



*This information was prepared by the World Bank.*

## WORLD BANK SUPPORTS FINANCIAL SECTOR REFORM

### BOARD APPROVES 200 MN EURO LOAN

**On September 22, the World Bank's Board of Executive Directors approved a Financial Sector Development Policy Loan for Latvia in the amount of Euro 200 million (US\$ 282.65 million). The objective of this loan is to support the Government of Latvia in strengthening its banking sector and maintaining long term financial stability.**

This new loan is part of a joint International Financial Institution initiative to support banking sectors in Central and Eastern Europe. It supports a comprehensive financial sector reform program, including measures that have helped contain the financial sector crisis Latvia faced at the end of 2008, and structural reforms aimed at enhancing the resilience of the system to future potential shocks.

*"The Republic of Latvia is committed to make rapid progress in the implementation of the reform program to facilitate sustainable recovery of the national economy,"* said Sophie Sirtaine, World Bank financial sector expert in the Europe and Central Asia Region. *"Strengthening the Latvian banking sector will encourage resumption in lending to Latvia's creative entrepreneurs, small business owners and other businesses. It will also mean that depositors' savings are protected."*

Latvian Minister of Finance Einars Repše emphasizes: *"The World Bank loan is a positive signal indicating that the decisions the government has taken so far have been targeted at overcoming the economic crisis in this country and it has been noticed by our foreign partners. Our goal is a stable and balanced national economy based on healthy competitiveness. Therefore now the most important task for the government is to approve the national budget for the coming year. In achieving that we would assure the Latvian public and foreign investors of the stabilization of the economic conditions in this country."*

The Financial Sector Development Policy Loan will:

- help strengthen the banking system's solvency and liquidity;
- facilitate renegotiation of corporate and mortgage debts to avoid foreclosures and corporate insolvencies where possible;
- strengthen banking sector regulations and prudential supervision;
- improve consumer protection in the financial sector.

Another Development Policy Loan for Latvia to support Social Safety Net and Public Administration Reform is under preparation and is planned for approval in early 2010, with the objective to mitigate the social impact of the crisis and protect the most vulnerable groups.

Latvia joined the World Bank in 1992. Since then, the Bank has played an important role in supporting Latvia's transition through lending, policy dialogue, and analytical and advisory assistance.

At the end of December 2008, the European Commission, IMF, World Bank, European Reconstruction and Development Bank and several Member States of the European Union agreed on provisions of financial support to Latvia in amount of EUR 7.5 billion. The loan is being made available to Latvia over three years in several instalments.

### **THE LATVIAN INSTITUTE**

The Latvian Institute (Latvijas institūts) was established by the Latvian state to provide a wide range of information about Latvia, its society, culture and history.

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