



Resolution 1192 (1999)¹

EBRD and transition in central and eastern Europe

Parliamentary Assembly

1. The Assembly has taken note of the report prepared by its Committee on Economic Affairs and Development on the activities of the European Bank for Reconstruction and Development (EBRD). It commends the Bank on its strong, nearly decade-long efforts to assist the countries in transition in central and eastern Europe in the difficult overhaul of their economies and in their quest for an ever-strengthened democracy to underpin development. Such assistance continues to be of vital importance, as some of the Bank's countries of operation have suffered unexpected setbacks, while those most advanced are entering new, unknown, stages of the transition process.
2. The Assembly commends the EBRD on its continued strong attachment to the promotion of democracy in all its operations. It notes the Bank's close co-operation with the Council of Europe in this regard, including its reliance on Assembly reports emanating from its Committee on the Honouring of the Obligations and Commitments by Member States of the Council of Europe (Monitoring Committee). In this context, it welcomes the agreement concluded between the Bank and the Council of Europe's Social Development Fund to co-ordinate activities.
3. The Assembly notes that the EBRD for the first time in 1998 registered a net loss after provisions of 261 million euros, in large measure owing to the financial and economic crisis in the Russian Federation. The Assembly welcomes the Bank's determination, this notwithstanding, to pursue its operations in that hard-hit country as well as in others in similar difficulties, even as it observes additional prudence in the selection of project partners. The Assembly is at the same time heartened by the steady economic progress observed in numerous other countries in transition and by their energetic pursuit of reform.
4. The Assembly welcomes the conclusion drawn by the EBRD from the difficulties it has experienced, namely that even a good project cannot succeed or bring transition forward unless it takes place within the context of a state structure with sufficient authority and within a sound institutional, macro-economic and social framework. The Bank's operations in a given country must therefore increasingly support and encourage host country policies conducive to such conditions being met. They include clear, non-discriminatory and stable business legislation; the overcoming of corruption and economic crime; the promotion of good corporate governance; enterprise restructuring; a strengthening of the fiscal system; and the building of an adequate social safety net.
5. Institutional reform is particularly important to central and east European countries seeking membership of the European Union (EU). EBRD projects there should have as their goal to prepare for early EU membership, especially as regards the building of institutions, the raising of industrial performance and the improvement of infrastructure, notably in environment protection.
6. The Assembly welcomes the EBRD's increasing focus on promoting the launching of new companies and the growth of small and medium-sized enterprises (SMEs) in close co-operation with local and regional partners, and by building banking sectors that display a clear commitment towards SMEs.
7. The Assembly encourages the Bank to engage more strongly in the build up of an equity portfolio in companies and local banks in order to promote good corporate governance.

1. Assembly debate on 22 June 1999 (19th Sitting) (see [Doc. 8422](#), report of the Committee on Economic Affairs and Development, rapporteur: Mr Lotz). Text adopted by the Assembly on 22 June 1999 (19th Sitting).



8. The Assembly also supports the Bank's increasing efforts to help restructure large, potentially viable enterprises. Such projects can have an important "demonstration effect" on other companies and investors, especially when coupled with projects undertaken in favour of SMEs and local infrastructure development to provide new employment for those affected by restructuring. The Bank should develop a co-ordinated approach with the World Bank and other international financial institutions as well as the European Union in order to soften the social impact of the restructuring.

9. While aware of the EBRD's statutory commitment to directing 60% of its operations towards the private sector, the Assembly believes that, for these to succeed, the Bank's attention must also be given to projects to improve often obsolete and insufficient infrastructure, including in the public sector, on behalf of the environment, energy, nuclear safety, transport and communications

10. The Assembly calls on the EBRD to re-examine its so-called traditional "uniform pricing" policy, that is, the practice of applying the same loan conditions to countries with sometimes widely differing risk profiles. More differentiated loan conditions are desirable not only in the light of the increasingly heterogeneous nature of the countries of operation, but also because EBRD funding is increasingly being "crowded out" by other sources of financing in the more advanced transition countries. These countries, however, still need EBRD assistance in many fields, such as environment protection and energy efficiency, especially in preparation for EU membership.

11. The Assembly calls on the EBRD to stand ready to provide assistance in the reconstruction process in south-eastern Europe now that peace has been restored.

12. The Assembly notes the great dependency of EBRD countries of operation on vigorous economic growth in the developed market economies. It therefore calls on these countries to pursue necessary structural reform in order to ensure lasting growth that can also benefit central and eastern Europe, and to refrain from any measures impeding trade with transition countries. In this respect the EBRD is to be encouraged in its efforts to stimulate trade and infrastructure investment that aids individual regions or helps them co-operate with other regions, including across national borders.