

RESOLUTION NO.258

EBRD'S SUPPORT FOR RESILIENCE AND RECONSTRUCTION IN UKRAINE: THE WAY FORWARD

THE BOARD OF GOVERNORS:

Recalling Resolution No. 247 *“In support of the EBRD’s response to the war on Ukraine”* and reiterating its strong condemnation of the illegal invasion of Ukraine by the Russian Federation;

Commending the resilience of the Ukrainian people in the face of the existential threat posed by the invasion, and distressed by the continuing, tragic loss of life, physical destruction and disruption to livelihoods taking place in Ukraine, as well as the humanitarian situation in both Ukraine and neighbouring countries;

Conscious of the ongoing challenges in all countries of operations and beyond as a result of the regional and global implications of the war on Ukraine and the fragile global economy and welcoming the Bank’s record levels of total investment in 2022;

Recognising the wide range of support provided by the international community to protect the lives and livelihoods of those affected by the war, as well as macro-economic stability, in the face of the devastating impact of the invasion;

Welcoming the EBRD’s contribution to that international effort through investment of around €3 billion in the Ukrainian real economy over the course of 2022 and 2023, enabled through an innovative 50:50 risk sharing partnership with donors, and grateful for the unprecedented generosity of the Bank’s shareholders and wider donor community in this context;

Conscious of the magnitude of the financial challenge in supporting Ukraine, in both wartime and subsequent post-war reconstruction, as well as the need for a well-coordinated and effective international response to this challenge consistent with Ukraine’s institutional and financial absorptive capacity;

Valuing the EBRD’s distinctive position in Ukraine, based on its long experience, local knowledge, unique transition mandate and private sector focus, which form a strong basis for its critical work in the country within the overall international effort and its close collaboration with other partners, including the IMF;

Reiterating shareholders’ support for the Bank’s on-going and future work in Ukraine and their commitment to preserve the Bank’s sound capitalisation and its triple-A rating;

Having considered the Report of the Board Directors “*EBRD’s support for resilience and reconstruction in Ukraine: The way forward*” and endorsing its conclusion that, by applying its business model and working in conjunction with others in line with its comparative advantages, the Bank can and should continue to play a critical role in supporting Ukraine, now and in the future, in line with the ambition outlined in the Report;

Stressing the importance of the Bank’s private sector focus and mandate, underpinned by the application of sound banking principles, and confident that these will be rigorously preserved, as well as strengthening and enhancing the broader international effort;

Acknowledging that the higher levels of potential investment and its composition described in the Report would lead to an increase in the share of the Bank’s state sector portfolio and to a substantial level of concentration of the Bank’s assets in Ukraine;

Welcoming the recommendations of the G20 Independent Review of MDBs’ capital adequacy frameworks (‘CAF review’), with the goal of expanding MDBs’ lending capacity and the Bank’s commitment to implement the relevant recommendations given its specific mandate and also;

Being fully committed to providing the shareholder support required to enable the Bank’s role in Ukraine and agreeing with the conclusion of the Board of Directors that paid in capital is the most efficient, effective and fairly shared instrument to provide such support, and noting that the Report states that a €3-5 billion paid in capital increase would enable investment of the nature and scale outlined in the Report without the need for systematic donor risk sharing in 2024 and beyond.

Recalling that Article 5.3 of the Agreement Establishing the Bank provides ‘No member shall be obliged to subscribe to any part of an increase of capital stock’; and

Noting that, in order to be in a position to take a decision by the end of the year on such support, management will provide in June 2023 a paper on the content, form and timeline of a negotiation process for an increase of the EBRD’s authorised paid-in capital and associated policy objectives.

RESOLVES THAT:

1. The EBRD must play a critical part in the international effort, working in collaboration with others, to support Ukraine’s real economy in wartime and in reconstruction applying its unique mandate and comparative advantages whilst maintaining its financial strength, and further shareholder support will therefore be needed.
2. Consequently, informed by the paper from management set out above and taking into account the implementation of the relevant recommendations of the CAF review, the Board of Directors shall submit a concrete proposal on the scope of the Bank’s support for Ukraine, and a potential paid-in capital increase with the aim of a final decision by the Board of Governors by the end of 2023.

(Adopted 18 May 2023)