



Resolution 1254 (2001)¹

European Bank for Reconstruction and Development (EBRD) and the state of transition in central and eastern Europe

Parliamentary Assembly

1. The Assembly, in its capacity as the parliamentary forum of the European Bank for Reconstruction and Development (EBRD), has taken note of the report prepared by its Committee on Economic Affairs and Development on the Bank's activities. As the EBRD enters the second decade of its existence, the Assembly commends it on its tangible contribution to economic development in its twenty-seven countries of operation. With a total of 700 projects worth 12.5 billion euros, it is the largest foreign investor in the region. The Bank can also take pride in the assistance it provides in promoting market economy reform in such areas as privatisation, banking and finance and credit facilitation for small businesses.
2. This notwithstanding, the Bank continues to face significant challenges. Widespread poverty from the Russian Federation to South-eastern Europe and central Asia, uneven progress in the transition to a market-oriented economy and also between countries, high unemployment and new social problems following restructuring and reform continue to call for efficient, flexible and prompt EBRD action.
3. The Assembly welcomes the EBRD's increasing focus on the less developed countries of operation, especially those that have made little progress on the road towards a market, democracy-based economy. It urges the Bank to increase its role and assistance in building a better corporate culture and "good governance" in these countries.
4. Several EBRD countries of operation are currently preparing to join the European Union (EU). Accession to the EU has proven to be a strong incentive for them to press ahead with reform. The Assembly supports the EBRD's commitment to continued operations in these countries. It believes the Bank could best promote EU accession by focusing on long-term investments less sought by private investors, by assisting privatisation and restructuring projects, and by increasing support for rural and agricultural projects at municipal level that serve to facilitate integration into EU structures.
5. The Assembly welcomes the Bank's major contribution to the Stability Pact for South Eastern Europe and salutes the accession of a democratic Federal Republic of Yugoslavia to the Bank's fold. It notes, however, that although start-up projects within the pact appear to be yielding first results, delays in the implementation of other projects have caused considerable frustration in recipient countries and risk jeopardising long-term investment and overall reform. It is therefore important for the Bank to help to speed up Stability Pact procedures and to work in particularly close partnership with beneficiary countries in identifying opportunities and building on local initiatives and entrepreneurship potential. The Bank should give priority to cross-border programmes and joint projects among neighbouring countries as a means of fostering regional understanding and economic interdependence.
6. The Assembly supports the Bank's commitment to assisting the Russian Federation in taking reform forward. The rapid recovery of the Russian economy since the 1998 financial crisis and that country's great, but not yet fully used, human potential should be reasons to press ahead with measures to build a strong, ethical corporate culture and to foster good governance at all levels of society. The Bank should build on the

1. Assembly debate on 26 June 2001 (19th Sitting) (see [Doc. 9116](#), report of the Committee on Economic Affairs and Development, rapporteur: Mrs Stoyanova). Text adopted by the Assembly on 26 June 2001 (19th Sitting).



success of its Russian Small Business Fund and strongly support any positive aspects of the country's new efforts to reform fundamentally the functioning of state institutions, the social sector and the interplay between different levels of government.

7. The Assembly notes with satisfaction that the Bank has drawn important lessons from its first decade – in particular as regards the need to develop open procedures, standardised norms and the rule of law in order for markets and democracy to work well. It welcomes the Bank's decision to put institution-building and corporate governance at the top of its agenda. In this context the Assembly recalls its [Resolution 1218 \(2000\)](#) on the European Bank for Reconstruction and Development and the progress of transition, and in particular that resolution's emphasis on the need to build strong public institutions and administrations capable of supporting markets and private enterprises within a rule of law framework.

8. Ten years of operation have given the Bank and its local partners considerable experience in all countries of operation. In order for the Bank to achieve one of its principal objectives for the next decade, that is to say institutional strengthening and the establishment of sound corporate rules, the Bank may need to decentralise further its operations and responsibilities. The Assembly calls upon it to provide the necessary expertise and training to its local partners and local offices, so that the latter may assume greater responsibilities in project management, implementation and monitoring.

9. The Assembly welcomes the contribution of the Bank to market and trade liberalisation in transition countries in the interest of European integration. It calls on the Bank to take its assistance further in this field and provide appropriate incentives for countries of operation to keep markets and trade free from excessive government red tape, in order to advance liberalisation where it is incomplete and to sustain it where it has been achieved.

10. Ten years of operation by the Bank have demonstrated that a successful reforms and restructuring can only be achieved if due attention is paid to the human dimension and social aspects. The Assembly calls upon the Bank to assist its member countries in identifying and setting up adequate social safety nets and employment programmes, in order to tackle the problem of poverty and ensure the sustainability of reforms and restructuring. It calls on the countries concerned to press on with social, institutional and legal reforms in order to reach a business and investment climate capable of generating increased wealth and employment.

11. The Assembly fully shares the Bank's conclusion that a successful transition progress critically depends on the availability of workers with appropriate skills, rapid technological change and increased use of information and communications technologies (ICTs). The Assembly calls on the countries of operation, with EBRD support, to define urgently public policies in this field, speed up the diffusion of ICTs and offer adequate education and training programmes for their workforce.

12. The Assembly supports the Bank's increased emphasis on supporting small and medium-sized businesses via local banks, and its intention to double such lending within the next five years. "Micro-finance lending" has proved to be an innovative and successful way to build a culture of commercially sound project planning at local management level.

13. The Assembly expresses its concern over the Bank's activities for the implementation of provisions of the Ottawa 1995 memorandum on mutual understanding between the governments of the G7 countries, the European Commission and the Government of Ukraine with regard to the financing of projects to create additional power-generating capacities and for the compensation of the fuel deficit following the Chornobyl nuclear power plant shut-down.

14. The Assembly welcomes the EBRD's financial and other support for the improvement of nuclear safety, the decommissioning of nuclear power stations and the construction of the Chornobyl sarcophagus. In this context, it encourages the EBRD to initiate and support additional projects aimed at promoting energy conservation and the use of renewable sources of energy. Overall, environmental standards should play a greater role in EBRD decisions on credits for new projects.

15. The Assembly strongly supports the Bank's adherence to both economic criteria and its statutory political principles by attempting to relate the volume of operation to the adherence by recipient countries to democratic principles. It calls upon the governments of all the Bank's countries of operation – and in particular Belarus and Turkmenistan – to abide fully by democratic principles and thereby facilitate the Bank's task. The Assembly encourages the Bank to seek even closer co-operation than heretofore with the Council of Europe's Parliamentary Assembly, and especially its Committee on the Honouring of Obligations and Commitments by Member States of the Council of Europe (Monitoring Committee).

16. The challenges of structural reform cannot be overcome by any one country or institution alone. The Assembly therefore encourages the Bank to develop further its co-operation with other multilateral institutions such as the World Bank, the International Monetary Fund, the European Investment Bank and, in particular, the Council of Europe's Development Bank, for which the Parliamentary Assembly likewise serves as a parliamentary forum. In this context it is particularly important for these institutions to avoid any overlap in, or conflicting effects of, their respective actions.

17. Finally, the Assembly encourages the Bank to modify its information policy so as to issue wherever possible project-related information in the national language or languages of the countries concerned, facilitate public access to information regarding projects, and consider the establishment of a body to hear appeals and grievances from the public.