

Autumn 2004

Jean Lemierre, President
European Bank for Reconstruction and Development



Legal reform agendas in ETCs

To help seven of the poorest countries in the region in their transition process, the EBRD has developed, with the help of the international community, the 'Early Transition Country' (ETC) initiative. This initiative offers assistance to Armenia, Azerbaijan, Georgia, the Kyrgyz Republic, Moldova, Tajikistan and Uzbekistan. More than 50 per cent of the population in these countries lives in extreme poverty.

The issues facing these countries, while not identical, have important similarities. The ETCs face political and economic instability, and must find solutions to their transition challenges. The ETC initiative emphasises private-sector investment, particularly improvements to banking services for micro, small and medium-sized businesses. The initiative also promotes investment in public services, such as water, heating, power and transport.

Over the past decade, progress towards transition in ETCs has not led to social reform (as experienced in the more advanced economies of central and eastern Europe). Growth in the domestic market has been limited, access to world export markets remains a challenge and local infrastructure needs upgrading. Furthermore, good governance, both public and private, is still a concept in its infancy.

To move forward, these seven countries need to increase their levels of financial intermediation and strengthen their regulatory environments. The prospect for sustained growth and poverty reduction over the medium term will depend critically on each ETC government's ability to implement structural reforms. In particular, each country must ensure that any acceleration of growth translates into reduced poverty and improved living standards. In addition, corruption needs to be tackled and governance improved.

Without the rule of law, economic growth and poverty reduction can be neither sustainable nor equitable. To encourage investment flows, laws and legal institutions must provide an environment conducive to economic activity. This requires an independent and effective judiciary and enforceable laws which protect human rights.

This issue of LiT online focuses on the legal reform agendas in ETCs. The articles cover a range of topics, from insolvency reform and small and medium-sized enterprise (SME) financing to anti-corruption measures. It also includes a discussion on some of the legal issues encountered in Azerbaijan and Georgia in connection with the Baku-Tbilisi-Ceyhan (BTC) pipeline project.

More generally, this edition provides an overview of some of the legal issues which must be tackled to ensure the ETC initiative meaningfully supports further economic growth and development. Through its Legal Reform Programme, the EBRD is fully committed to supporting the legal and institutional aspects of the ETC initiative, and to creating a better living environment for the people of the region.

Lemierre