Joint Action Plan: IFIs delivering on their promise

By Suma Chakrabarti, President, EBRD; Wilhelm Molterer, Vice President, EIB; and Laura Tuck, Vice President for ECA, World Bank

Twenty-five years after the fall of communism, renewed tensions in eastern Europe have reminded us of the crucial need for resilient economies and polities in adjacent central Europe and the Balkan peninsula. The Joint Action Plan for Growth in central and south-eastern Europe has been the focus of a major effort by our three institutions (the European Investment Bank (EIB) Group, the European Bank for Reconstruction and Development (EBRD) and the World Bank Group) to strengthen the European Union members and aspiring members in the region.

Much has been achieved in the last twenty-five years in meeting the aspirations of central and south-eastern Europe's hundred million people for prosperity, but much also remains to be done. For some countries, entry into the European Union 10 years ago this year has given further impetus to growth, for other new EU members, growth and institutional improvement remain elusive, while in the Western Balkans, EU membership is still a distance away and growth is sluggish at best.

Most of the countries of central and south-eastern Europe were hit hard by the global financial crisis and subsequently by the eurozone crisis, and have struggled to recover. Since then, the region has suffered a freeze in foreign funding, a halt in credit growth, a sharp rise in the levels of non-performing loans, currency mismatches in banks and the real sector, and the pernicious effects of economic recession. The crisis also uncovered pre-existing vulnerabilities: underdeveloped energy and transport infrastructures and inefficient business environments.

In light of the region's vulnerabilities and the threat of continued deleveraging, the EIB, the EBRD and the World Bank Group responded with a first Joint Action Plan in 2009 to ensure that capital continued to flow into the region. This commitment was renewed in November 2012 to step up financial support and provide these countries with at least €30 billion in resources over the subsequent two years. We are well on our way to meeting that goal, and had already made over €24 billion of new commitments by the end of 2013.

More than a third of this total has gone to meet the financing needs of the small- and medium-sized businesses in the region. Credit lines and loans have allowed the region's banks to continue providing the credit that is the lifeblood of businesses and the capital badly needed by entrepreneurial start-ups. Our assistance has provided support to economic activity at a time when the international banking groups active in the region are under pressure to shrink their balance sheets. To this end, the International Finance Corporation (IFC), a member of the World Bank Group, the EBRD, European Investment Fund (EIF), and the EIB concentrated on systemic banks in the region by providing equity, long-term and short-term financing and trade products.

For the countries of central and south-eastern Europe to become competitive and offer their people the living standards that the rest of Europe enjoys, infrastructure must be brought up to European levels and integrated within the system of trans-European networks. Our three institutions have provided coordinated assistance to rehabilitate road networks in Bosnia and Herzegovina and Serbia; made large investments in Poland's roads; and helped modernise Polish and Montenegrin rail systems and Baltic and Adriatic ports.

The region's energy systems need to be modernised, flexibly linked with European networks, the sources of supply diversified, and consumption made more efficient and greener. To these ends, the EIB has provided financing for a gas import facility in Lithuania; the EBRD is supporting investments in wind farms in Poland and Romania; and the World Bank is funding hydropower development in Albania and energy efficiency improvements in Montenegro. We are supporting investment in green energy in the Czech Republic, the Slovak Republic, Romania and several Western Balkans countries.

Our Joint Action Plan for Growth is also directed at improving business conditions and competitiveness in central and south-eastern Europe. One example of this has been a series of Competitiveness Development Policy loans by the World Bank in FYR Macedonia. These have improved the governance of industrial development zones and the management of agricultural resources, established export promotion capacity, and reduced labour markets inflexibility, resulting in a sharp jump in inward foreign direct investment (FDI) and rapidly growing exports. The EBRD, working with the EIB Group, is financing innovation in the Baltic region and is working to raise the standards of corporate governance and strengthen the private sector. And the EIB is investing to tackle unemployment, particularly youth unemployment, promote innovation and restore the momentum of convergence within Europe.

Our efforts to sustain growth in central and south-eastern Europe and to make these countries more resilient are not just important to the countries involved. The resumption of sustained growth, integration into the European economy and the building of strong institutions are certainly essential for meeting the aspirations of the region's citizens. But they also offer the European countries to the north and west the flourishing trading partners and broader markets they need. And for European countries further east, they show that the vision promised at the fall of communism of higher living standards and well-functioning institutions can still be realised.

Contacts

EIB Contact: Christof Roche
Tel: +32 479 65 05 88
Email: c.roche@eib.org
Press office: +352 4379 21000 – press@eib.org

World Bank Group Contact: Kristyn Schrader-King
Tel: +1-202-458-2736
Email: Kschrader@worldbank.org

EBRD Contact: Axel Reiserer
Tel: +44 20 7338 6741
Email: reiserea@ebrd.com