

Legal Transition Programme



European Bank
for Reconstruction and Development

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The Legal Transition Programme (LTP) is the EBRD's initiative to contribute to the improvement of the investment climate in the Bank's countries of operations by helping create an investor-friendly, transparent and predictable legal environment. LTP activities focus on the development of legal rules and the establishment of the legal institutions and culture on which a vibrant market-oriented economy depends.

In the past, the LTP has focused its efforts on the countries of central and eastern Europe and the former Soviet Union, as per the EBRD's mandate. In 2012, the EBRD's shareholders have backed the decision to expand the Bank's operations to the southern and eastern Mediterranean, a new direction that the LTP is now reflecting in its activities.

Focus areas

The LTP focuses on a number of topics most relevant to the EBRD's investment activities and in which the Bank has accumulated experience. These are currently:

- ▶ encouraging access to finance, in particular for small and medium-sized enterprises (SMEs)
- ▶ developing local capital markets (including money markets)
- ▶ encouraging better corporate governance for companies and financial institutions
- ▶ strengthening market stability by supporting debt resolution and restructurings
- ▶ improving the food chain by developing pre- and post-harvest financing tools
- ▶ strengthening courts' performance in contract enforcement
- ▶ promoting public-private partnerships in public infrastructure projects
- ▶ supporting the development of telecommunications and information and communication technology
- ▶ promoting energy efficiency and renewable energy
- ▶ supporting more efficient regulatory frameworks for natural resources sector
- ▶ strengthening public procurement.

Activities

The EBRD conducts four types of activities through the LTP: standard-setting, measuring laws, assisting governments and sharing experiences.

Standard-setting

The Bank participates in and contributes to international standard-setting initiatives. Activities in this area have included participation in UNCITRAL's and UNECE's efforts to establish and promote principles and best practice in public-private partnerships. The EBRD has also developed and published in several languages a *Model Law on Secured Transactions* and *Guiding Principles for the Development of a Charges Registry*, as well as, in 2007, an analytical study on mortgage law and guidelines on the regulation of insolvency administrators. In 2008 the Bank released, jointly with the OECD, a *Policy Brief of Corporate Governance of Banks in Eurasia*, and in 2012 a similar document for south-eastern Europe. More recently the EBRD has been interacting with the OECD in the context of their Corporate Governance Principles update.

Measuring laws

The EBRD monitors and analyses the status of legal transition in its countries of operations and develops measurement tools to assess legal risk for EBRD investments. The Bank has developed analytical tools to assess laws and regulations in the LTP's focus areas in the Bank's countries of operations and also conducts case studies to gauge how the relevant laws and regulations are implemented by those countries. The results of these assessments are published on the EBRD's web site (see Box) and in the Bank's journal *Law in transition*.

The EBRD's Legal Assessment Web Tool

Since the mid-1990s, the Bank has developed a unique collection of analytical tools relating to the commercial and financial laws of transition countries. Each assessment evaluates core commercial laws using international standards as a benchmark. The most recent assessment data is now available in an online interactive database on ebrd.com, where users can generate graphs and charts on the countries and sectors of interest. These assessments are published primarily for the benefit of those who make or influence legal reform policy in the countries in which the EBRD operates.

The Legal Assessment WebTool is at: www.ebrd.com/pages/sector/legal/what/interact

Law in transition

Legal reform is a core dimension of the EBRD's work. Its twice-yearly *Law in transition* journal offers extensive coverage of legal developments in the region, shares lessons learned and aims to stimulate debate on legal reform in the transition economies.

Read more about EBRD legal journal www.ebrd.com/lawintransition

Assisting governments

The Bank develops and implements technical cooperation projects in the EBRD's countries of operations, which are designed to support local authorities in establishing investor-friendly legal systems. Recent and current projects include:

Albania – assisting the government to strengthen the newly created review commission on public procurement

Armenia – cooperating with the Ministry of Economy to prepare a voluntary code of corporate governance applicable to listed and state-owned companies

Bulgaria – supporting eProcurement reform for the public sector

Commonwealth of Independent States region – in collaboration with the UNCITRAL, developing a policy dialogue and technical cooperation project aiming to upgrade public procurement legislation in selected countries in that region

Croatia – helping the government put in place a legislative framework to facilitate factoring activities

Egypt – assisting the Social Fund for Development in strengthening its policy function and capacity as promoter of small and medium-sized enterprises

Georgia – helping the government implement digital broadcasting switchover

Hungary – working with the Central Bank to tackle high levels of non-performing loans

Moldova – helping the Ministry of Construction and Regional Development to prepare legislation to support energy efficiency of residential buildings

Mongolia – assisting the government in establishing a legal framework to address the chronic pollution experienced by the city of Ulaanbaatar during winter

Morocco – helping the Ministry of Finance design a new legal framework for secured transactions

Russia – assisting the Ministry of Agriculture to establish and implement legislation on crop receipts

Russia – helping the Ministry of Economic Development in modernising the legal framework for pledges and mortgages

Serbia – helping the Ministry of Economy in the revision and update of the concession law

Tajikistan – implementing an action plan to increase judicial capacity in the commercial law sector, in collaboration with the International Development Law Organization (IDLO)

Ukraine – assisting the authorities to provide for validity and enforceability of derivatives transactions in Ukraine.

Sharing experiences

The EBRD advances legal reform through various outreach activities, including publication of the EBRD's legal journal, *Law in transition*, and uses the Bank's web site to disseminate legal assessment results. The EBRD also collaborates and coordinates closely with other international financial institutions, international organisations (for example, World Bank, IMF, UNCITRAL, UNIDROIT, IDLO) and bilateral assistance providers. The Bank conducts legal "roundtable" discussions at each EBRD Annual Meeting and collaborates with a number of academic institutions in the furthering and publicising of legal transition practices and experiences.

In 2012, the EBRD Evaluation department released a comprehensive study reviewing LTP activities for the period 2001-10. The study, which can be found at www.ebrd.com/downloads/about/evaluation/1211109legal.pdf, confirmed that the programme was successful during the said period and that it had made a significant contribution to the legal environment for business in transition countries.

Funding

The LTP is funded both from the Bank's budget and through donor grants provided by the EBRD's shareholders and other official sources.

The Legal Transition and Knowledge Management Team

The Legal Transition Programme is administered by the Legal Transition and Knowledge Management Team (LTT), within the EBRD's Office of the General Counsel (OGC). The LTT is comprised of a group of lawyers dedicated to legal reform work, each with a specific area of legal expertise. They manage the EBRD's involvement in legal reform in their specialist areas and the related legal technical assistance projects. These lawyers work closely with the EBRD lawyers working on transactions, particularly in identifying and overcoming legal impediments to investments in the Bank's countries of operations.

In 2010 a Financial Law Unit was created within the LTT to address, on a systematic basis, the challenges faced by investors engaged in financial transactions in transition countries. The Unit specialises in questions relating to capital markets, corporate governance, insolvency and secured transactions.

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