INTERNATIONAL MONETARY FUND
FACTSHEET

The IMF and Europe

The IMF is actively engaged in Europe as a provider of policy advice, financing, and technical assistance. We work independently and, in European Union (EU) countries, in cooperation with European institutions, such as the European Commission (EC) and the European Central Bank (ECB). The IMF's work in Europe has intensified since the start of the global financial crisis in 2008, and has been further stepped up since mid-2010 as a result of the euro area crisis.

Assessing individual countries and the euro area

The IMF provides economic analysis and policy advice as part of its standard surveillance process for individual advanced and emerging European economies that culminates in regular (usually annual) consultations with individual member countries. The final bilateral surveillance staff reports for these consultations include assessments of the economic outlook, and economic and financial stability.

In addition to its policy discussions with the 19 individual members of the euro area, IMF staff also holds consultations annually for the euro area as a whole, similar to those held for other currency unions. Here, IMF staff exchange views with counterparts from the ECB, the EC and other European institutions in a number of areas, including monetary and exchange rate policies and regional fiscal policies, financial sector supervision and stability, trade and cross-border capital flows, as well as structural policies. The final staff report includes an overall assessment of the economic outlook, external and fiscal position, and financial stability of the euro area as a whole.

As part of the consultation, the IMF's views on the economic outlook and policies of the euro area are presented to the Eurogroup, comprising the 19 finance ministers of the euro area.

Global and regional analysis, spillovers and cross-cutting themes

The outlook and risks, spillovers, and policy recommendations for individual European countries and the euro area are assessed in a global context in the *World Economic Outlook*, the *Global Financial Stability Report*, *Fiscal Monitor* and the *External Sector Report*—the IMF's flagship publications published twice a year. These discussions are integral to the IMF's surveillance of its member countries.

The Fund also undertakes cross-country analysis to draw policy lessons for common challenges facing member countries. Since 2013, it has examined cross-cutting issues via a new approach—analyzing clusters of economies with strong interlinkages or common concerns—as a complement to the Fund's bilateral surveillance, e.g., the Nordic Regional Report, the German-Central European Supply Chain Report, the Baltic Cluster Report, the Housing Cluster Report and the New Member States Policy Forum Cluster Report. The Fund has also published analyses to address several issues of broad policy concern in Europe: achieving external and internal balance; high youth unemployment; large non-performing loans in the banking system; inflation; the refugee surge; and female labor force participation.

Where the money comes from

Most of the IMF resources allocated to credit activities in Europe are provided by member countries, primarily through their payment of quotas. Starting in early 2009, the IMF signed a number of bilateral loan and note purchase agreements to bolster its capacity to support member countries during the global economic crisis. In early 2011, the amended and expanded New Arrangements to Borrow (NAB) became effective and was activated. At that point, the bilateral agreements of NAB participants were folded into the NAB.

In December 2011, euro area countries committed to providing additional resources to the IMF of up to 150 billion euro (about $200 billion). Following the request of our membership and general support by the G-20 leaders at the Cannes Summit, the IMF Executive Board discussed the adequacy of the Fund's resources in January and March 2012. Subsequently, in mid-2012, numerous member countries pledged additional bilateral commitments to further augment the IMF's resources, of which about $390 billion is currently effective. In early 2016, the general conditions for the effectiveness of the 14th Review quota increases--which would double quotas from SDR 238 billion to SDR 477 billion--were met and most members have paid their quota increases. As agreed by the Executive Board in 2010, the payments of quota increases triggered a rollback of the NAB from SDR 370 to SDR 182 billion.

For Central, Eastern and Southeastern Europe (CESEE), the IMF publishes *CESEE Regional Economic Issues;* a semi-annual publication that discusses analytical issues of broader interest to the region. Recent issues have looked at the growth-friendliness of fiscal consolidation, credit cycle and external funding patterns in the region.

Euro area integration

The IMF pays considerable attention to progress in fostering integration within the euro area to ensure the effective operation of the monetary union. The first-ever EU wide Financial Sector Assessment Program (FSAP), in March 2013, argued for a Single Supervisory Mechanism (SSM). In addition, the IMF published papers making the case for a Banking Union to strengthen the EU financial oversight and sever bank-sovereign linkages; a Fiscal Union to address gaps in the euro area's architecture; and a more effective Economic Governance framework to better incentivize structural reforms.

Providing financing

Since the start of the global financial crisis, a number of emerging and advanced European countries have requested financial support from the IMF to help them overcome their fiscal and external imbalances. Access to IMF resources for Europe was provided through Stand-By Arrangements (SBA), the Flexible Credit Line (FCL), the Precautionary and Liquidity Line (PLL), and the Extended Fund Facility (EFF).

Most of the first wave of IMF-supported programs in 2008-09 was for countries in emerging Europe. The IMF also provided financing to Iceland when its banking system collapsed in late 2008. Starting in 2010, credit was provided to euro area members – Greece, Ireland, and Portugal. Credit to these members peaked in 2014 at SDR 66 billion or US$ 92 billion, but has declined more recently due in part to early repayments by Portugal and Ireland. Ireland's and Portugal's EFFs concluded in December 2013 and June 2014, respectively, and they then entered into Post-Program Monitoring (PPM). Greece and Cyprus recently cancelled their arrangements.

As of March 15, 2016, the IMF had ongoing arrangements with 5 emerging market countries in Europe (see table) with commitments totaling about EUR 33.6 billion or $37.4 billion. Total credit outstanding to European members is around EUR 50.5 billion or around US$ 56 billion.

In most EU countries—including in Hungary, Latvia, and Romania—Fund financing was provided in conjunction with the EU, while Poland has a FCL arrangement with the Fund. The experience developed with the joint programs in Central and Eastern Europe proved useful when euro area countries requested IMF support. At that stage, the collaboration was further extended to include another partner—the ECB. Cooperation between the three institutions is aimed at ensuring maximum coherence and efficiency in staff-level program discussions with governments on the policies that are needed to put their economies back on the path of sustainable economic growth. While the IMF coordinates closely with the other two institutions, Fund decisions on financing and policy advice are ultimately taken by the IMF's 24-member Executive Board.

IMF-Supported Programs in Europe

As of March 15, 2016, the IMF had arrangements with 5 countries in Europe, totaling about € 34 billion or $ 37 billion.

			Amount Agreed (billions)			Undrawn Balance (billions)	
Member	**Effective Date**	**Expiration Date**	**Euros** (billions[1])	**Dollars** (billions[1])	**As percent of Quota[2]**	**Euros** (billions[1])	**Dollars** (billions[1])
Stand-By Arrangements							
Kosovo	7/29/15	5/28/17	0.19	0.21	179	0.11	0.13
Serbia	2/23/15	2/22/18	1.17	1.30	143	1.17	1.30
Extended Fund Facility							
Albania	2/28/14	2/27/17	0.37	0.41	212	0.14	0.16
Ukraine	3/11/15	3/10/19	15.49	17.21	614	9.56	10.62
Flexible Credit Line							
Poland	1/14/15	1/13/17	16.31	18.12	317	16.31	18.12
Total			33.6	37.4		27.4	30.4

Source: IMF Staff calculations.

[1] Calculated using the prevailing exchange rate on March 15, 2016.

[2] At the time of approval.

The European Bank Coordination Initiative

The Vienna Initiative was launched at the height of the financial crisis in 2008/09 to help avoid a rush-to-the-exit of Western European cross-border banking groups whose subsidiaries dominate the banking systems of CESEE. Banks entered into explicit exposure maintenance agreements in the case of five program countries. This Initiative brings together key International Financial Institutions (EBRD, WB, and IMF), the European Commission and relevant EU institutions, the main cross-border banking groups, and home and host country authorities.

The initiative was re-launched as Vienna 2 in January 2012 in response to a second wave of deleveraging and supervisory ring-fencing. The focus is on improving cooperation between home and host authorities, while monitoring the pace of deleveraging with a view to keeping it orderly and following credit developments. It publishes quarterly CESEE Deleveraging and Credit Monitor, makes recommendations to relevant European institutions for improvements in supervisory coordination and cross-border bank resolution, and organizes "Host Country Cross-Border Banking Forums." These forums provide an opportunity for dialogue between the banks that are systemically important in a country and major interlocutors of those banks: the monetary authority and regulator, the parent international banking groups, and the latter's regulators. So far, these forums have been held in Albania, Bosnia, Croatia, Hungary, Serbia, Slovenia, Montenegro, and Ukraine.

Providing technical expertise

The IMF's technical assistance helps countries improve the capacity of their institutions and the effectiveness of their policymaking. As such, it contributes to the overall effectiveness of the Fund's surveillance and lending programs.

Emerging market economies in Europe—such as Albania, Belarus, Romania, Serbia and Ukraine—are the main recipients of such assistance in a broad range of areas. However, recent efforts to strengthen the international financial system have triggered demands for IMF technical assistance in advanced economies. For instance, the IMF provided assistance to monitor progress on Spain's financial sector reforms, as well as on tax policy and revenue administration issues to Denmark, Finland, Italy, Portugal, Greece, Estonia, and Slovakia.

The IMF delivers technical assistance in various ways. Support is often provided through staff missions of limited duration sent from headquarters, or the placement of experts and/or resident advisors for periods ranging from a few weeks to a few years. Assistance might also be provided in the form of technical and diagnostic studies, training courses, seminars, workshops, and "on-line" advice and support.

The IMF has increasingly adopted a regional approach to the delivery of technical assistance and training. The IMF Institute organizes courses for officials from new EU member countries and other economies in transition in Europe and Asia at the Joint Vienna Institute in Austria.