Parliamentary Assembly
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COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Resolution 1451 (2005)[1]

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

Parliamentary Assembly

1. The Parliamentary Assembly, in line with the 1992 Agreement between the Council of Europe and the European Bank for Reconstruction and Development (EBRD), has reviewed the Bank's performance and key activities in 2004 in its 27 countries of operations. It welcomes the Bank's record commitments, totalling €4.13 billion, towards the financing of investment projects and its increasing focus on less economically advanced countries of operation in eastern and South-Eastern Europe and in the Caucasus region.

2. The Assembly notes that the Bank's good management of its capital has enabled it to continue the announced shift in its lending towards its poorer "early" and "intermediate" countries of operations, while still observing sound banking principles and indeed exceeding both the operational and the financial targets established in its medium term strategy for the years 2004 to 2007.

3. The Russian Federation remains the largest EBRD country of operations, benefiting as it does from about a third of total commitments for 2004. The new country strategy for the Russian Federation, approved in 2004, points to the need for accelerated institutional and structural reform as well as efforts towards economic diversification and modernisation, fiscal discipline and the full protection of property rights.

4. The EBRD's participation in the Stability Pact for South Eastern Europe is to be commended, especially in furthering private sector development via micro-financing, trade facilitation and infrastructure improvement in energy, transport and municipal services. Continued Bank involvement in the pact is vital to ensuring further economic and other reform as well as greater economic integration in the region.

5. The Assembly welcomes the EBRD's increasing emphasis on clarifying the complex relationship between reform and economic growth in its countries of operations, and its finding that – despite initial hardships and heightened pressure on national social safety systems – the opening of markets combined with steady structural reform yield positive macroeconomic results over time. This helps to explain why EBRD countries of operations have, over the past few years, consistently grown faster than the world average, exceeding 6% in 2004. Although considerable regional disparities remain, most transition countries are thereby in a good position to enjoy continued political stability and economic progress, provided that work to further consolidate institutions, democratic principles and the rule of law continues.

6. Reliable and efficient infrastructure networks are crucial for economic development. They represent a major investment challenge for countries of operations and the EBRD alike. The Assembly highly values the Bank's input in developing regulatory institutions and rules that encourage cost-efficient, competitive, environmentally sustainable and affordable infrastructure networks and services, as well as paving the way for more extensive private sector participation.

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1. Assembly debate on 21 June 2005 (18th Sitting) (see Doc. 10571, report of the Committee on Economic Affairs and Development, rapporteur: Mrs Pirozhnikova). Text adopted by the Assembly on 21 June 2005 (18th Sitting).

7. The Assembly draws attention to the significant "multiplier effect" inherent in EBRD activities, in that its own lending attracts additional commercial, institutional and governmental co-financing. It notes that the Bank's partners invested €5.4 billion in 2004 – double that of the previous year – in projects supported by the EBRD.

8. In conclusion, the Assembly:

encourages the EBRD to further strengthen its involvement – under strict observance of its requirements for improvement as regards human rights, democracy and the rule of law – in central Asia, especially within the framework of its new Early Transition Country Initiative in favour of Armenia, Azerbaijan, Georgia, the Kyrgyz Republic, Moldova, Tajikistan and Uzbekistan, as well as in regard to Kazakhstan and Turkmenistan;

welcomes the EBRD's new country strategy for the Russian Federation and in this context supports the Bank's strong and increasing emphasis on small business development across all regions. In particular it commends the Bank's involvement alongside other investors in the Kaliningrad region, thereby contributing to enhanced co-operation between the Russian Federation and the European Union;

supports – not least against the background of the opening for signature at the 3rd Council of Europe Summit of Heads of State and Government in Warsaw in May 2005 of the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS No. 198) and the Convention on Action against Trafficking in Human Beings (CETS No. 197) – the EBRD's policy of "zero tolerance" for any occurrence of fraud, corruption and misconduct, such as via its Compliance Function promoting good governance and its new Independent Recourse Mechanism to assess the integrity of projects. It also commends the EBRD's improved public information policy which renders the Bank's operations, investment strategies and evaluation activities more accessible to scrutiny by the public;

asks the Bank to pay special attention, through its new policy on energy projects, to enhancing energy efficiency and savings and, taking into account that the EBRD is in charge of the Chernobyl Fund, asks the Bank to pay special attention to the considerable delays accumulated vis-à-vis the terms agreed on earlier as to the financing of the Chernobyl Shelter Fund, of the construction of the "confinement" sarcophagus (Hayat-2) and of other facilities related to overcoming the after-effects at the Chernobyl nuclear disaster;

notes the EBRD's co-operation with the Council of Europe Development Bank in supporting several projects in Hungary and Poland and strongly hopes that such joint activity can be further pursued in EBRD countries of operations which are in their early and intermediate transition stages.