Parliamentary Assembly
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COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Resolution 1913 (2013)[1]
Final version

The activities of the European Bank for Reconstruction and Development (EBRD) in 2010-12

Parliamentary Assembly

1. The Parliamentary Assembly has reviewed the activities of the European Bank for Reconstruction and Development (EBRD) for the period 2010-12 in the light of the reports by the Bank and the report prepared by the Committee on Political Affairs and Democracy. Following the reform of the Assembly's structures and working methods, which took effect in January 2012, the Assembly has sought to make the debate more political and to focus more on a political assessment of the work of the Bank and not so much on its actual activities as in the past.

2. The Assembly recalls that the Agreement Establishing the European Bank for Reconstruction and Development includes a significant political element, in that it specifies that the Bank may conduct its operations in countries of central and eastern Europe which are not only proceeding in their transition towards market-oriented economies, but are also committed to and applying principles of multiparty democracy and pluralism.

3. According to the preamble to the agreement, the successful transition of member countries to market-oriented economies is closely linked to parallel progress towards democracy and the rule of law. Thus, the political aspect of the Bank's mandate extends to all of its objectives and should be monitored and promoted by the Bank as part of the process of assisting the transition of its countries of operations to market economies.

4. In the co-operation agreement concluded between the Council of Europe and the EBRD in 1992, the two organisations agreed to exchange information, particularly regarding the monitoring and assessment of the development of democracy in central and eastern Europe. By debating the activities of the EBRD, the Assembly provides a parliamentary oversight of the Bank's operations.

5. The time period covered by this review of the activities of the EBRD (2010-12) has witnessed a second wave of the current financial and economic crisis which has hit especially hard in Europe: a sovereign debt crisis in a number of European States and a related confidence crisis in the eurozone single currency. In an attempt to restore confidence of financial markets in the economic fundamentals of the countries affected, austerity programmes have been implemented throughout the review period; the ensuing economic slowdown in the eurozone, and western Europe in general, has had a negative impact on the transition countries of the region. The EBRD has significantly scaled up its operations to support crisis response and recovery in its countries of operations.

6. The Assembly welcomes the new methodology developed by the EBRD to evaluate the transition impact of its projects in the countries of reference, namely the transition scoreboard presented in the EBRD 2010 Transition Report. It notes with regret, however, that the methodology of the scoreboard is still limited, as it does not include progress towards democracy and the rule of law.

1. *Assembly debate* on 22 January 2013 (4th Sitting) (see Doc. 13089, report of the Committee on Political Affairs and Democracy, rapporteur: Mr Elzinga). *Text adopted by the Assembly* on 22 January 2013 (4th Sitting).

7. It notes with interest the new Memorandum of Understanding signed by the Bank with the European Commission and the European Investment Bank (EIB) in 2011, designed to achieve closer co-operation between the signatories. A recent example of such co-operation was the establishment of the Western Balkan Enterprise Development and Innovation Facility, which could have a beneficial impact on the entire region. A previous example was the joint Action Plan of 2009-10, where the EBRD and the EIB worked very closely to support banks and credit to the real economy in central and eastern Europe; a new Joint Action Plan has been recently announced by the EBRD, the EIB and the World Bank, covering 2013-14 and pledging 30 billion euros to support economic recovery and growth in central and South-Eastern Europe.

8. The Assembly also welcomes the extension, further to the 2011 Deauville Declaration, of the geographic scope of the EBRD's mandate, in order to support the transition in those countries of the south and east of the Mediterranean (the SEMED countries) which embrace multiparty democracy, pluralism and the market economy; it notes that operations started in Egypt, Jordan, Morocco and Tunisia in the second half of 2012, through the use of a special fund. Full country of operations status requires the ratification of the amendments to Article 1 of the Bank's statute. This is expected to be achieved in the first half of 2013.

9. The situation in these countries is, however, quite different from that of central and eastern Europe twenty years ago, and so is the global economic context. This should be taken into account. It is therefore of the utmost importance to interact and co-operate with civil society organisations and social partners in order to shape transition policy in a way that is broadly supported, promotes the creation of wealth and social stability and does not cause social injustice. Furthermore, it is important to develop synergy in the wider European efforts to support the emerging democracies in the Arab world. The EBRD should thus step up co-ordination with the Assembly (taking into account the partner for democracy status), the European Commission for Democracy through Law (Venice Commission), but also with other relevant bodies.

10. The Assembly notes the recent efforts towards revision and updating by the EBRD of the methodology to assess the compliance of its countries of operations with the political aspects of the Bank's mandate, notably on the basis of four criteria: representative and accountable government; civil society, media and participation; rule of law and access to justice; and civil and political rights.

11. It looks forward to the effective implementation of this new methodology and encourages the EBRD to strengthen its co-operation with the Council of Europe – and in particular with the Assembly – in making and monitoring its assessments.