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We are all in this together

In the face of the COVID 19 pandemic, Member States, under extreme time pressure, adopted various national emergency measures to confront the immediate impacts of the crisis. The EU stepped up in its coordination role and mobilisation of resources through EU institutions followed soon after, with ECB, the ESM, EIB, EBRD and European Development Finance Institutions putting together ambitious economic crisis response measures. Now, the EU must ensure that funding the European recovery, is supported by practical steps on the ground.

IFIs, including the EBRD, and the EU financial industry are a key conduit to translate European solidarity principles into practice. It is for this kind of crises that multilateral institutions were established. To invest where others will not. To be counter-cyclical. To provide a bulwark against economic – and possibly even political – maelstrom. As the economic and social impacts of the pandemic magnified, IFIs introduced immediate crisis response programmes focussing on a) strengthening health infrastructure; b) supporting viable businesses; c) assisting financially vulnerable households; d) offering working capital support to existing clients including banks. Lending and technical cooperation projects in 2020 and 2021 have been redirected toward the crisis and, importantly, to build the foundations of the eventual recovery.

EBRD has already delivered an evolving and dynamic 4 billion Euro "Solidarity Package", providing the operational framework and leverage for the Bank to invest an ambitious 21 billion Euro over 2020 and 2021.Given the magnitude and severity of the crisis, the key to its successful resolution is coordinated responses targeting the more efficient mobilisation of investment funds at both the aggregate level and toward specific financially stressed actors such as SMEs. Resilience of the financial sector is crucial to resolution of this emergency and capital market reform must continue with added haste to facilitate this. Governments will need to fund their expenditures through increased bond issuance and long-term fund investment will be needed to meet heightened and altered infrastructure needs.

Policy work within the EU addressing access to finance for SME such as the European Secured Note initiative and equity finance solutions are actively supported by the EBRD and the final investment products will augment our existing suite of financial and risk sharing products including our bond investments, commercial loans, Trade Facilitation Programme, and credit lines to local banks. With the support of various financial sector partners, we are also targeting the development of new financial products to address short-term emergency finance needs and aid in NPL resolution. Although the COVID 19 response is currently taking centre stage, an essential part of any rebuilding must address the long-term fundamentals of building a sustainable market economy.

EBRD already reflects this through the "tilt to Green" in our Solidarity Package, our new Green Economy Transition approach for the period 2021 to 2025 and our work on Greening the Financial Sector in the Baltics, Greece, Hungary and Poland to create a more flexible capital market and encourage greater issuance of green and social instruments.

The COVID-19 crisis will have significant short and long-term consequences for our region comprising some of the EU smaller states. EBRD commits to step up and play a systemic role in maintaining well-functioning markets, helping governments shape their policy responses to minimize distortions to well-functioning markets, and protecting transition. This means ensuring the resilience of the private sector to prevent value destruction; retaining our focus on inclusion through gender mainstreaming, workforce restructuring/employment retention; tilting the recovery towards green and promoting good governance given the increased role of the state. ●