



**Resolution 1508 (2006)<sup>1</sup>**

## **The contribution of the European Bank for Reconstruction and Development to economic development in central and eastern Europe**

Parliamentary Assembly

1. The Parliamentary Assembly, acting as parliamentary forum of the European Bank for Reconstruction and Development (EBRD) under the 1992 Agreement of Co-operation between the Council of Europe and the EBRD, has reviewed the Bank's work in 2005 in its 27 countries of operation reaching from central Europe to central Asia. While most of the Council of Europe member and observer states are among the key donor and recipient countries, five countries of central Asia, where the EBRD is increasingly active, are close neighbours of the Council of Europe.
2. Some fifteen years ago, the Council of Europe and the EBRD joined forces to promote democratic and institutional reforms, the rule of law, human rights and transition to market-oriented economies in states emerging after the fall of the Iron Curtain. The Council of Europe's monitoring mechanisms and the EBRD's annual transition reports show uneven progress in the political, economic and social domains in the countries under scrutiny. However, the Parliamentary Assembly wishes to pay tribute to the EBRD's valuable – and growing – contribution to economic integration and growth across the eastern and south-eastern parts of Europe and central Asia, where the Bank remains the largest institutional investor.
3. The Assembly is pleased to note that the Bank's 2005 results significantly exceeded its operational and financial targets, reflecting the improvement in quality of the Bank's activities, prudent risk management and strong economic performance in its countries of operation and in financial markets. This is all the more important given a welcome trend to invest in a larger number of smaller, often more complicated projects in the private sector, and a geographical focus on countries in the south and east of the region, as well as a greater recourse to innovative financial arrangements.
4. The Assembly welcomes the continued diversification of EBRD operation and the stronger regional presence in the Russian Federation, which remains by far the largest EBRD country of operation and the largest recipient of its funding. By acting as a reliable strategic partner at a time of heightened investor uncertainty and by being a catalyst for business growth, by stimulating improvements in corporate governance and offering leadership to investors, the Bank helps to consolidate this country's economic foundations and further integration into the world economy.
5. Owing to interethnic conflicts and widespread social and political upheaval in the region, the last fifteen years have been extraordinarily turbulent for the countries of south-eastern Europe and the Caucasus. Economic reforms and new partnerships in this region have therefore progressed hesitantly. The EBRD's involvement in reconstruction and company development, whether through direct project financing in the countries concerned or through regional schemes, is crucial for creating new interdependencies, especially in transport, energy and trade, conducive to lasting stability, growth and well-being in the region. The Assembly believes that co-operation between the EBRD and the European Union should be further intensified in these countries in the framework of the EU's pre-accession instruments, stabilisation and association agreements, and the European Neighbourhood Policy.

---

1. Assembly debate on 27 June 2006 (18th Sitting) (see [Doc. 10950](#), report of the Committee on Economic Affairs and Development, rapporteur: Mr Schreiner). Text adopted by the Assembly on 27 June 2006 (18th Sitting).



6. Half the population of Armenia, Azerbaijan, Georgia, Kyrgyzstan, Moldova, Tajikistan and Uzbekistan, considered as early transition countries, lives in abject poverty. Economic development in these countries has been hampered by the slow pace of democratic and legal reform, widespread corruption, weak but prevalent state enterprises, poor infrastructure, fragmented domestic markets, lack of employment opportunities and low levels of investment. Reiterating its strong support for the EBRD's Early Transition Countries (ETC) initiative designed as a multi-donor fund to provide technical assistance for the capacity-building and preparation of investment projects, the Assembly calls on the Bank's donor countries to allocate more resources to the ETC initiative so as to enable the EBRD to pursue grass-roots investment opportunities and support reforms in favour of the most needy populations.

7. The year 2005 was a tumultuous year for Ukraine and, in the EBRD's view, the country has reached a critical moment in its economic transition. Whereas the recent parliamentary elections demonstrated strengthened multiparty democracy, the new country's leadership is under pressure to act swiftly in multiple domains. In this context, the Assembly wishes to stress the importance of Ukraine-EBRD co-operation in reforming the energy sector, in particular in the areas of energy efficiency and nuclear safety, improving corporate governance, taxation and regulation, curbing corruption, as well as in ensuring transparency of ownership and industrial restructuring. The Assembly urges all the parties concerned to do their utmost to ensure the smooth and timely implementation of the Chernobyl Shelter Project.

8. As energy intensity, from central Europe to central Asia, is three to seven times higher than the EU average and as energy costs keep on rising, energy efficiency stands out as a major priority to fight such waste. A key objective for the EBRD and its countries of operation is therefore the creation of energy systems that meet market economy needs and help increase the competitiveness of all economic sectors. This is closely linked with the Bank's commitment to the environment in so far as it supports projects designed to improve the quality of energy services while minimising any negative impact on the environment. The Assembly looks forward to the forthcoming publication by the Bank of its revised energy strategy and an expected increase by over 50% in a five-year period of the EBRD's investment in energy efficiency and renewable energy projects.

9. Agriculture remains vital for many of the EBRD's client countries through that sector's contribution to raising incomes and providing sustainable livelihoods in rural areas, where between one and two thirds of the region's population lives, as well as through its potential for boosting GDP and export growth, employment and production of foodstuffs in place of imports. The EBRD's rural credit schemes, support for leasing facilities and policy advice are particularly valuable in non-European Union countries. It is therefore important that the EBRD persevere in this field with its key institutional partners, including the World Bank, the United Nations Food and Agriculture Organization (FAO) and the Central European Initiative.

10. The EBRD's 2005 study, in partnership with the World Bank, on the business environment and company performance in its countries of operation provides useful insight for policy makers as regards constraints on growth and development. Problems of taxation, of access to finance and of macroeconomic instability appear as the top three barriers faced by companies in both mature and transition economies. The Assembly asks those member states concerned to pay special attention to a policy dialogue with the EBRD on these issues.