Parliamentary Assembly
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COUNCIL OF EUROPE
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Resolution 1672 (2009)[1]

Activities of the European Bank for Reconstruction and Development (EBRD) in 2008: reinforcing economic and democratic stability

Parliamentary Assembly

1. The Parliamentary Assembly stresses the continuing validity of the co-operation agreement signed in 1992 between the Council of Europe and the European Bank for Reconstruction and Development (EBRD) as a reference document. The economic and financial crisis affecting most Council of Europe member states, in which the EBRD operates, reinforces the topicality of the present resolution. Both institutions aim at contributing to democratic stability in European countries on the basis of the common values of the rule of law and democracy and those of economic and social development as a foundation of stability.

2. The Assembly is gravely concerned about the effects of the crisis on the living conditions of the citizens of Council of Europe member states which benefit from EBRD assistance, particularly in the Balkans, the Southern Caucasus, Ukraine and Moldova. The Assembly notes the significant crisis response by the EBRD and considers that its operations must be further reinforced and adjusted to tackle the challenges of the crisis.

3. The Assembly recalls its Resolution 1651 (2009) on the consequences of the global financial crisis, which points out that "it is vital that economic solidarity, co-ordination and co-operation be exercised not only among the Council of Europe member states and between the industrialised states, but also vis-à-vis the developing countries".

4. The Assembly is convinced that the EBRD should step up its activities in the Council of Europe member states which are in transition to an open market economy within a democratic framework. The financial crisis has clearly shown the need for constant monitoring of every country's application of the principles of pluralist democracy and the market economy, in accordance with Article 1 of the Agreement Establishing the EBRD.

5. The Assembly notes with satisfaction that in 2008 the volume of EBRD activities increased sharply in the Western Balkan countries. The Bank's operations reflected the main elements of each country's development strategy, namely support for enterprise, finance and infrastructure. The Assembly stresses that economic growth also reflects the results of political stability, which is conducive to programming the Bank's medium- to long-term activities.

6. The Assembly notes that the EBRD's activities in Georgia, Armenia and Azerbaijan increased considerably in 2008 in the fields of infrastructure, banking, enterprises, the agro-alimentary industry and energy. It should nevertheless be stressed that the Southern Caucasus region still suffers from frozen conflicts and a lack of real regional co-operation. For example, the armed conflict in August 2008 between Georgia and the Russian Federation in South Ossetia seriously undermined investor confidence, damaged transport infrastructure and impacted negatively on the whole region.

7. The Assembly welcomes the fact that the EBRD has intensified its operations in Moldova to support private enterprise, local banks and infrastructure. However, growth in this country is set to be affected by the slump in demand for food exports.

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1. *Assembly debate* on 23 June 2009 (21st Sitting) (see Doc. 11938, report of the Committee on Economic Affairs and Development, rapporteur: Mr Martins). *Text adopted by the Assembly* on 23 June 2009 (21st Sitting).

8. Where Ukraine is concerned, the Bank has increased the volume of its projects, and the country remains the second most important country in terms of EBRD operations. These projects concern in particular the industrial sector, the development of national capital markets, promotion of energy efficiency and infrastructure improvement. However, the main concern is still the solidity of the banking sector.

9. The Assembly is keenly aware that the EBRD will be facing real challenges in maintaining and increasing its activities in 2009 and the ensuing years in the Western Balkan region, the Southern Caucasus, Russia, Ukraine and Moldova, because these countries' economic growth has experienced a downturn.

10. The Assembly hails the Joint International Financial Institutions initiative undertaken in 2009 and stresses the importance of improving co-ordination and co-operation among the EBRD, the International Monetary Fund, the European Commission and the European Investment Bank in order to avoid overlapping activities. Such co-operation should be based on the pre-accession instrument, which also covers the Western Balkans, the neighbourhood partnership, which covers the Southern Caucasus, and the agreement on the Investment Facility, which covers Ukraine and Moldova. The Assembly considers that the EBRD should continue to increase its efforts aimed at improved regional co-operation and integration, including in the field of the cross-border lending.

11. The EBRD's experience in the countries in question, its know-how, its knowledge of the economic, financial and political realities and of the national and regional partners and their specific modes of functioning make this bank the best-placed financial institution to help the Council of Europe member states concerned to face the challenges arising from the economic and financial crisis and enable them to implement lasting democratic development.

12. The Assembly is convinced that the Council of Europe and the EBRD could improve their joint activities by complying with the following criteria:

12.1. improving the co-ordination of efforts for projects conducted by both institutions in the same countries at local and regional levels, with a dual democratic and economic strand;

12.2. studying the possibility of preparing and implementing joint projects with the Council of Europe Development Bank in member countries where both banks are implementing projects;

12.3. promoting high standards of good governance as a major priority;

12.4. co-operating with the relevant Council of Europe bodies in preparing joint projects geared to promoting a moral and ethical code for economic and financial stakeholders and combating corruption and money laundering;

12.5. ensuring that the EBRD makes greater use of the reports adopted by the Assembly, particularly those drafted by the Committee on the Honouring of Obligations and Commitments by Member States of the Council of Europe (Monitoring Committee), in order to reinforce the principles of the rule of law in the fields of finance and banking in the countries where the EBRD develops its activities;

12.6. improving national parliaments' knowledge of the EBRD's activities and inviting parliaments of beneficiary countries to monitor their executives in this context;

12.7. studying joint projects in order to restore citizen confidence in the democratic functioning of market economy institutions.

13. The Assembly recalls that despite the financial difficulties, all human, social and economic rights must be respected.