



Resolution 1287 (2002)¹

The contribution of the European Bank for Reconstruction and Development (EBRD) to economic development in central and eastern Europe

Parliamentary Assembly

Achievements and challenges ahead

1. The Assembly, acting as 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. The Assembly's annual debates on the EBRD's contribution to economic development in central and eastern Europe – now in their tenth year – reflect an increasingly close relationship and a common concern to contribute to Europe's economic and political integration.

2. The Assembly welcomes the progress made towards pluralist democracy, respect for human rights and the rule of law in the countries where the Bank operates, but remains deeply concerned, in particular at the slow pace of democratic change in the central Asian republics. Economic indicators are more encouraging. Thus, prices and trade have been further liberalised in the region, the investment climate has improved, privatisation has proceeded apace in most countries and the share of the private sector in the economy is rising in some of the advanced transition countries to levels which are higher than in some countries in western Europe. The Assembly commends the Bank on its tangible contribution over a whole decade to producing this state of affairs, and encourages it to do its utmost to ensure that these processes are continued.

3. However, major challenges remain, such as a widening income gap. In addition, organised crime and corruption have, in some countries, reached such unacceptable levels as to hamper foreign investment and growth, apart from having overall negative consequences for the countries concerned and their populations. The Assembly urges the Bank to lay greater emphasis, where necessary, on corporate governance, transparency in public affairs, reform in the banking sector and in-depth structural reforms in the enterprise and financial markets.

4. The Assembly supports the Bank also granting loans on a "non-sovereign" basis to regions or local communities – that is, without the guarantee of the country's government – since this can make a useful contribution to regional development. The same holds for the Bank's loans in local currencies and its large and steadily increasing lending to small and medium-sized enterprises (SMEs) via banks, especially in disadvantaged regions and rural areas, and where such funding can help to improve the situation of women entrepreneurs in particular. Finally, the Bank's efforts to diversify its services so as to include non-banking financial institutions such as those offering insurance, pensions, leasing and mortgages are to be commended, as long as due prudence is observed, considering that such activities gain in importance along with economic development.

Countries of operation

1. Assembly debate on 25 June 2002 (19th Sitting) (see [Doc. 9482](#), report of the Committee on Economic Affairs and Development, rapporteur: Mrs Kestelijn-Sierens).



5. The Assembly supports the Bank's major efforts on behalf of South-eastern Europe, in close co-operation with other financial institutions under the aegis of the Stability Pact. It sees such EBRD projects as the Trade Facilitation Programme, micro-financing credit lines and its "Turn Around Management" as examples of a new down-to-earth strategy for the region, and sees major opportunities in these fields for co-operation between the EBRD and the Council of Europe Development Bank.

6. The Assembly, in this context, welcomes the recent enhanced spirit of co-operation shown by the countries in the region, and encourages them to go further, not least to facilitate future accession to the European Union. Efforts to combat organised crime and corruption and create a more positive investment climate should be given priority in this regard.

7. The EBRD's resumption of major activities in Russia is particularly welcome, not least in view of that country's pivotal position for stimulating economic development in the region as a whole. The Assembly hopes that the current programme of economic reform in Russia will permit an even larger EBRD funding presence in that country.

8. The Assembly shares the Bank's concern over the state of the energy sector in many of the countries of operation and the need to enhance both output and efficiency of energy use in order to ensure overall economic growth, including in Russia, Ukraine and the Caspian Sea Region. It supports the Bank's efforts to enhance nuclear safety and encourages it to shape an overall investment strategy for all its countries of operation in close co-operation with them, on the understanding that such an undertaking presupposes a high degree of openness in the energy markets of the countries concerned.

9. Taking into account that in December 2000 Ukraine, despite its energy shortages, met its Ottawa Memorandum commitment with regard to the closure of the Chornobyl nuclear plant, the Assembly urges the Bank to start financing the projects for the transformation of the Chornobyl "shelter" facility into an ecologically safe system and for the completion of the construction of compensating facilities, which are of the highest priority and of vital importance for the energy sector of Ukraine.

10. The Assembly welcomes the Bank's growing presence in the development of the private sector in countries in central Asia and encourages these countries to assist the Bank's efforts by opening up trade and investment with each other.

11. The Assembly notes with satisfaction the increased consultation between the Bank and the Assembly's Committee on the Honouring of Obligations and Commitments by Member States of the Council of Europe (Monitoring Committee) on the state of democracy, human rights and the rule of law in its countries of operation. It also welcomes the Bank's increased dialogue with non-governmental organisations. It fully supports the Bank's decision to suspend projects in the public sector in Belarus and Turkmenistan, due to the lack of preparedness of these two countries to respect the aforementioned values. It hopes that the Bank's decision to hold its next annual meeting in Uzbekistan in 2003 will provide an opportunity to improve the situation in that country as regards democracy, human rights, the rule of law and the functioning of civil society.

12. Finally, the Assembly encourages the EBRD to start reflecting on its mission, and hence its existence in the forthcoming decade, considering not only the completed transition to a market-oriented economy on the part of some of its countries of operation, but also in view of the future enlargements of the European Union and the risk that the Bank may start to compete with ordinary commercial banking in the more advanced countries.