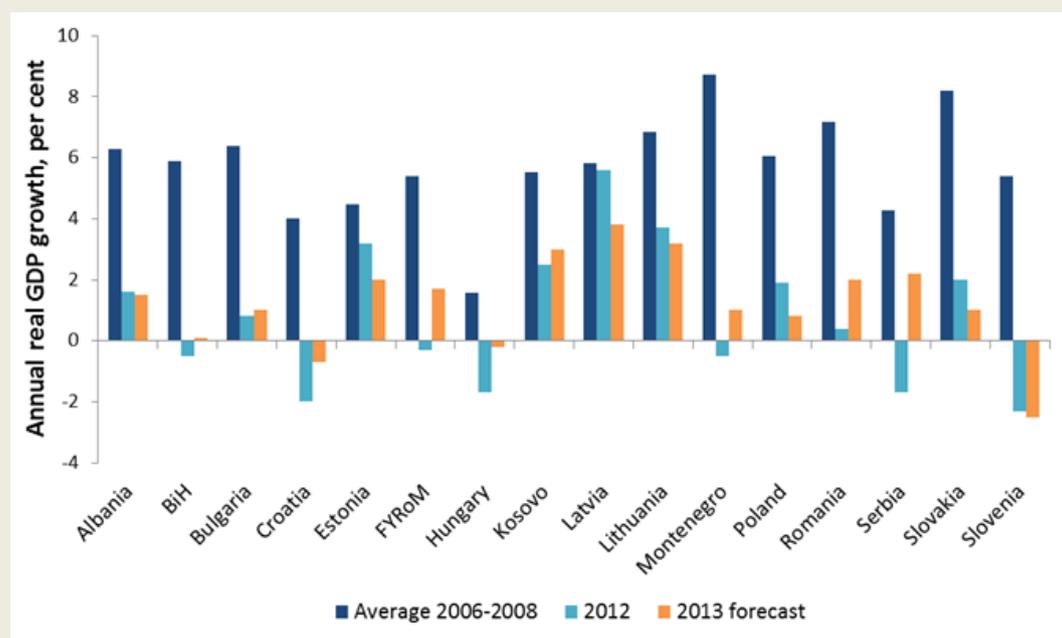
<sup>5</sup> It also differs from the first Action Plan in being limited to Central Europe, the Baltic states and South Eastern Europe, covering Albania, Bosnia and Herzegovina, Bulgaria, Czech Republic, Croatia, Estonia, FYR Macedonia, Hungary, Kosovo, Latvia, Lithuania, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia. These are all new members of the European Union or candidate or potential candidate countries.

<sup>6</sup> See [www.vienna-initiative.com](http://www.vienna-initiative.com)

<sup>7</sup> See Final Report on the Joint IFI Action Plan at <http://documents.worldbank.org/curated/en/2011/03/14310762/final-report-joint-ifi-action-plan>

demand for the region's exports was weak. The countries in South Eastern Europe, which are more closely linked to the Euro area countries facing sharp adjustment, were particularly affected, while the Central European and Baltic countries did better, as their primary economic links were to the more rapidly growing Central and Northern Europe regions. The main European parent banks with subsidiaries in the region covered by the Joint Action Plan found themselves under pressure from markets and regulators to correct their balance sheets, and started again to restructure the funding of their local subsidiaries. While the loss of external funding was to a significant extent offset by increased funding from domestic deposits, in many countries the credit growth needed to support recovery has been lacking.<sup>8</sup> The Euro area crisis also began to affect confidence in the region, with an impact on the willingness to invest.

**Figure 1: Real GDP growth (per cent), 2006-2013**

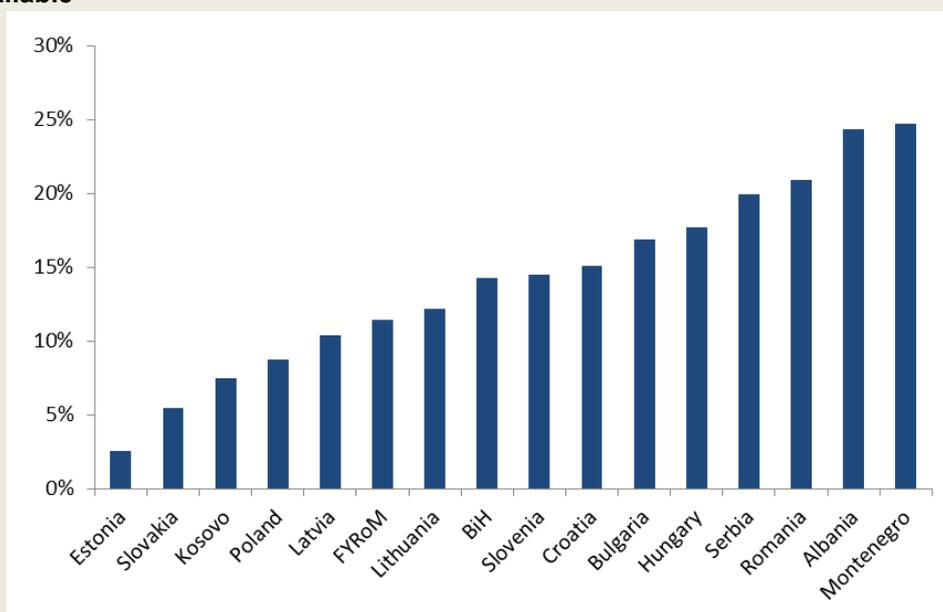


Source: IMF WEO and national sources; EBRD July 2013 forecasts.

The legacy of domestic and foreign currency over-indebtedness in the household sector and part of the corporate sector, particularly the construction firms, continues to be a drag on activity. The earlier credit expansion left large and rising non-performing loans (NPLs) that weigh on bank balance sheets and impair their ability to provide new credit. The recession sharply worsened governments' fiscal positions, requiring some countries to take further corrective actions, although public debt levels remain moderate compared with those of many more advanced European countries. In many countries output is still below its peak levels, and unemployment, particularly among the young, remains high and intractable. This development, in conjunction with a prolonged period of low investment in most countries of the region, may have reduced potential growth.

<sup>8</sup> See CESEE Deleveraging Monitor, July 26, 2013 at [http://www.vienna-initiative.com/wp-content/uploads/2013/07/Deleveraging\\_Monitor\\_07-26-13.pdf](http://www.vienna-initiative.com/wp-content/uploads/2013/07/Deleveraging_Monitor_07-26-13.pdf)

**Figure 2: Non-performing loans (per cent of total loans), Q2 2013 or latest available**



Source: National central banks

The virulence of the crisis in the region called for a reappraisal of the implicit growth model. Convergence based on growth in domestic demand financed by bank-intermediated capital inflows had created severe vulnerabilities. This mechanism had directed too much capital to consumption and asset markets rather than to the expansion of productive capacity. At the same time, inflows of capital through these mechanisms also served to depress national savings rates. While governments did not generally run large deficits, the crisis showed the fragility of their tax revenues and the weakness in their underlying financial positions.

European Union integration through the adoption of the *acquis communautaire*, the liberalisation of product and factor markets, and involvement in the single market have been some of the most powerful drivers of progress in the region. However, the fast growth fueled by capital inflows masked the fact that the crucial first-generation investment climate reforms undertaken in the early transition years were not sufficient to create truly competitive economies in the time available. Despite many undoubted successes, innovation, productivity and skilled job creation lagged in large parts of the region, keeping the economies relatively uncompetitive.

### 3. Commitments under the Joint IFI Action Plan and Preliminary Results

The Joint IFI Action Plan for Growth was conceived as a response to these challenges. First and foremost, the IFIs identified financing of investment activity as the key issue for the resumption of growth. During the transition process, domestic sources for financing investment have been supplemented with various forms of cross-border flows, including very substantial cross-border banking and portfolio capital inflows. Under the Joint IFI Action Plan, the IFIs have sought to ensure that the necessary process of strengthening bank balance sheets and rebalancing the cross-border banking model did not deprive the region's economies of needed credit. This was particularly important for the vital SME and

microenterprise sectors, which tend to rely on bank lending for working capital and other funds. Local bank balance sheets needed to be strengthened with longer-term funding to match longer maturity lending, which the IFIs can help provide, given their capacity to lend long term or to provide long-term guarantees for bank funding. EU structural funds constitute another immediate pool of resources to support economic activity, as well as the pre-accession funds (IPA) dedicated to the Western Balkans. Some countries have experienced difficulties in using these budget funds promptly. Action to speed up such fund use would be particularly valuable at the present juncture, and can be facilitated by combining their use with that of certain IFI resources (see Box 1).

## BOX 1

### ACTION TO SPEED UP USE OF EU FUNDS

The rate of utilisation of European Union Structural and Cohesion Funds varies significantly among members: Bulgaria, the Czech Republic, Hungary, Romania, and Slovakia have rather low rates of utilisation.<sup>9</sup> If these countries could bring their utilisation rates up to those of the better performers, considerable funds for development and policy support would be available, and the reduction in external funding through the banking system could be in part offset.<sup>10</sup> A similar issue arises in some applicant countries, such as FYR Macedonia, Montenegro and Serbia, in utilising the EU funds allocated to them. The main reasons for low levels of utilisation lie in project preparation and documentation and in the provision of counterpart financing.

JASPERS, a programme managed by the EIB and co-sponsored by the European Commission, the EBRD and KfW, is tackling the project preparation issue. New member states and applicant countries can seek assistance during project preparation to help improve the quality of the major projects to be submitted for grant financing under the Structural and Cohesion Funds. The assistance is provided free of charge and is geared towards accelerating the absorption of the available funds. It focuses on major infrastructure projects or the largest projects in the countries in question. JASPERS has recently expanded its field presence in Romania and Bulgaria. Problems encountered in project preparation include lack of technical skills or decision-making capacity in the recipient country. But there are also delays and repetitive referrals during the approval process. Sometime the maximum interval between approval and implementation -- two years -- is too short, given these delays.

The other approach to accelerating the use of EU funds is for the IFIs to cofinance the local costs of the project. In late 2012, the EIB provided Slovenia with EUR 500 million financing for such costs. The EIB has conducted similar cofinancing operations with Polish municipalities, and the EBRD has provided such financing for Cohesion Fund operations in Romania for municipal and environmental infrastructure. The World Bank's Second Science and Technology Project with Croatia was also designed to speed up utilisation of EU funds by strengthening R&D institutions so that they can apply swiftly and by ensuring that there is a pipeline of private sector innovation projects that are eligible for such funds. JEREMIE operations, as mentioned above, also allow the use of a part of allotted EU funds for financing SMEs. Finally, the multi-annual financial framework for 2014-2020 calls for greater use of private sector co-financing of Structural Funds, using such instruments as guarantees and PPPs.

<sup>9</sup> The Annual EU budgets comply with the multi-annual financial framework laid down in a unanimously adopted Council Regulation with a consent of the European Parliament. The sector-specific legislation defines the rules and functioning of programmes in various policy areas such as cohesion, agriculture, research, culture, etc. which will secure funding for millions of EU beneficiaries.

<sup>10</sup> A Vienna Initiative Working Group studied some aspects of this matter in 2010. <http://vienna-initiative.com/wp-content/uploads/2012/08/Working-Group-on-the-Role-of-Commercial-Banks-in-the-Absorption-of-EU-Funds.pdf>

Building on the success of the first Joint IFI Action Plan, the three IFIs announced commitments to the region totaling EUR 30 billion between November 2012 and end-2014. Financial commitments of the individual institutions under the Joint IFI Action Plan for Growth and amounts delivered by end July 2013 are shown in Table 1.

**Table 1: Commitments and Delivery under the JIFIAP for Growth (in millions of euro)**

	Commitments Total, 2013-14:	Delivery By July 2013 <sup>1</sup>
Total	30,000	15,910.79
EBRD <sup>2</sup>	4,000	2,476.36
EIB Group <sup>3</sup>	20,000	10,509.96
o/w EIB		10,071.51
EIF		435.46
World Bank Group <sup>4</sup>	6,000	2,924.48
o/w IBRD	4,000	1,678.27
IFC	1,300	571.33
MIGA <sup>5</sup>	700	674.88

<sup>1</sup> Starting November 2012, except for the World Bank Group, where the data cover the period since the start of FY 2013.

<sup>2</sup> Signed projects.

<sup>3</sup> Signed projects.

<sup>4</sup> Projects approved or disclosed. Commitment updated June 2013. IBRD total commitment is a range of US\$4.5-5.5 billion, and commitments are in US dollars.

<sup>5</sup> MIGA commitment only indicative.

Within the overall envelope of the Joint IFI Action Plan, the **EIB Group** has made a commitment to provide financing of at least EUR 20 billion over the two-year period. This assistance is aimed at supporting full convergence of the new EU member states and candidate countries in the region to the standards of the European Union. It is mainly in the form of long-term loans to the private and public sectors, addressing priority areas such as the development of infrastructure, financing SMEs, renewable energy and energy efficiency, innovation and convergence. Particular efforts are being made to support the mobilisation of EU grants and the leveraging of both private and public funds, as well as providing targeted advice. For EU countries, it is supported by the EUR 10 billion capital increase approved by the Bank's shareholders up to January 2013.<sup>11</sup> By the end of July 2013, the EIB had signed over EUR 10 billion of new financing commitments since the announcement of the Action Plan. The European Investment Fund (EIF) provided commitments through guarantee facilities and venture capital of another EUR 435 million over the same period.

The **World Bank Group's** financing commitment to the region is about EUR 6.0 billion, of which the IBRD commitment is in the range of US\$4.5-5.5 billion. The IBRD and IDA are providing policy-based lending, investments, and technical assistance in the countries of the region. World Bank lending is targeted in support of three regional pillars: deepening reforms

<sup>11</sup> In January 2013, the shareholders of the EIB unanimously approved a EUR 10 billion capital increase, allowing the bank to provide up to EUR 60 billion in additional lending over a three-year period for economically viable projects across the European Union. The additional lending will target four priority sectors: supporting innovation and skills, SMEs, clean energy and modern infrastructure. The new financing will be in addition to the EUR 50 billion regular annual lending. <http://www.eib.org/about/press/2013/2013-002-eib-capital-increase-approved-by-all-27-eu-member-states.html>

for better competitiveness, supporting social sector reforms for inclusive growth, and helping countries to adapt to climate change and improve energy efficiency. The IFC is supporting the private sector through its investments and advisory services in such areas as banking, infrastructure, manufacturing, agribusiness, services and trade, while MIGA is providing political risk insurance to support investments across all sectors. During FY 2013 and July 2013, the IBRD and IDA provided some US\$2,173 million (about EUR 1,678 million) in new loans, IFC had approved new investments of US\$740 million (about EUR 570 million) and MIGA had provided new guarantees of US\$874 million (about EUR 675 million).

The **EBRD** has committed itself to provide financing to the region of EUR 4 billion over the two-year period. It is supporting public and private initiatives, including corporate and SME investment in the form of loans, equity and trade financing, sustainable energy investments, as well as national and municipal infrastructure and the financial sector. It is also helping deal with the legacy of the crisis, for example the high levels of non-performing loans and foreign exchange denominated loan stocks, and to support corporate and bank restructuring. Its involvement in the Central European and Baltic area is less extensive than in South Eastern Europe, but its priorities include sustainable energy, privatisation, commercialisation of public utilities, and the development of capital markets. The EBRD's investments are underpinned by policy dialogue aimed at economic restructuring, diversification, and enhancing corporate governance. Since the announcement of the Joint Action Plan, the EBRD has delivered almost EUR 2.5 billion in new commitments to the region.

**Table 2: Sectoral distribution of lending under the Joint IFI Action Plan**

<b>EIB Group</b>	<b>in %</b>	<b>EBRD</b>	<b>in %</b>	<b>World Bank Group</b>	<b>in %</b>
Infrastructure (including TEN-T)	37.6	Industry, commerce & agribusiness	32.4	Financial systems & capital markets	42.1
SMEs, mid caps, equity & guarantees	30.5	Financial institutions, including SMEs	28.1	Public sector reforms	29.1
RDI, Manufacturing, health, education & training	19.7	Infrastructure	21.6	Competitiveness & export promotion	13.7
Energy & environment (including TEN-E)	12.3	Energy, environment & natural resources	17.9	Health, pensions & social services	8.6
				Infrastructure, energy and environment	6.5

Source: IFI databases

As shown in Table 2, for most IFIs, the largest share of new funding has been provided through the financial system to ensure the normal provision of credit in the economies of the region, and particularly to SMEs. Another large part, particularly from the EIB and the EBRD has gone to infrastructure investment and a slightly smaller share to promote competitiveness and efficiency in the manufacturing and business sectors. For the EBRD, agribusiness is an important part of the region's portfolio, particularly in Serbia. Roughly 40 percent of the IFC's investments supported real sector businesses, particularly agribusiness and related industries, with an equivalent proportion going to the financial sector, and the remaining 20 percent going to support the energy sector, including renewable energy. The World Bank's assistance in this region is more heavily focused on policy-based public sector lending and the social sectors. This indicates a degree of complementarity among the activities of the three IFIs.

From the above information on new assistance to the region, it is clear that each of the IFIs is well on its way to more than meeting its commitments for 2013-14 under the Joint IFI Action Plan.

## 4. Operations by theme

### a. Building infrastructure

Infrastructure investment forms a major part of the Joint IFI Action Plan. It is one of the EIB's and EBRD's major activities, and it is an area where there has been a high degree of inter-IFI collaboration. Much of the investment is connected with building the European Union's Trans European Networks in the form of transport routes or energy distribution systems or broadband telecommunications. Preference is given to projects that link countries and promote convergence within the continent.

Among the projects covered by this Joint IFI Action Plan is the Banja Luka – Doboje motorway in Bosnia and Herzegovina, supported by the EBRD and by the EIB. Both the EBRD and the EIB have been involved in the development of the port of Klaipeda in Lithuania, making it into a major regional transshipment hub, as well as strengthening Lithuania's energy security. Large investments in railways have been financed by the EIB (Hungary, Lithuania, and Poland), in electricity transmission in Montenegro (EBRD), and in Serbian roads (all three IFIs, see Box 2). The EBRD and the EIB have also made significant investments in the municipal infrastructure sector. Notably the EBRD has invested in the water sector in Romania and urban transport in Belgrade, and the EIB in Poland, Czech Republic and Lithuania, among others. The IFC reached financial closure on several landmark PPP transactions, including the Ashta hydropower plant in Albania. Finally, the World Bank is supporting the government of Albania in establishing a strategic framework to manage water resources at the national level and in the Drin-Buna and Semani river basins, as well as improve the performance of several irrigation systems.

## Serbia – Road Rehabilitation and Safety Project

This priority infrastructure project for Serbia is to be co-financed by the EIB, the World Bank, the EBRD, and Serbian Government.

Road transport is the dominant mode of transport in Serbia. Some 1,600 km of the national roads form part of the South East Europe Transport Observatory (SEETO) network, and are proposed for inclusion in the trans-European transport network (TEN-T). Serbia's extensive transport infrastructure network has suffered from a lack of maintenance over the last 20 years, and the level of injuries and fatalities caused by traffic accidents is a growing social and economic problem.

The Serbian Authorities have determined to implement a National Road Network Rehabilitation Programme to improve the quality of and safety on priority national roads. About 5,000 km of national roads have been identified as high priority, and financial support from several IFIs is being sought for the rehabilitation works. In the first phase, about 1,100 km will be rehabilitated, incorporating safety considerations in the design.

The Road Rehabilitation and Safety Project is expected to consist of two components: (i) the rehabilitation and improvement of safety measures of about 1,300 km of national highways over the next 5-6 years; and (ii) technical assistance for capacity building in road safety management, network maintenance, and environmental, social and investment planning. The project will start later in 2013 and will cover the five-year investment plan, with the expected completion towards the end of 2019.

The project is expected to promote regional and national economic growth, facilitate trade, support private sector development, and ultimately contribute to economic and social cohesion in the region. It is expected to have a high rate of return, and to contribute to the promotion of good road safety practices at both the project and institutional levels. The temporary employment generated by the project is estimated at approximately 13,300 person-years. The project will involve close collaboration between the staffs of the IFIs in preparing and appraising the projects and during the monitoring phase.

The project will be implemented through a Project Implementation Team (PIT), headed by a Director for Investments who has implemented many IFI-financed projects in the past and is familiar with all the relevant IFI requirements. To facilitate the implementation process, WB, EIB and EBRD will, as far as possible, align their project-specific requirements. Given the project's size, required TA support will be included as part of the project. Implementation will be jointly monitored by the EIB, the World Bank, and the EBRD, with the assistance of several independent consultants and auditors. The EIB will delegate procurement supervision to the World Bank in an effort to streamline procedures.

Attracting long-term financing to large-scale infrastructure projects in the region will be facilitated by the Project Bond initiative of the EIB and the European Commission. Under this initiative, the EIB can enhance the bonds of suitably structured PPP projects in the areas of TEN-T, TEN-E and broadband telecommunications and ICT, when needed to attract investors. This should allow additional leveraging of the available public resources and strengthen the alternatives to direct bank financing or public sector grants. The initiative is currently in a pilot phase, but could be applied during the next multi-annual financial framework for 2014-20.

Creating an efficient, sustainable, and secure energy sector is among the priorities of the European Union, and assistance under the Joint IFI Action Plan has been directed towards

that end. This includes the EBRD's financing of two wind farms (Vutcani and Sarichioi) in Romania, the Kukinia wind farm in Poland, and the Komani Hydro power project in Albania, the Jelinak Windfarm Project in Croatia and the Alibunar Windfarm Project in Serbia, both financed by the IFC. The IFC-supported Ashta hydroelectric project mentioned above is Albania's first major power plant construction in 30 years and the government's first large public-private partnership (PPP) in the energy sector. The EBRD has also been financing the Energa smart grid in Poland, and the EIB energy distribution systems, gas import facilities and thermal facilities in Lithuania, Poland, and Romania. The EBRD supported investments in improving energy efficiency both directly, one example being Podravka, one of the largest food producers in Croatia, and indirectly through its Sustainable Energy Financing Facilities (SEFF) programmes via banks in Albania, Bulgaria, Croatia, Kosovo, Poland, Romania and Slovakia.

## b. Unblocking credit channels to the economy and supporting SMEs

The supply of finance to enterprises is the single most critical factor in generating growth in the region, and in most countries credit growth is now zero or negative. To some extent, this is due to lack of demand for credit as confidence is low, but at least as important a factor is that normal channels for the supply of credit, especially to SMEs, are broken. Bank funding is under strain, and parent banks are in some cases seeking to strengthen their subsidiaries' balance sheets, especially when the latter are encumbered with high and rising non-performing loans.

Corresponding to the importance of the issue, the IFIs have all been active in lending to banks to provide them with the resources to on-lend to SMEs. Since November 2012, the EIB has signed credit lines for such purposes with banks in Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Latvia, Lithuania, Poland, Romania, Serbia, Slovakia and Slovenia, to an amount of EUR 3,110 million, or roughly a third of all signed loans for the region. In addition, the EIB has approved but not yet signed such credit lines with banks in Bosnia and Herzegovina, Croatia, Czech Republic, Hungary, Montenegro, Poland, Romania, Serbia, and Slovakia to an amount of EUR 986 million. The EIB is such a significant source of such financing, that it is actively seeking new financial partners through whom it can lend.

Similar SME credit line operations have been conducted by the EBRD in Croatia, Romania, Poland, Montenegro, Bosnia, FRY Macedonia, Albania and Serbia. The indirect support provided to SMEs by the EBRD via financial intermediaries (bank and non-bank vehicles) has been strengthened with new investment products related to lease finance, energy efficiency, competitiveness and preparation for EU membership. The IFC provided micro and SME credit lines, including some supporting investment in energy efficiency, through banking sector clients in Albania, Kosovo and Romania. The IFC also participated in several bond issuances to strengthen and diversify the funding sources of local banks, including UniCredit Tiriac Bank's first bond issue, the largest local-currency bond issued to date on the Bucharest Stock Exchange.

Some of the assistance to SMEs, together with EBRD direct equity-driven investments, goes through the EBRD-Italy Local Enterprise Facility, dedicated to the Western Balkans and focussing on companies with high growth and export potential. Other lending, including through the Green for Growth Fund (GGF), is conditioned on SME lending for energy efficiency purposes. Special facilities, such as the EIB-financed EFSE III facility – which includes EC, EBRD, IFC and bilaterals - provide resources in the West Balkans to both SMEs and micro-finance organizations. The EBRD and the EIF have taken the lead in the creation of the Enterprise Development and Innovation Facility (EDIF), which is also supported by the EU. EDIF is a platform under which a new regional dedicated equity fund is being launched. Under separate arrangements (via the JEREMIE initiative<sup>12</sup>), the EIF manages Structural

<sup>12</sup> JEREMIE is the Joint European Resources for Micro to Medium Enterprises

Funds on behalf of Bulgaria, Lithuania, Romania and Slovakia, with an additional JEREMIE Holding Fund having been transferred to the National Public Financial body in Latvia.

### BOX 3

## Western Balkans Enterprise Development and Innovation Facility

An example of a joint initiative in supporting SMEs is the Western Balkans Enterprise Development and Innovation Facility (WB EDIF). This facility is supported by the European Commission, the EIF, the EBRD and the EIB. It has an initial capital of EUR 145 million, supplemented by a similar amount from bilateral donors, which is applied to improve access to finance for SMEs in the Western Balkans, helping to develop the local economy as well as the regional venture capital markets and at the same time promoting policy reforms to support access to finance through financial engineering instruments.

WB EDIF, which is coordinated by the European Investment Fund (EIF), consists of four pillars:

- The EDIF Guarantee Facility (managed by the EIF) provides guarantees to financial institutions and guarantee schemes, among others, to allow them to build up new SME loan portfolios and thereby improve SME access to bank lending in the various countries.
- The Enterprise Innovation Fund (ENIF) supports innovative SMEs in their early to development stage through equity finance.
- The Enterprise Expansion Fund (ENEF) (under the EBRD's leadership) supports established SMEs with high growth potential by providing them development and expansion capital. (The EBRD-Italy Local Enterprise facility also co-finances projects.)
- The Technical Assistance Facility (coordinated by the EIB, with the OECD and World Bank playing roles in its implementation) supports the West Balkan governments in creating a favourable regulatory environment to benefit innovative and high-growth SMEs.

This is the first regional initiative in the private sector development area channelled through the Western Balkan Investment Framework (WBIF). The WBIF supports socio-economic development and EU accession across the Western Balkans through the provision of finance and technical assistance for strategic investments, particularly in infrastructure, energy efficiency and private sector development.

It is a joint initiative of the EU, the CEB, the EBRD, and the EIB, the KfW, the World Bank and bilateral donors and the governments of the Western Balkans. The WBIF focuses on key sectors of the Western Balkan economies including energy, environment, transport, social issues and private sector development. Projects with regional impact take precedence when deciding among applications.

Banks welcome this IFI finance, since it generally has a longer tenor than other funding possibilities and will thus help them meet the new regulations on long-term stable funding. At the same time, these initiatives should allow more of the long-term financing SMEs need if they are to invest in expanding production, diversifying export markets, and absorbing new technology. The IFIs are experimenting with other techniques to get funding to the SMEs that need it. The World Bank has provided an IBRD guarantee to the Croatian HBOR so that the bank can raise medium-term funding; the funding will be on-lent to exporting SMEs. The EIF has reached agreement with a Czech and a Polish bank under the new Risk Sharing Instrument (RSI), which encourages banks to provide loans and leases to SMEs undertaking research, development or innovation projects. It also concluded a simple guarantee agreement with another Czech bank. In a project financed by the EIB, MIGA has provided guarantees on the funding of a subsidiary of an Austrian bank in Serbia: this will allow the

subsidiary to expand lending to micro, small, and medium enterprises, and other priority segments in the Serbian market.

Providing banks with longer-term funding for specific purposes is only part of the challenge of unblocking lending channels. Throughout the region, banks are burdened with high and rising levels of NPLs (see Figure 2), which encumber the balance sheet and distract management attention from the normal cycle of lending operations. A Vienna Initiative Working Group produced a comprehensive report on NPLs in the region and suggested a number of strategies for resolving them.<sup>13</sup> The World Bank has been active in assisting countries in tackling this issue, with technical assistance programmes in Montenegro, Albania and Serbia arranged from its Financial Sector Advisory Center in Vienna. The IFC, as part of its programme to promote the development of distressed asset markets, is partnering with APS Holding, Czech Republic to acquire non-performing loan portfolios in Romania, Bulgaria, Montenegro and potentially other countries. The EBRD also been active in this area and is preparing investments in several South Eastern European countries which can complement the World Bank's policy interventions.

Besides improving access to finance via the banking sector, the EIF focuses equally on the development of the equity eco-system in the region. Thanks to the Structural Funds, the EIF is able to support first-time national teams as well as established regional teams to develop their activity. Two examples of this are the Baltic Innovation Fund (BIF) and the Polish Growth Fund of Funds (PGFF). Both use the fund-of-funds approach to stimulate equity investments into enterprises with high growth potential. The BIF combines an investment of EUR 40 million from the EIF with contributions of EUR 20 million from each of the Governments of Lithuania, Latvia and Estonia. The size of PGFF is initially set at EUR 90 million (of which EUR 30 million is from the EIF), but is intended to grow to EUR 180 million with contributions from additional investors. The fund-of-funds structure should allow the attraction of additional private finance, the implementation of best market investment practices, the further development of the local private equity and capital markets, and stimulate employment and competitiveness. Structural Funds support also allows the EIF to develop first-time relationships with regional second-tier banks with no foreign parent company.

### c. Strengthening the financial system

While foreign savings channeled through the right institutional framework can be a major support to development, the region's experience in the run up to the crisis shows that they can contribute to vulnerabilities. Foreign savings, it appears, are most safely utilized in an environment where domestic savings are also high. And in any case, inflows of foreign exchange through the banking system on the scale that occurred earlier are not likely to return, nor should they. Domestic savings rates need to be increased, which will both make the economies less vulnerable and create the room for export expansion. Some domestic savings may be generated by fiscal consolidation, but household savings will also be essential. The latter should be promoted by creating suitable financial vehicles, completing the household deleveraging process, and raising labour participation rates.

The EBRD launched a special initiative for the development of local currency capital markets in 2010, which aims at reducing the use of mismatched foreign currency financing and providing local funding sources. The Bank is involved in extensive policy advice, banking projects, treasury operations and legal and regulatory technical assistance in this area. In the case of Romania, it has supported two inaugural local currency bonds issued by two local banks and will help further issuances. EBRD assistance is being given to Croatia,

<sup>13</sup> <http://vienna-initiative.com/wp-content/uploads/2012/08/Working-Group-on-NPLs-in-Central-Eastern-and-Southeastern-Europe.pdf>

FYR Macedonia, Serbia and Slovenia in developing local currency capital market infrastructures. The EBRD also took a 8.83 per cent stake in Alior Bank's initial public offering (IPO) in Warsaw, the largest private offering to date on the Warsaw Stock Exchange and a landmark transaction for the Polish capital markets. About 20 percent of EBRD loans are now provided in local currencies. The EIB for its part has a sound track record of issuance in major Central European currencies stretching more than fifteen years. Building on this and its expertise as a large and frequent multi-currency issuer, the EIB offers local currency lending also in Czech, Hungarian and Polish currencies. Various amounts, structures and maturities of long-term local currency financing have been provided in support of infrastructure and other projects implemented by local authorities and enterprises. These operations are partially funded in relevant local currency debt or largely financed in (synthetic) swap markets. With a view to foster the development of local debt markets, the EIB started to issue bonds denominated in Bulgarian and Romanian currencies already in 2004 and 2007, respectively.

Further development of local currency capital markets and maturity extensions of debt instruments will have a number of advantages. It should facilitate portfolio capital inflows from non-residents in a form that creates less vulnerability. It should help banks establish more sustainable funding models and help pension and insurance plans better match their assets and liabilities. Local currency lending reduces currency risk for the borrower and makes its own contribution to local financial market development. Nevertheless, the process of developing local markets is not easy, as witnessed by the recent curtailment of second pillar pension funds, an important local investor base, by several countries in the region.

#### d. Competitiveness, productivity and export development

Until the crisis, growth in the region was largely based on domestic demand financed through inflows through the banking system. This model did not deliver the productive capacity necessary to sustain the higher living standards and service the resultant borrowing. A development model based on stronger export performance would better underpin the convergence process and create the space for higher domestic savings.

If exports are to contribute more robustly to aggregate growth, resources will have to move into the tradable sector, productivity will have to rise, competitive unit labour costs restored, and infrastructural investment will be needed to facilitate access to markets and sources of supply. Integration into European supply chains is still feasible even with depressed market conditions in the Euro area.

The IFIs have been providing assistance in the area of export finance. The World Bank has been involved in an Export Financing Guarantee Project in Croatia. The EBRD has a well-established Trade Facilitation Programme, covering risks, particularly on interregional trade, and has provided trade finance for well over a hundred transactions in the Central and South Eastern Europe region.

Other assistance is designed to improve competitiveness of companies, or to facilitate expansion into other markets in the region. Thus the EBRD has helped to finance a number of operations in the countries of the West Balkans with the aim of helping companies succeed in markets beyond their borders. These operations include EBRD financing for agribusiness in Bosnia and Herzegovina, Serbia and Slovenia, an IFC investment in Schwarz-Lidl's retail operations, and the EIB's support for Renault in Romania and Slovenia. In response to the crisis in the region, the allocation under the Competitiveness and Innovation Programme (CIP), in conjunction with DG Enterprise, was increased to EUR 68 million of first loss guarantees through 22 operations. The successor programme COSME (Programme for the Competitiveness of Enterprises and SMEs) is under negotiation and will come on stream early in 2014.

The first generation of investment climate reforms – market liberalisation, privatisation, and the creation of institutions for the functioning of the market economy - was behind the successful transition of Central and South Eastern Europe over the last twenty years. However, the crisis of 2008-09 exposed the need for second-generation reforms to improve the capacity of economies to expand trade and markets, and to reallocate resources from old, dying industries to emerging new industries. Furthermore, the crisis highlighted the need for firms to break into more competitive sectors, create high-skilled, high-wage jobs, improve energy efficiency and innovate. These are among the priorities established by the European Union in its Europe 2020 programme, and constitute a central part of the Joint IFI Action Plan for Growth.

The World Bank has been active in supporting structural reforms that promote second-generation investment climate reforms and higher quality spending on research and innovation. Development Policy Loans in Croatia, Poland and Serbia, and a Revenue Administration Modernization project in Romania, all aim to achieve these objectives. The World Bank has also supported the government of FYR Macedonia in strengthening the country's competitiveness by giving incentives for productive investment and technological upgrading in the manufacturing, agribusiness and trade logistics sectors, and establishing enabling conditions for progressively increasing labor market flexibility and the development of skills. Both the World Bank and the EIB have also supported social sectors, with the former lending to FYR Macedonia under a Public Expenditure Policy Guarantee loan, and the EIB supporting Hungary's Student Loan programme, and hospital construction in Tartu (Estonia) and Lower Silesia (Poland).

## 5. Preliminary evaluation of the implementation to date

Since the announcement of the Joint IFI Action Plan for Growth, conditions in Central and South Eastern Europe have broadly stabilized and begun to improve, although growth is not expected to pick up significantly in 2013-14. Exports have started to recover in most countries, particularly those directly connected to North European value chains, but demand conditions remain weak, in part as a result of fiscal drag as deficits are reduced. The speed of the reduction of cross-border bank funding has picked up recently, and to the extent that deposit growth may be limited, credit supply may remain squeezed. Modest private capital flows continue to come into the region, although their level is much below that before the crisis. On the other hand, remittances into those countries of South Eastern Europe that depend on flows from the weaker peripheral economies of the Euro area have been dropping, and portfolio inflows, which had in some cases served to counteract the withdrawal of bank funding, have shown themselves very sensitive to expectations about monetary policy in advanced countries.

The substantial lending activity of the IFIs under their Joint Action Plan has been critical in ensuring the flow of funding to the region that is needed to support growth. In particular, it has played a major role in facilitating the finance needed by SMEs and in infrastructural development. With the continued uncertainties related to bank and portfolio finance, the commitment of substantial longer-term resources under the Joint IFI Action Plan, and the efforts to step up the utilisation of EU funds and strengthen bank balance sheets, continue to be crucial to the support of growth in the region. These efforts should anchor the recovery of the region in the event of continued uncertainty about the Euro area outlook.

It is too early to measure the effectiveness of the assistance under the Initiative in strengthening the economies of the region, although as discussed above the indications are positive. Subsequent reports will be able to detail the achievements on the ground. But one clear result of this second Joint IFI Action Plan, building on the achievements of the first, has been to foster improved cooperation between the IFIs in assisting the region. The Joint Action

Plan has promoted now routine working arrangements that help to ensure that the needs of the region are assessed in a comprehensive fashion, and that complementarities of approach are encouraged. As documented in this report, a number of IFI operations are now either joint or are carefully dovetailed. This Action Plan provides a framework for more joint and complementary action in the period ahead. A Joint IFI Action Plan serves the region better than three separate ones.

## ANNEX

### *Project Details*

#### **ALBANIA**

Project Name	IFI	Amount (in millions)
Bankers II	IFC	\$50.00
Credins EE/RE	IFC	\$11.80
Credins Swap	IFC	\$0.05
EFSE III	EIB	€ 3.44
Komani HPP Dam Safety Upgrade	EBRD	€ 12.70
LEF - NOA	EBRD	€ 1.25
LEF - Veneto Banka SME credit line	EBRD	€ 5.00
Patos-Marinza Environmental Remediation and Development	EBRD	€ 76.92
WATER RESOURCES AND IRRIGATION	World Bank/IDA	\$40.00
WBCFF:Landeslease - SME Credit Line	EBRD	€ 0.50

#### **BOSNIA AND HERZEGOVINA**

Project Name	IFI	Amount (in millions)
Banja Luka to Doboj Road	EBRD	€ 75.00
BINGO II	EBRD	€ 17.00
Cazin Waste Water	EBRD	€ 5.00
Corridor Vc	EBRD	€ 25.00
EFSE III	EIB	€ 11.47
ISP LOAN FOR SMES AND PRIORITY PROJECTS II	EIB	€ 20.00
LEF: MF Banka Credit Line	EBRD	€ 1.75
LEF: Natron Hayat renewable energy	EBRD	€ 4.00
MSE loan III MiBospo	EBRD	€ 1.00
Precisa	IFC	\$10.39
PSSF - Sparkasse Bank BiH	EBRD	€ 2.50
REAL ESTATE REGISTRATION PROJECT	World Bank/IDA	\$34.11
Regional TFP: Intesa Sanpaolo Banka dd	EBRD	€ 0.10
Regional TFP: Raiffeisen Bank d.d.BiH (former Market)	EBRD	€ 0.32
Regional TFP: Raiffeisen Bank d.d.BiH (former Market)	EBRD	€ 0.44
SSL Bosnia III	IFC	\$21.44
SSL III-Swap	IFC	\$1.20
STSPK LOAN FOR SMES AND PRIORITY PROJECTS	EIB	€ 20.00
WBCFF - Raiffeisen Leasing BiH	EBRD	€ 5.00
WeBSEDF - Natron Hayat	EBRD	€ 6.00
WeBSEFF II - Raiffeisen Bank BiH	EBRD	€ 5.00

## BULGARIA

Project Name	IFI	Amount (in millions)
Chelopech Restructuring	EBRD	€ 37.50
EECI - Eurobank EFG Bulgaria	EBRD	€ 4.00
EECI - Piraeus Bank Bulgaria	EBRD	€ 1.50
EECI - United Bulgarian Bank	EBRD	€ 7.00
EERECL (Bulgaria) extension 2 - RBBG	EBRD	€ 7.50
GTFP EFG Postbank	IFC	\$31.34
LEF: Billboard	EBRD	€ 5.50
LEF: Biomashin	EBRD	€ 3.00
Lidl Bulgaria	IFC	\$65.59
Petroceltic	IFC	\$25.50
Prista Oil - Debt	EBRD	€ 3.54
REECL ext - Piraeus Bank Bulgaria	EBRD	€ 1.50
REECL ext - United Bulgarian Bank	EBRD	€ 5.00
SG BG-RO LOAN FOR SMES AND MID-CAPS	EIB	€ 100.00
SG Expressbank Partnership for Growth	EBRD	€ 25.00
SOFIA MED	EBRD	€ 40.00
Sogelease Bulgaria Senior Debt	EBRD	€ 5.00
TEKLAS Bulgaria	EBRD	€ 6.00
Trakya Bulgaria (f.Trakya Glass Bulgaria)	EBRD	€ 40.00
UCL BG LOAN FOR SMES AND MID-CAPS	EIB	€ 50.00
UNICREDIT BG-RO SME AND MIDCAP LOAN B	EIB	€ 60.00

## CROATIA

Project Name	IFI	Amount (in millions)
Atlantic Group	IFC	\$20.52
Atlantic Grupa - Croatia	EBRD	€ 15.77
CROATIA EFIL AF	World Bank/IDA	\$61.41
Danieli - ABS SISAK	EBRD	€ 20.00
Erste Bank Croatia-Senior LOAN MSME Financing	EBRD	€ 40.00
ESB LOAN FOR SMES AND MID-CAP II B	EIB	€ 50.00
HBOR LOAN FOR SMES AND MID-CAP IV	EIB	€ 500.00
HR Export Financing Guarantee Project	World Bank/IDA	\$256.40
Jelinak	IFC	\$20.14
LEF: Data Centre Kriz	EBRD	€ 2.00
LEF: Piramida	EBRD	€ 3.60
LEF: Podravka	EBRD	€ 9.90
Lidl Croatia II	IFC	\$38.46
North Western Regional Waste Water Project	EBRD	€ 8.00
Port of Split Infrastructure Rehabilitation Project	EBRD	€ 18.80
PSSF - PBZ Croatia	EBRD	€ 5.00
Regional TFP: Privredna Banka Zagreb, Zagreb	EBRD	€ 0.10
Regional TFP: Privredna Banka Zagreb, Zagreb	EBRD	€ 0.14
Regional TFP: Raiffeisenbank Austria d.d.	EBRD	€ 5.52
Rijeka Water and Wastewater Investment Project	EBRD	€ 13.00
SAME DTZ Croatia	IFC	\$15.10
Science and Technology II	World Bank/IDA	\$26.24

Sibenik Wastewater Investment Programme	EBRD	€ 10.00
Société Générale - Splitska Banka Partnership for Growth	EBRD	€ 25.00
Zagrebacka banka Energy Efficiency Loan	EBRD	€ 20.00
Zagrebacka banka SME Credit line	EBRD	€ 40.00

## CZECH REPUBLIC

Project Name	IFI	Amount (in millions)
CSAS GREEN ENERGY LOAN FOR SMES CZ	EIB	€ 50.00
CSAS INNOVATION SMES AND OTHER PRIORITIES (CZ)	EIB	€ 100.00
CSOB LEASING CZ SMES AND MIDCAPS	EIB	€ 40.00
HYPO NOE INFRA GL II	EIB	€ 5.00
KB LOAN FOR SMES & OTHER PRIORITIES II	EIB	€ 22.50
KB LOAN FOR SMES AND OTHER PRIORITIES	EIB	€ 20.00
OLOMOUC URBAN INFRASTRUCTURE / B	EIB	€ 19.95
RBCZ GREEN ENERGY LOAN FOR SMES	EIB	€ 100.00
SGEF CZ LOAN FOR SMES AND MIDCAPS IV B	EIB	€ 60.00
T-MOBILE CZ LTE	EIB	€ 150.00
UC CZ LOAN FOR SMES AND MIDCAPS II	EIB	€ 100.00

## ESTONIA

Project Name	IFI	Amount (in millions)
DASOS TIMBERLAND FUND II	EIB	€ 3.60
NORDEA LOAN FOR SMES	EIB	€ 20.00
POHJOLA BANK LOAN FOR SMES AND MIDCAPS	EIB	€ 25.00
TALLINN URBAN INFRASTRUCTURE	EIB	€ 66.80
TARTU UNIVERSITY HOSPITAL	EIB	€ 50.00

## FYR Macedonia

Project Name	IFI	Amount (in millions)
EFSE III	EIB	€ 2.29
GTFP STOPANSKA	IFC	\$2.90
GTFP Tutunska BK	IFC	\$3.58
GTFP UNIBank Sko	IFC	\$0.29
Macedonia Public Expenditure PBG	World Bank/IDA	\$201.50
MK Competitiveness DPL	World Bank/IDA	\$50.00
Ohridska Banka - Additional CSF funding	EBRD	€ 3.00
Ohridska Banka - SME CL 2012	EBRD	€ 5.00
PSSF - Sparkasse Bank Macedonia	EBRD	€ 3.00
Regional TFP : Komercijalna Banka	EBRD	€ 9.37
Regional TFP : Komercijalna Banka	EBRD	€ 14.81
Regional TFP: Stopanska Banka	EBRD	€ 0.10
Regional TFP: Stopanska Banka	EBRD	€ 0.82
Regional TFP: Tutunska Banka AD Skopje	EBRD	€ 0.59
Regional TFP: Tutunska Banka AD Skopje	EBRD	€ 0.71
STSPK LOAN FOR SMES AND PRIORITY	EIB	€ 10.00

PROJECTS		
WeBSEDF: MHE Jablanica	EBRD	€ 2.20

## HUNGARY

Project Name	IFI	Amount (in millions)
COHESION FUND FRAMEWORK LOAN II (HU) / B	EIB	€ 470.00
DIAKHITEL - STUDENT LOAN IV	EIB	€ 100.00
HUMAN CAPITAL CO-FINANCING FL	EIB	€ 400.00
HUNGARIAN ACADEMY OF SCIENCES	EIB	€ 161.90
Hungary Exim Funding Coverage	MIGA	\$550.00
HYPO NOE INFRA GL II	EIB	€ 5.00
M3 NORTH-EAST	EIB	€ 72.00
RURAL DEV. CO-FI. 26166 AMOUNT INCREASE	EIB	€ 100.00
UNICREDIT HU LOAN FOR SMES AND MIDCAPS	EIB	€ 100.00
XYLEM WATER TECHNOLOGIES (RSFF)	EIB	€ 2.32

## KOSOVO

Project Name	IFI	Amount (in millions)
AF - Clean-up & Land Reclamation Project	World Bank/IDA	\$4.20
GTFP TEB Kosovo	IFC	\$0.26
KoSEP - AFK EE Credit Line Kosovo	EBRD	€ 0.50
KoSEP - KRK EE Credit Line (Kosovo)	EBRD	€ 0.50
KoSEP - TEB SH.A. Energy Efficiency Credit Line	EBRD	€ 2.50
LEF: Albi (Kosovo)	EBRD	€ 1.50
LEF: BpB Subordinated Debt	EBRD	€ 1.00
LEF: Gazi & Edi Group (Kosovo)	EBRD	€ 1.00
Regional TFP: Banka per Biznes	EBRD	€ 0.18
Regional TFP Raiffeisen Bank Kosovo	EBRD	€ 0.02
TEB Kosovo Sub Loan	IFC	\$5.85
WB MSME FW KEP-Restructured	EBRD	€ 2.51

## LATVIA

Project Name	IFI	Amount (in millions)
NORDEA LOAN FOR SMES	EIB	€ 20.00
POHJOLA BANK LOAN FOR SMES AND MIDCAPS	EIB	€ 15.00

## LITHUANIA

Project Name	IFI	Amount (in millions)
Baltic Transshipment	EBRD	€ 32.50
GAS IMPORT FACILITY LITHUANIA	EIB	€ 87.00
LITHUANIAN RAILWAYS ROLLING STOCK	EIB	€ 50.00
NORDEA LOAN FOR SMES	EIB	€ 20.00
POHJOLA BANK LOAN FOR SMES AND MIDCAPS	EIB	€ 5.00
Siauliu Bank - Convertible Senior loan	EBRD	€ 20.00

## MONTENEGRO

Project Name	IFI	Amount (in millions)
EFSE III	EIB	€ 5.74
Hipotekarna Banka SME Credit Line	EBRD	€ 3.00
LEF Codra Hospital Project	EBRD	€ 0.80
LEF: Voli Trade doo	EBRD	€ 4.64
Local Roads Reconstruction and Upgrade Project	EBRD	€ 5.00
Montenegro Rail Infrastructure Emergency Project	EBRD	€ 10.00
Montenegro: Lastva - Pljevlja Transmission Line	EBRD	€ 60.00
Societe Generale Banka Montenegro AD - SME Line	EBRD	€ 5.00

## POLAND

Project Name	IFI	Amount (in millions)
Alior Bank S.A. Equity Investment	EBRD	€ 78.15
American Heart of Poland	EBRD	€ 5.29
Avallon MBO Fund II	EBRD	€ 27.00
BGZ LOAN FOR SMES AND MIDCAPS / A	EIB	€ 50.00
BRE BANK LOAN FOR MID-CAPS	EIB	€ 100.00
DASOS TIMBERLAND FUND II	EIB	€ 3.60
DEUTSCHE BANK KMU MID CAP GD	EIB	€ 50.00
Development Policy Loan 2	World Bank/IDA	\$1,307.80
DOLNOSLASKIE PUBLIC HOSPITAL	EIB	€ 23.37
EC SW - CCGT	EBRD	€ 69.32
EFL LOAN FOR SMES AND MID-CAPS IV	EIB	€ 100.00
EFL LOAN FOR SMES AND MID-CAPS IV	EIB	€ 50.00
ENERGA smart grid	EBRD	€ 94.10
EU FUNDS CO-FINANCING 2007-2013 (PL)	EIB	€ 130.00
GAS FIRED 400MW POWER UNIT	EIB	€ 137.87
GDANSK ROAD INFRASTRUCTURE	EIB	€ 54.64
GETIN NOBLE BANK LOAN FOR SMES / B	EIB	€ 50.00
GETIN NOBLE BANK LOAN FOR SMES II	EIB	€ 100.00
GETIN NOBLE GLOBAL LOAN	EIB	€ 25.00
GLIWICE MUNICIPAL MULTI-SPORT HALL	EIB	€ 44.46
Grupa Azoty (f. Project Wisla)	EBRD	€ 72.24
ING LEASE LOAN FOR MID-CAPS AND SMES	EIB	€ 30.00
Meritum Bank Equity Investment	EBRD	€ 2.47
NORTHERN POLAND ENERGY DISTRIBUTION II	EIB	€ 230.54
PEKAO LEASING LOAN FOR SMES	EIB	€ 75.00
PKO BP GLOBAL LOAN III	EIB	€ 150.00
PKP INTERCITY HIGH SPEED ROLLING STOCK	EIB	€ 118.00
PLK E20 SIEDLCE - BIALA PODLASKA	EIB	€ 40.00
POLAND - MUNICIPAL INFRASTRUCTURE	EIB	€ 1,000.00
POLAND SCIENCE & RESEARCH NATIONAL CENTRES II	EIB	€ 490.00
POLAND UNIVERSITY RESEARCH SUPPORT II	EIB	€ 480.00
Polish SME EEF - SG Equipment and Leasing Polska	EBRD	€ 20.00
Polish SME SEFF extension - BZWBK F&L	EBRD	€ 15.00
Polish SME SEFF extension - Millennium	EBRD	€ 14.70
Project Baltic Sea	EBRD	€ 52.17
Project Blossom	EBRD	€ 10.00

RAIFFEISEN-LEASING PL LOAN FOR SME II	EIB	€ 50.00
RAIL FREIGHT ROLLING STOCK	EIB	€ 150.00
S7 AND S8 EXPRESSWAYS (TEN)	EIB	€ 900.00
SPS Investment N.V.	EBRD	€ 0.05
SZCZECIN MUNICIPAL INFRASTRUCTURE IV	EIB	€ 58.46
WARSAW II METRO LINE INFRASTRUCTURE	EIB	€ 239.21
WARSAW METRO ROLLING STOCK	EIB	€ 135.05
WESTERN POLAND ENERGY DISTRIBUTION	EIB	€ 111.00

## REGIONAL

Project Name	IFI	Amount (in millions)
3TS CEE Fund III	EBRD	€ 28.80
Axereal - Debt	EBRD	€ 28.00
DPM Revolver	EBRD	€ 15.38
EFSE RI 3	IFC	\$20.33
Europolis I	EBRD	€ 108.33
Gestamp	EBRD	€ 18.70
Organica Water	IFC	\$2.00
Western Balkans SME Platform: ENEF	EBRD	€ 16.00

## ROMANIA

Project Name	IFI	Amount (in millions)
Alro	EBRD	€ 44.71
Banca Transilvania - Convertible Bond	EBRD	€ 4.38
BCR - SME and Medium Corporate Credit Line	EBRD	€ 40.00
BCR SMES AND OTHER PRIORITIES II / B	EIB	€ 50.00
BT Conv. Bond	IFC	\$25.64
BT Leasing - Senior Loan for SMEs	EBRD	€ 5.00
BUCHAREST S2 THERMAL REHABILITATION	EIB	€ 60.00
BUCHAREST S4 THERMAL REHABILITATION	EIB	€ 26.88
CEC BANK ROMANIA GLOBAL LOAN	EIB	€ 15.00
CFR Financial Restructuring	EBRD	€ 175.00
Cosmote Romania	EBRD	€ 75.00
DASOS TIMBERLAND FUND II	EIB	€ 3.60
Donalam - Beltrame Romania	EBRD	€ 4.00
EDPR Romania Wind Farms (Sarichioi and Vutcani WPPs)	EBRD	€ 20.00
ENERGOBIT	EBRD	€ 20.00
EPGE (Chirnogeni wind) - 80 MW	EBRD	€ 31.00
Expur - Saipol	EBRD	€ 40.00
GTFP Banca Roman	IFC	\$2.16
GTFP Banca Roman	IFC	\$1.13
GTFP Bancpost	IFC	\$82.30
GTFP Bancpost	IFC	\$3.95
GTFP GARANTI RO	IFC	\$0.38
GTFP TRANSILVANI	IFC	\$1.83
Iasi District Heating Loan Restructuring	EBRD	€ 6.98
ING BANK ROMANIA GLOBAL LOAN	EIB	€ 40.00
LEF: IAC Romania	EBRD	€ 9.50
Patria Credit	IFC	\$10.43

R2CF Bacau sub-project	EBRD	€ 16.40
R2CF Maramures sub-project	EBRD	€ 10.43
R2CF Prahova sub-project	EBRD	€ 9.20
Raiffeisen Bank S.A. Romania	EBRD	€ 12.75
RAMP	World Bank/IDA	\$91.80
Regional TFP: CONFIDENTIAL: Alpha Bank	EBRD	€ 0.10
RENAULT SUSTAINABLE HI TECH FOR ALL	EIB	€ 10.00
RoSEFF - Unicredit Romania	EBRD	€ 10.00
Sfantu Gheorghe Street and Lighting Rehabilitation Project	EBRD	€ 12.00
UNICREDIT BG-RO SME AND MIDCAP LOAN	EIB	€ 80.00
UniCredit Rom	IFC	\$37.04
UniCredit Rom	IFC	\$37.90
UniCredit Tiriac Bank - Bond Issue	EBRD	€ 24.93

## SERBIA

Project Name	IFI	Amount (in millions)
Agri Europe (f.MK Equity)	EBRD	€ 50.00
Atlantic Grupa - Serbia	EBRD	€ 11.29
Banca Intesa Belgrade SME Credit Line II	EBRD	€ 30.00
Belgrade Bus Renewal Programme	EBRD	€ 65.00
Belgrade Highway and Bypass Project	EBRD	€ 6.50
Belgrade Public Transport and Traffic Infrastructure	EBRD	€ 30.00
CREDIT AGRICOLE LOAN FOR SMES & PRIORITY PROJECTS	EIB	€ 50.00
EB SMES AND PRIORITY PROJECTS II	EIB	€ 50.00
EFSE III	EIB	€ 15.30
Erste Bank a.d. Novi Sad	MIGA	\$73.90
Eurobank AD Beograd ? Central Bank Mandatory Reserves Coverage	MIGA	\$250.10
Grand Prom	IFC	\$14.69
GTFP Eurobank Serbia	IFC	\$70.74
INTESA SMES AND PRIORITY PROJECTS II / A	EIB	€ 35.00
Komercijalna Banka SME II	EBRD	€ 30.00
LEF: Forma Ideale Furniture	EBRD	€ 2.00
PSSF - Societe Generale Banka Srbija SME Competitiveness	EBRD	€ 5.00
RAIFFEISEN SMES PRIORITY PROJECT II	EIB	€ 50.00
Regional TFP: Cacanska Banka	EBRD	€ 0.25
Regional TFP: Eurobank EFG a.d. Belgrade	EBRD	€ 0.30
Regional TFP: Eurobank EFG a.d. Belgrade	EBRD	€ 1.49
Regional TFP: Komercijalna Banka (KB)	EBRD	€ 0.12
ROAD REHABILITATION AND SAFETY PROJECT	World Bank/IDA	\$100.00
SERBIA/WHR Serbia - Credit Agricole Funded	EBRD	€ 7.00
UCB Serbia - SME Credit Line	EBRD	€ 15.00
Unicredit Leasing Serbia II	EBRD	€ 15.00
Victoria Group	IFC	\$75.14
Zemun Retail Park	EBRD	€ 11.26

## SLOVAKIA

Project Name	IFI	Amount (in millions)
CSOB BK SK SMES & OTHER PRIORITIES III	EIB	€ 70.00
EU/EBRD MFF EE - VUB	EBRD	€ 15.00
HYPO NOE INFRA GL II	EIB	€ 5.00
KB LOAN FOR SMES & OTHER PRIORITIES II	EIB	€ 2.50
KB LOAN FOR SMES AND OTHER PRIORITIES	EIB	€ 5.00
LEONI ELECTRIC CAR COMPONENTS (RSFF) A	EIB	€ 1.00
ORANGE SLOVENSKO TELECOM	EIB	€ 100.00
SGEF CZ LOAN FOR SMES AND MIDCAPS IV B	EIB	€ 15.00
SLSP LOAN FOR SMES MIDCAPS AND OTHER PRIORITIES	EIB	€ 50.00
SPP ENVIRONMENTAL AND SAFETY INVESTMENTS / A	EIB	€ 55.00
TATRA BANKA GREEN ENERGY LOAN FOR SMES	EIB	€ 30.00
UNICREDIT SK LOAN FOR SMES AND MIDCAPS C	EIB	€ 50.00
VUB CONVERGENCE AND MID-CAP LOAN II	EIB	€ 70.00

## SLOVENIA

Project Name	IFI	Amount (in millions)
Atlantic Grupa - Slovenia	EBRD	€ 22.93
Droga Kolinska	IFC	\$29.83
Pozavarovalnica Sava d.d.	EBRD	€ 7.50
RENAULT SUSTAINABLE HI TECH FOR ALL	EIB	€ 90.00
SKB LOAN FOR SMES AND PRIORITY LENDING / B	EIB	€ 75.00
SLOVENIA EU FUNDS 2007-2013	EIB	€ 500.00
Spar Retail and Logistics Sustainability	EBRD	€ 40.00



