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Financial and advisory support for climate governance in Türkiye 20

Contributors

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● ABOUT THE EBRD

The EBRD is a multilateral bank that promotes the development of the private sector and entrepreneurial initiative in 42 economies across three continents. The Bank is owned by 77 countries as well as the EU and the EIB. EBRD investments are aimed at making the economies in its regions competitive, well governed, green, inclusive, resilient and integrated.

● ABOUT THIS JOURNAL

Legal reform is a unique dimension of the EBRD's work. Legal reform activities focus on the development of the legal rules, institutions and culture on which a vibrant market-oriented economy depends. Published once a year by the Office of the General Counsel, the *Law in Transition* journal covers legal developments in the region, and by sharing lessons learned aims to stimulate debate on legal reform in transition economies.



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GLOSSARY

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DELIVERING IMPACT THROUGH THE POWER OF LAW

In May 2025, the EBRD's shareholders adopted the Bank's new Strategic and Capital Framework for the period 2026-30, which for the first time features "economic governance" as a priority theme for the Bank. This underscores the importance of our Legal Transition Programme's efforts to create a more predictable, transparent and investor-friendly legal framework in the economies where the EBRD invests.

Another important and much-anticipated development this year has been the expansion of the Bank's operations to include several sub-Saharan countries, which brings new challenges and opportunities for the EBRD, its investments and its technical cooperation programmes.

In the evolving landscape of global governance, the role of international organisations in providing technical assistance is becoming increasingly vital. As we embrace the opportunities within legal reform, it is essential to recognise the significant impact such assistance can have when it comes to shaping legal frameworks and fostering sustainable development. Defining and measuring this impact, however, remains an important challenge.

This issue of the *Law in Transition* journal rises to this challenge by capturing the impact of our projects. The various stories, which are based on the authors' empirical observations rather than a strict methodological approach, highlight the real changes our activities have brought about. These insights deserve attention and complement more scientific attempts to measure results.

International organisations must work together to define the impact of their technical assistance programmes. These initiatives help countries to modernise their legal systems, promote the rule of law and encourage investment, and the true measure of their success lies not only in immediate outcomes but also in the long-term impact on legal institutions and societal norms.

One key challenge in determining impact is the dynamic nature of legal reform. Legal systems are deeply embedded in the cultural, social and political fabric of a nation. Consequently, the benefits of technical assistance programmes often unfold gradually, becoming more evident over time. This complexity necessitates a comprehensive approach to assessing impact – one that considers both quantitative and qualitative indicators.

This year has also seen the publication of the EBRD's first *Impact Report* – a pioneering step in this field. By rigorously analysing the Bank's activities in 2024, the report provides valuable insight into the effectiveness of the EBRD's investments and policy dialogue efforts. It emphasises the importance of setting clear objectives, establishing robust monitoring mechanisms and engaging local stakeholders in the evaluation process.

Going forward, international organisations must embrace a collaborative approach to impact assessment. This involves sharing best practices, harmonising evaluation frameworks and fostering a culture of continuous learning. By working together, we can enhance the effectiveness of technical assistance programmes and ensure that they make a meaningful contribution to legal reform.

The process of defining impact is not simple, but it is worth undertaking. The insights derived from the *Impact Report* demonstrate the potential of innovative approaches when it comes to shaping the future of legal reform. As we explore new avenues for assessing impact, let us remain committed to transparency, accountability and inclusivity. Together, we can build a more just, prosperous and equitable world through the power of law.

I hope this issue of the *Law in Transition* journal provides food for thought for everyone involved in providing technical assistance to governments and other stakeholders on legal and institutional matters.

Enjoy the issue!

Michael Strauss
GENERAL COUNSEL, EBRD





I am pleased to present the 2025 edition of the *Law in Transition* journal, which reflects on the recent work of the EBRD's Legal Transition Programme (LTP). The LTP helps economies where the EBRD operates to develop legal frameworks that are conducive to investment. Through a combination of assistance with legislative reforms, institution building, support for investee companies, diagnostic studies and outreach programmes, the Bank works to enhance the legal environment for business in its regions of operation.

Over the years, various studies – including assessments by the Bank's Independent Evaluation Department – have confirmed that the LTP has made a positive contribution to the development of recipient countries. Nevertheless, it is important that we continue to scrutinise the practical changes brought about by these activities on the ground, particularly for the donors who fund them. To this end, the EBRD has now supplemented its usual donor reports with a dedicated *Impact Report* (which was published for the first time in 2025), seeking to capture the overall results of its investments and policy dialogue activities. In a similar vein, this issue of *Law in Transition* tries to define the impact of our technical cooperation, with the authors of the various stories all endeavouring to describe the concrete results of their projects.

The issue has two broad themes: the transition to a green economy, which is the focus of three articles; and economic governance, which is the subject of the other six. Both of these are priority themes under the EBRD's new Strategic and Capital Framework for the period 2026-30.

In the first story, Michael Strauss, Vesselina Haralampieva, Marie-Claire Cordonier Segger and Markus Gehring discuss how climate and sustainability governance can help business by promoting innovation and just transition. Their story emphasises the need for governance systems to evolve in line with the scale and urgency of the climate challenge.

In the second contribution, Chris Tassis and Hüseyin Kertis show how the EBRD is helping Türkiye to achieve its green transition targets through a combination of financing and technical assistance. The article focuses on the Bank's support for a Turkish healthcare company implementing a corporate climate governance action plan.

The third article, by Divya Chawla and Cynthia Page, looks at the benefits for financial institutions of preparing, adopting and implementing transition plans. These plans serve as a roadmap for shifting investment portfolios away from carbon-intensive assets towards sustainable, low-emission alternatives. The article examines the findings of a recent survey conducted by the EBRD to understand how partner banks are progressing with their transition plans.

Next, Pavle Djuric, Anar Aliyev and Mariana Ciurel explain how the EBRD has worked with the Bucharest Stock Exchange to develop a new Corporate Governance Code for Romania that is aligned with international standards. The article looks at the benefits this will bring to the country in terms of increased investor confidence and opportunities for economic growth.



In the article that follows, Gian Piero Cigna, Liubov Skoryk and Yuliya Zemlytska showcase the Bank's efforts to improve the corporate governance of state-owned enterprises in Ukraine. They focus on one such enterprise, Naftogaz, and its long journey, starting in 2014, towards increased transparency and accountability, in the face of huge challenges created by the Russian invasion in 2022 and the subsequent war in Ukraine.

The next story, by Milot Ahma and Liubov Skoryk, with contributions from Ouns Lemseffer and Lizaveta Trakhalina, reflects on the impact of Bank-sponsored legal reforms aimed at facilitating access to finance for small and medium-sized enterprises and startups. It reviews the results of technical assistance supporting factoring, crowdfunding and secured transactions.

The seventh story, by Catherine Bridge Zoller, with input from Shona Tatchell and Alexa Tiemann, considers the efforts undertaken by Morocco, with EBRD assistance, to enhance its digital trade landscape. Given the significant role that the recently adopted United Nations Commission for International Trade Law (UNCITRAL) Model Law on Electronic Transferable Records has played in this process, the article also includes a brief interview with Luca Castellani, a Legal Officer at the UNCITRAL Secretariat.

In the penultimate article, Eliza Niewiadomska reflects on the innovative state-of-the-art e-procurement system that has been put in place in Ukraine over the past decade with EBRD assistance. Its impact has been huge, with public entities now procuring goods and services in a more transparent, efficient and economical manner.

Lastly, Veronica Bradautanu, Yulia Shapovalova, Illia Chernohorenko, Patricia Zghibarta and I look back over two decades of LTP work in the area of dispute resolution, which initially focused on strengthening the capacities of commercial judges in post-Soviet countries, before expanding to encompass broader reforms in the areas of enforcement, mediation and competition. With the Bank now in the process of moving away from this type of technical cooperation, this is a good time to take stock of what has been achieved.

We hope that you enjoy this issue of *Law in Transition* – and that its articles contribute to current efforts to define the impact of technical assistance provided by international organisations. As always, we welcome your feedback.

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GOVERNING THE TRANSITION: REDEFINING CLIMATE AND SUSTAINABILITY FOR A JUST AND RESILIENT FUTURE



“The climate transition is shaped not only by corporate strategies and national policies but also by the global architecture of law, trade and investment.”



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In today's rapidly changing world, firms face mounting pressure from geopolitical instability, climate risks and regulatory changes. Stakeholders are increasingly demanding measurable progress on green matters, while new regulations signal an emerging consensus that sustainability – far from being optional – is now essential for market access. Despite resistance in some regions, climate governance is becoming a vital transformation tool. Progress here requires broad, multi-stakeholder collaboration, so institutions like the EBRD are working closely with public and private actors to improve governance as a foundation for economic resilience, energy security, credible transition planning and systemic innovation.



STEERING THROUGH DISRUPTION: THE GOVERNANCE IMPERATIVE FOR A SHIFTING WORLD¹

In today's volatile and environmentally constrained global economy, company directors and senior executives face a convergence of pressures. Geopolitical instability, climate-related risks and regulatory disruption are redrawing the corporate risk landscape. The World Economic Forum's *Global Risks Report 2025* put environmental risks, worsening in intensity and frequency, at the top of the 10-year risk list.² Against this backdrop, investors, regulators, trading partners, employees and civil society are increasingly demanding that organisations go beyond commitments and demonstrate credible, measurable progress on climate and sustainability.

Financial institutions, utilities and other large companies – particularly in sectors such as energy, transport, real estate and manufacturing – occupy a critical position in this evolving landscape. As stewards of capital and drivers of infrastructure investment, they are at the heart of the economic transition and under growing scrutiny to align fiduciary responsibilities with long-term sustainability risks and broader stakeholder interests. Recent policy shifts (including the European Union (EU) Carbon Border Adjustment

Mechanism, which prices carbon in imports; contract and supply-chain restrictions related to gender-based violence or net-zero ambitions; and global import restrictions in response to forced and child labour) reflect a growing trend – that is to say, the enforcement of sustainability through trade. Measures introduced by the United States of America, Canada and Australia have reinforced this trend, signalling an emerging international consensus that sustainability performance is no longer optional but integral to market access and competitiveness.

Yet such momentum is not without resistance. In some jurisdictions, transition measures have faced political pushback, often on the basis of short-term economic concerns. These headwinds reveal a more complex picture – one in which sustainability governance is not universally accepted, but rather increasingly contested. Nonetheless, such divergence should not obscure sustainability's long-term trajectory towards becoming a foundation for economic resilience, energy security and systemic innovation, as explored in the sections that follow.

In this evolving context, governance is emerging as a strategic lever for transformation. It is through the three tools of robust oversight, credible transition planning and accountability mechanisms that institutions can manage risk, unlock innovation and align with international standards. But no actor can deliver this transformation alone. Progress depends on decentralised, multi-stakeholder collaboration,

¹ Special thanks and acknowledgements are due to Vicki Boey, University of Cambridge, for her excellent sustainability policy and financial research and drafting contributions, as well as her substantive insights.

² See WEF (2025).



bringing institutions like the EBRD – with its investment, legal and market expertise – together with private- and public-sector investors, national authorities, academia and regional partnerships.

The EBRD's new Strategic and Capital Framework (SCF)³ exemplifies this collaborative model. Designed to mobilise sustainable investment and accelerate the transition in emerging economies, the SCF provides a flexible platform for scaling up public and private finance in support of climate resilience, decarbonisation and just transition goals. Importantly, the SCF recognises that capital alone is not enough: it links finance to improved governance, effective transition planning, alignment with international sustainability standards and enhanced decision-making – particularly within state-owned enterprises and other key actors in the energy, industrial and financial service sectors. By supporting reforms that advance both economic and social sustainability, the SCF reflects a growing consensus that the path to a climate-resilient future must be built on strong institutions, inclusive policies and shared responsibility across the public and private sectors.

³ See EBRD (2025).

This article explores how climate and sustainability governance is becoming a driver of business value, innovation and equity. It examines how institutions can support real-economy transformation in line with the United Nations Sustainable Development Goals (SDGs), and how governance systems must evolve to match the scale and urgency of the climate challenge. The article draws on the EBRD's new SCF, which sets out the Bank's strategic aspirations over a five-year period, including support for the transition to green and low-carbon economies and the enhancement of economic governance and inclusion.

GOVERNANCE FOR SUSTAINABILITY IN A GLOBAL CONTEXT

The climate transition is shaped not only by corporate strategies and national policies but also by the global architecture of law, trade and investment. Governance, in this broader sense, includes the legal norms, institutional arrangements, procedural innovations and stakeholder engagement measures that influence how economies develop, how markets operate and how sustainable development objectives are pursued across borders.

International economic law is gradually internalising sustainability imperatives, as seen in a growing body of bilateral and regional agreements that incorporate environmental and social provisions. The principles underpinning this evolution, such as integration, precaution, equity or public participation supported by access to information and justice, are increasingly reflected in legal texts, though with varying degrees of enforceability.⁴ Together, these norms point to an emerging paradigm in which environmental and social goals are no longer external to economic decision-making but integral to it.

Trade and investment accords are central to this shift. As articulated by legal scholars,⁵ a new generation of “Athena’s Treaties” is taking shape (referring to agreements that embed sustainability through general commitments; exceptions; cooperation agendas in the areas of labour, the environment and sustainability; and specific provisions enhancing trade and investment in key areas such as sustainably managed forest products, health innovations, renewable energy and other low-carbon technology). These treaties respond to normative tensions identified in sustainability impact assessments (SIAs), along with environmental and human rights reviews, which highlight opportunities to enhance economic growth, environmental protection and social equity through trade.

Legal innovation is also emerging in both institutional and technological formats to support cross-border cooperation. Article 6 of the Paris Agreement⁶ offers a foundational legal mechanism for countries to engage in cooperative approaches, including carbon credit market exchanges and results-based finance. While its implementation is still evolving, the mechanism reflects growing international recognition that collaboration – particularly through market-based instruments – can enhance ambition, reduce costs and accelerate mitigation outcomes. Building on this, initiatives such as the World Bank’s Climate Warehouse, a blockchain-based metadata platform, aim to foster greater transparency and credibility in international carbon markets.

Nevertheless, key gaps persist. A lack of harmonised green taxonomies, diverging environmental, social and governance (ESG) disclosure regimes, and uneven implementation of environmental safeguards limit the effectiveness of these governance mechanisms, particularly in developing and transition economies.

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For governance
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For governance to be truly enabling, it must be inclusive. Civil society organisations, indigenous leaders and communities affected by climate change have vital roles to play in shaping global norms, providing local knowledge and holding institutions accountable. Participatory mechanisms and procedural rights, such as consultation, transparency and access to justice, are essential not just to legitimacy but to practical outcomes. These dynamics are aligned with SDG 17, which emphasises the need for multi-stakeholder partnerships to strengthen institutional capacity and mobilise collective action for sustainable development.

⁴ See Cordonier Segger and Olawuyi (2025).

⁵ See Cordonier Segger (2021).

⁶ See <https://unfccc.int/process-and-meetings/the-paris-agreement> (last accessed 15 July 2025).

Development finance institutions such as the EBRD have a key role to play in translating these legal and normative advances into practical, real-economy outcomes. Through policy engagement, support for legal reform and alignment with international standards, the Bank seeks to build governance capacity where it is most needed. Collaboration with partners – including national authorities, academic institutions and local communities – can further support the design of treaty-compatible frameworks and innovative governance models. The EBRD's support for the Extractive Industries Transparency Initiative (EITI) in Mongolia and Kazakhstan exemplifies efforts to enhance governance in the extractive sector. This initiative focuses on comprehensive disclosure of beneficial ownership and transparency of extractives contracts, enhancing governance through capacity-building workshops and policy dialogue. By promoting transparency and accountability, the EITI strengthens governance frameworks and supports sustainable development in resource-rich regions.

Ultimately, multilayered global governance drives sustainable transition by shaping the environment in which countries plan, companies compete and capital flows. Well-designed, coherent and inclusive international legal frameworks can unlock cooperation, de-risk innovation and channel investment towards long-term resilience.



“ Strong internal governance is no longer a competitive advantage but a precondition for long-term value creation and global relevance. ”

The implications for companies are increasingly clear. As sustainability provisions become embedded in trade agreements and disclosure frameworks, companies are increasingly expected to align their supply chains, risk management and compliance systems with international norms. Legal and regulatory convergence has now led to a scenario where strong internal governance is no longer a competitive advantage but a precondition for long-term value creation and global relevance.

SUSTAINABILITY AS BUSINESS VALUE AND A STRATEGIC IMPERATIVE

The incorporation of sustainability considerations into corporate strategy has become a defining marker of long-term competitiveness. As climate risks intensify and stakeholder expectations evolve, sustainability performance is increasingly being regarded as financially material. The impacts are not limited to risk exposure but also affect access to capital, market position and corporate reputation. For companies' directors and boards, sustainability considerations have become integral to discharging fiduciary responsibilities and ensuring enterprise resilience in line with the SDGs, including SDG 13 on climate action.

Both physical and transition risks are reshaping investment frameworks and consumer behaviour. The result is a fundamental shift in how business value is defined and protected. Fiduciary duty, once understood primarily in financial terms, now encompasses active oversight of climate and sustainability risks as a matter of prudence, care and due diligence. Regulatory initiatives such as the EU's Corporate Sustainability Due Diligence Directive (Directive 2024/1760) and the growing emphasis on double materiality underscore this shift. Boards are expected to anticipate and address sustainability risks as part of their core governance obligations.

Several converging forces are driving this shift. First, the incorporation of sustainability considerations is rapidly becoming standard practice in investment decision-making. Second, a growing body of evidence confirms the financial materiality of sustainability-related risks.⁷ Third, policy and regulatory frameworks increasingly require companies to disclose and govern these risks.

Collectively, these dynamics are redefining market expectations – particularly for companies operating in the sectors and regions that are most vulnerable to climate change. However, this momentum is not without risk. Recent developments, such as the EU's omnibus package aimed at cutting red tape,⁸ could dilute key sustainability requirements by simplifying reporting and due diligence obligations. While regulatory streamlining may reduce administrative burdens, ideally it would not undermine the ambition, transparency and accountability that are essential for companies to remain competitive, credible and resilient in a rapidly changing environment.

Despite some regulatory backsliding, financial markets continue to reaffirm the importance of sustainability as a driver of business value. ESG-related investments were estimated at US\$ 30 trillion in 2022 and are projected to reach US\$ 40 trillion by 2030 – equivalent to a quarter of global assets under management.⁹ Firms with strong ESG profiles often outperform their peers across key financial indicators – particularly in emerging markets, where research shows a growing correlation between ESG ratings and total shareholder returns. For instance, in 2021 the MSCI Emerging Markets ESG Leaders Index outperformed MSCI's broader Emerging Markets Index by 54 per cent.¹⁰ Rather than constraining profitability, sustainability underpins innovation, access to capital and market differentiation, and increasingly appears essential in the face of escalating climate risks.

Case studies of corporate sustainability transformation reflect the growing convergence between business strategy and national climate commitments, particularly in emerging markets.¹¹ In Brazil, the cosmetics firm Natura has maintained carbon neutrality since 2007, while expanding its biodiversity-linked Amazonia programme. In China, Geely

Global ESG investment was estimated to total **US\$ 30 trillion** in 2022 and is projected to reach **US\$ 40 trillion** by 2030

⁷ See UNEP FI and PRI (2019).

⁸ See European Commission (2025).

⁹ See Bloomberg (2024).

¹⁰ See BCG (2023).

¹¹ See BCG (2023).

is expanding electric mobility at scale, while technology giants and investors Alibaba and Tencent have committed to achieving net-zero emissions by 2030. South Africa's Sasol, a major energy and chemical company, aims to achieve net-zero by 2050. These developments mirror broader policy trajectories, such as the Paris Agreement, under which nearly 200 countries have pledged to reach net-zero emissions by the middle of this century, and signal an increasing alignment between the integration of sustainability and long-term market leadership.

The governance implications of these trends are significant. Board-level oversight must now encompass the identification, assessment and mitigation of sustainability risks as part of corporate strategy. This includes aligning executive incentives with decarbonisation targets, incorporating climate metrics into risk management systems and ensuring that sustainability objectives are embedded across organisational decision-making structures.

The EBRD, in line with its SCF and its Green Economy Transition (GET) approach, aims to support clients in navigating the complex shifts required for a low-carbon and resilient future. Through targeted technical assistance, board-level and senior management training, and tailored climate governance enhancements, the Bank helps companies strengthen climate oversight, align with international standards and develop credible transition plans through its donor-funded Corporate Climate Governance (CCG) Facility. This includes the development of climate-related tools and methodologies, incorporation of climate risk into strategic planning, scenario analysis, and materiality and supply-chain assessments. With a strong focus on emerging markets – where climate vulnerability, capital constraints and systemic shocks are often more acute – the CCG Facility aims not only to enhance resilience and competitiveness but also to unlock access to green finance and enable a just, innovative transition across the EBRD regions.¹²

Nearly **200** countries have pledged to reach net-zero emissions by the middle of the century

POLICY AND REGULATORY INNOVATIONS ENABLING LEADERSHIP

As the climate transition gathers momentum, regulatory and policy frameworks are not only accelerating sustainable market practices but also redefining the role of governance in corporate and financial institutions. Across jurisdictions, legal instruments are increasingly positioning sustainability factors as material to corporate strategy and fiduciary oversight. More than 700 policy reforms globally now require or encourage the incorporation of long-term value drivers, including material ESG issues, into financial and investment decision-making.¹³ Embedding transparency and accountability in governance systems advances the aims of SDG 16 on peace, justice and strong institutions. These efforts also support SDG 12 on responsible consumption and production (by promoting responsible corporate practices and transparent value chains) and SDG 13 on climate action (by improving the quality and credibility of climate-related information used in decision-making). In facilitating informed stakeholder engagement and cross-sector collaboration, such disclosures also contribute to SDG 17 on partnerships for the SDGs.

Disclosure has been the starting point for many of these reforms. The recommendations of the Task Force on Climate-related Financial

¹² For more information, see Tassis and Kertis (2025).

¹³ See WEF (2025).

Disclosures (TCFD), established in 2015 by the Financial Stability Board, have served as a foundation for subsequent regulatory developments. By emphasising board-level oversight of climate risks, the TCFD introduced governance as a core element of sustainability reporting. Its principles have shaped the architecture of newer frameworks, including the IFRS S1 and S2 standards established by the International Sustainability Standards Board (ISSB), which set out general sustainability and climate-related disclosure requirements with the aim of establishing a global baseline for ESG reporting.

On a regional level, in the European Union, the Corporate Sustainability Reporting Directive (CSRD) requires large companies¹⁴ to disclose their governance arrangements for managing environmental and social impacts. This is supported by the European Sustainability Reporting Standards (ESRS), which include provisions relating to business conduct, anti-corruption and whistleblower protections. These frameworks underpin the EU's Green Deal and reflect the growing legal convergence between sustainability and corporate accountability.

In parallel, more and more jurisdictions are adopting national and regional green taxonomies and sustainable finance regulations. China has developed environment- and sustainability-related reporting frameworks that incorporate double materiality.¹⁵ Japan¹⁶ and Türkiye¹⁷ have committed to adopting the ISSB framework to guide sustainability disclosures. In the EBRD's newer regions of operation, such as sub-Saharan Africa, sustainability is gaining prominence as a business and investment priority. However, despite such promising developments, the costs of sustainable transition can be high.

Multilateral development banks (MDBs) are uniquely positioned to overcome these barriers and translate regulatory ambition into real-economy outcomes. By supporting governance reform, building institutional capacity and bridging investment gaps, MDBs serve as key enablers of sustainable transitions, particularly in emerging markets. In sectors where investment risk remains high (including sustainable infrastructure), MDBs help catalyse private capital through concessional finance, risk-sharing instruments and policy engagement.¹⁸ Their role is particularly important in emerging markets, where access to affordable capital and institutional support can accelerate the implementation of governance reforms.

“By supporting governance reform, building institutional capacity and bridging investment gaps, multilateral development banks serve as key enablers of sustainable transitions, particularly in emerging markets.”

Financial institutions are increasingly aligning governance with sustainability commitments, and such shifts are rooted in the growing recognition that unmanaged climate-related risks pose systemic threats to financial stability. Central banks and other financial authorities, such as the Bank of England, the European Central Bank (ECB) and the European Banking Authority (EBA), are requiring financial institutions to embed climate risk in their governance, capital planning and strategy frameworks. This includes clear expectations for climate-related transition planning at both portfolio and institutional levels. Scenario

¹⁴ Large companies are defined as those that meet two of the following three criteria: 250 employees or more; net revenue of at least €50 million; and total assets of €25 million or more. Under the EU's new omnibus regulation, only large companies with more than 1,000 employees are subject to the CSRD.

¹⁵ See UNEP (2025).

¹⁶ See PwC (2025).

¹⁷ See Deloitte (2023).

¹⁸ See CBI (2024).

analysis has emerged as a critical tool in this transition. The Bank of England, for example, recognises scenario analysis as an essential method for evaluating climate-related financial risks and applies it to assess the exposure of its own financial activities to those risks.¹⁹ Similarly, the ECB²⁰ has issued guidelines on ESG scenario analysis to support risk identification and transition planning, while the EBA²¹ has begun drafting guidelines on ESG scenario analysis and expectations for institutions to adopt these approaches in financial risk management. The Network for Greening the Financial System (NGFS), a coalition of more than 120 central banks and supervisors, has also released updated short-term climate scenarios that model the financial implications of delayed policy action and rising transition risk.²²

Within this regulatory landscape, financial institutions are emerging as key levers of change. Globally, more than 550 institutions²³ have joined the Glasgow Financial Alliance for Net Zero (GFANZ), committing to align portfolios with a net-zero future by mobilising private capital, supporting capacity building and financing credible transition plans. In parallel, state-owned banks, particularly in emerging economies, are expanding their role in backing early-stage clean technologies,²⁴ while private financial institutions are scaling up green finance instruments, such as sustainability-linked loans and green bonds. Despite this momentum, significant challenges remain in ensuring transparency, aligning with credible climate scenarios and establishing governance mechanisms that drive meaningful progress towards net-zero.

The Network
for Greening the
Financial System
brings together
more than
120
central banks
and supervisors

Against this backdrop, the EBRD's CCG Facility aims to play a pivotal role in strengthening institutional readiness through the Bank's Climate Transition Programme. This dedicated capacity-building initiative seeks to support partner financial institutions – especially in emerging markets – on their climate and nature-related transition journey. The programme provides practical knowledge, tools and tailored guidance to enhance climate-risk management, climate governance, strategy, target-setting and disclosures. By promoting these practices, the programme aims to enhance institutional resilience, improve competitiveness and ensure that sustainability commitments translate into credible action.²⁵

Together, these developments in policy, regulation, sustainable finance and capacity building are reshaping the architecture of climate leadership. As financial institutions clarify governance responsibilities and engage with evolving legal and regulatory frameworks, they are laying the foundations for stronger institutional governance and a more ambitious sustainability agenda.

¹⁹ See Bank of England (2024).

²⁰ See ECB (2025).

²¹ See EBA (2025).

²² See <https://www.ngfs.net/ngfs-scenarios-portal/> (last accessed 15 July 2025). The EBRD is a member of the Steering Committee and has contributed to many working groups on climate transition, nature-related risks and legal risks caused by climate change.

²³ See FCA (2023).

²⁴ See EBRD (2020).

²⁵ For more information about the EBRD's transition planning programme, see Chawla and Page (2025).

INNOVATION AND INTERNAL TRANSFORMATION: BUILDING CLIMATE LEADERS

Climate leadership is shaped not only by policy and capital but also through the internal structures that govern corporate decision-making. As the climate transition accelerates, companies must adapt their governance and operational systems to remain resilient, competitive and aligned with evolving regulatory and stakeholder expectations. This includes embedding climate considerations across risk management, strategic planning and innovation functions.

“Climate leadership is shaped not only by policy and capital but also through the internal structures that govern corporate decision-making.”

Effective oversight of climate-related risks and opportunities begins at the board level. Governance frameworks must incorporate sustainability into core processes, including risk assessment, executive remuneration and performance incentives. Linking pay to sustainability outcomes is increasingly being used²⁶ as a tool to promote long-term value creation and align corporate behaviour with environmental and social objectives. Board independence, transparency and diversity also enhance the quality of governance. Research shows that diverse boards, particularly those with a gender-balanced membership from a variety of professional backgrounds, are linked to stronger ESG performance.

Beyond governance structures, effective governance also depends on internal transformation approaches that embed climate considerations in daily operations and decision-making. These include incorporating climate risk into enterprise risk management systems, updating internal policies to reflect sustainability priorities and aligning capital allocation with transition plans. Companies are increasingly applying scenario analysis, materiality assessments and climate-related metrics to guide strategic planning and performance evaluation. These instruments translate high-level board commitments into operational outcomes, ensuring that sustainability is not confined to disclosure but embedded in business models, investment decisions and corporate culture.

Innovation remains one of the most effective strategies for mitigating climate risks. In recent decades significant progress has been made in scaling up low-carbon technologies, particularly in the renewable energy, manufacturing and transport sectors. Companies are increasingly investing in digital tools, data systems and circular-economy models to boost efficiency and reduce environmental impact.

Strategically, more companies are aligning their climate goals with science-based targets. These targets provide a structured pathway to reduce greenhouse gas emissions in line with the Paris Agreement and offer a credible benchmark for assessing progress.²⁷ Firms that adopt science-based targets can strengthen stakeholder confidence, improve regulatory preparedness and enhance long-term business continuity.

Legal and sustainability functions are central to enabling this shift. Legal counsels now proactively support governance reform, disclosure obligations and sustainability-linked risk management. Sustainability officers coordinate ESG implementation, regulatory alignment and stakeholder engagement. Together, these roles help ensure that climate governance is embedded at both strategic and operational levels.

²⁶ See Simply Sustainable (n.d.).

²⁷ See SBTi (n.d.).



In accordance with its GET approach,²⁸ the EBRD aims to support climate leadership by strengthening internal governance and catalysing innovation across its regions through a number of investment and policy initiatives, as well as technical assistance programmes. The Bank works with companies to embed sustainability in core decision-making and operational systems. For example, a €375 million framework²⁹ supported by an InvestEU first-loss guarantee provides targeted financing to infrastructure providers and other companies investing in the low-carbon transition in EU member states where the EBRD invests. This framework focuses on projects addressing systemic investment gaps in energy, transport, resource efficiency and the circular economy, and is designed to support innovation in areas essential to achieving SDG 7 (on affordable and clean energy) and SDG 12 (on responsible consumption and production) where market incentives alone are insufficient.

Case studies from across the EBRD regions show how governance and innovation intersect.³⁰ In Poland the EBRD is co-financing the Baltic Power offshore wind farm, which is projected to supply clean energy to more than 1.5 million households and is the first project of its kind in an EBRD economy of operation. In Morocco, meanwhile, a €150 million sovereign loan supported the expansion of the Saïss irrigation network, advancing water governance through efficient, climate-resilient infrastructure, with direct benefits for agricultural productivity and rural livelihoods.

Complementing investment with technical assistance, the EBRD has supported corporate governance improvements in hundreds of companies and financial institutions, contributing to more resilient, more transparent and better-managed businesses. The EBRD also works to build institutional capacity at board level through climate governance policy engagements in the Bank's regions, supported via the CCG Facility. Through targeted training for non-executive directors in climate-related risk oversight and strategic alignment with net-zero objectives, the Bank is working with partners to strengthen board accountability and equip corporate leaders with the tools to manage climate risks as part of their fiduciary duty.

²⁸ See <https://www.ebrd.com/home/who-we-are/ebrd-values/ebrd-environmental-social-sustainability/EBRD-green/Green-Economy-Transition-Paris-alignment.html> (last accessed 15 July 2025).

²⁹ See <https://www.ebrd.com/home/work-with-us/projects/psd/54197.html> (last accessed 15 July 2025).

³⁰ See EBRD (2023).

CLIMATE JUSTICE, GLOBAL HEALTH AND INCLUSIVE GOVERNANCE

The transition to a low-carbon economy entails significant social implications beyond the environmental and economic challenges. Climate impacts are not distributed equally, with vulnerable populations – particularly in emerging markets – facing heightened exposure to environmental risks and having limited capacity to respond. Ensuring that the green transition is inclusive and equitable is essential to its effectiveness and long-term credibility.

The links between climate vulnerability and inequality are increasingly evident. Climate shocks are already disrupting health, food systems and essential services, with disproportionate impacts on vulnerable populations.³¹ These realities underscore the critical intersection between climate governance, SDG 3 on good health and well-being (which calls for substantial increases in financing for and research into communicable and non-communicable diseases, and the strengthening of resilience to health-related climate risks) and SDG 9 on industry, innovation and infrastructure (which prioritises investment and finance for cutting-edge sustainability innovations).³²

“ A just transition requires more than just emissions reductions. ”

A just transition requires more than just emissions reductions. It also entails policies and investments that protect livelihoods, promote regional resilience, and ensure that the costs and benefits of the transition are shared fairly. Financial institutions and other companies play an important role in this process, alongside governments and civil society. Key actions include assessing the social impacts of transition plans, supporting workforce reskilling, and investing in inclusive infrastructure and local supply chains. An example of promoting SDG 5 (on gender equality) and economic empowerment is the EBRD initiative improving access to justice for women entrepreneurs in Jordan. This initiative aims to enhance legal frameworks and support women entrepreneurs in rural areas by providing them with better access to justice and resources. By addressing gender disparities and empowering women in the business sector, it seeks to contribute to a more inclusive and resilient economic transition.

The EBRD also aims to incorporate climate justice in its strategic direction by supplementing its GET approach with a focus on economic governance and inclusion, as underscored by its new SCF. The Bank supports investments that promote low-carbon development, while addressing regional disparities, labour-market transitions and access to services. This includes targeted support for communities affected by industrial restructuring and early-stage stakeholder engagement to identify risks and opportunities for inclusion.

More broadly, the EBRD's Environmental and Social Policy³³ provides an overarching framework for promoting inclusive and sustainable outcomes across all Bank-financed projects. All investments are subject to due diligence, with safeguards in place to mitigate social risks and maximise benefits for affected communities. The Bank also provides technical assistance and policy support to advance gender equality, economic inclusion and stakeholder accountability, at both project and institutional levels.

³¹ According to the World Bank, without sustained action, more than 130 million people could be pushed into poverty by 2030, owing to climate-related disruption, particularly in lower-income and transition economies; see WBCSD (2022).

³² Innovative firms such as UK-based cell engineering specialist bit.bio are implementing evidence-based corporate sustainability strategies and reporting frameworks to deliver on these imperatives; see <https://www.bit.bio/sustainability-and-environment> (last accessed 15 July 2025).

³³ See EBRD (2024).

THE EMERGING MARKET OPPORTUNITY: GOVERNANCE AS A CATALYST

Emerging markets occupy a central position in the global climate and sustainability transition – as regions of heightened vulnerability and as potential centres of innovation and sustainable investment. While these economies face constraints such as limited institutional capacity, restricted access to capital and elevated exposure to climate risks, they also present unique opportunities for low-carbon development and economic transformation.

Emerging markets also have the opportunity to adopt climate-aligned technologies without the burden of legacy infrastructure. In Kenya, for example, the expansion of digital finance has facilitated rapid uptake of distributed solar-energy solutions. In Mexico, meanwhile, industrial capabilities are supporting the development of solar photovoltaic manufacturing, and Kazakhstan is using its existing energy expertise in oil and gas to

move towards working with sustainable fuel technologies. These examples³⁴ show the potential for innovation where governance frameworks support institutional coordination, policy alignment and long-term planning.

The EBRD supports this transition by working with governments, financial institutions and other companies to strengthen climate governance and sector reform, enable decarbonisation and align with global standards. This support includes both policy and financial instruments, such as the Just Energy Transition Investment Platform in North Macedonia and Türkiye's Decarbonisation Platform, which help governments shape their low-carbon transition pathways while attracting private-sector investment and embedding equity considerations.

On the financing side, instruments such as the Green Economy Financing Facilities (GEFFs) and the GET approach offer funding and capacity building to assist private-sector institutions in incorporating green lending practices, climate risk assessments and disclosure standards into their core operations.

³⁴ See IEA (2024).



For emerging markets, strong governance can shape the trajectory of the climate transition and foster an environment that unlocks climate finance, attracts foreign direct investment and drives the development of resilient, competitive and inclusive green economies. Strengthening governance at both the firm and system levels enhances institutional resilience, builds investor confidence and supports long-term value creation.

CONCLUSION

Good governance underpins the credibility, fairness and long-term success of climate and sustainability action. In managing escalating climate risks, attracting investment, driving innovation and supporting inclusive economic development, incorporating climate and sustainability considerations into governance structures becomes increasingly critical. Strong governance provides the institutional lens through which climate objectives are translated into business strategy and strategic plans are operationalised across corporate and financial systems. In emerging markets, where climate risks intersect with institutional and financial constraints, governance is key to delivering credible, investable and equitable transition pathways.

Achieving this requires collaboration across institutions and sectors. Legal advisers, board directors, regulators and investors all have distinct roles in shaping governance systems that support climate alignment and long-term value creation. Multi-stakeholder engagement, policy coherence and institutional capacity ensure that governance frameworks remain adaptive and effective as the transition progresses.

The EBRD supports this process through an integrated approach, combining finance, policy engagement and technical assistance. Through its CCG Facility, and as part of its broader GET approach, the Bank works with financial institutions, other companies and public stakeholders to strengthen governance practices, align with international standards and develop robust transition plans. Collaboration between the EBRD and academic institutions could further translate climate governance research into practical boardroom tools and policy frameworks, reinforcing the enabling environment for corporate climate leadership. As countries and companies navigate the complexities of decarbonisation, adaptation and economic transformation, governance will remain central to ensuring that the transition delivers not just climate alignment but long-term resilience, equity and impact.



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FINANCIAL AND ADVISORY SUPPORT FOR CLIMATE GOVERNANCE IN TÜRKİYE



“Türkiye has made notable progress in advancing corporate climate governance, with sustainability reporting increasingly recognised as a strategic business imperative.”



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Türkiye faces escalating climate risks, which it is proactively trying to address through institutional and regulatory reforms and ambitious climate policies. The European Bank for Reconstruction and Development (EBRD) plays a dual role in supporting Türkiye's transition to a green economy, combining substantial green financing with strategic advisory services. This article provides an overview of the EBRD's financing projects in Türkiye and highlights the Bank's advisory and policy support, with a particular focus on corporate climate governance. The article takes a detailed look at a successful climate governance-related advisory engagement with a key company in the Turkish healthcare sector and concludes with a call for broader adoption of sustainability practices at both sector and entity level.



A SNAPSHOT OF TÜRKİYE'S STRATEGIC APPROACH TO CLIMATE-RELATED CONSIDERATIONS¹

Türkiye is a transcontinental country strategically positioned at the crossroads of Europe and Asia. Its diverse topography includes extensive mountain ranges, fertile river valleys and a complex coastline. In light of its unique geographical and climatic diversity, Türkiye faces multiple climate risks, which seem to have intensified over the past decade.² Some of the most pressing risks that have already materialised include prolonged droughts and more frequent and intense wildfires. Climate projections for the next 20 years indicate a significant rise in average temperatures, reduced availability of freshwater, increasing risk of desertification, rising sea levels threatening coastal areas and heightened vulnerability to agricultural productivity losses.³ These risks underscore the urgent need to develop and implement robust climate strategies.

Türkiye is committed to achieving net-zero emissions by **2053**

In response to the growing impact of climate change, Türkiye has undertaken a range of structural reforms and policy initiatives aimed at strengthening its climate governance and aligning itself with global climate commitments. A key institutional reform took place on 29 October 2021, when the Ministry of Environment and Urbanisation was renamed the Ministry of Environment, Urbanisation and Climate Change (MoEUCC), accompanied by the establishment of the Directorate of Climate Change (DoCC) to support climate-related functions. On the policy front, Türkiye ratified the Paris Agreement in October 2021 and committed to achieving net-zero emissions by 2053. It updated its first nationally determined contribution (NDC) in April 2023 and submitted

¹ The authors would like to thank: Vessalina Haralampieva, Head of the Sustainable Finance Governance and Regulation Unit, Idil Gürsel, Regional Head of Infrastructure, and Begum Irhan, Principal Banker, for leading and forming part of the project team; Alberto Lopez for research assistance; and the Bank's Climate Strategy and Delivery team, particularly Daisy Qing Yang, for data and insight.

² See World Bank Group (2022).

³ See World Bank Group (n.d.).



the 2053 Long-Term Climate Strategy in November 2024. Additional national frameworks include the National Climate Change Strategy and Action Plan (2024-30), a climate monitoring system, the Green Deal Action Plan, the National Green Development Initiative and the forthcoming National Green Finance Strategy, which includes the development of a green taxonomy. In the legislative domain, a draft Climate Law is under consideration and going through multistakeholder consultations. The proposed legislation seeks to establish a comprehensive legal framework for mitigation and adaptation targets, introduce a national emissions trading system, and provide the regulatory tools needed to support Türkiye's transition to a green economy and its 2053 net-zero goal.

REALISING OBJECTIVES: THE ROLE OF SUSTAINABILITY REPORTING

Key to managing the climate emergency and achieving the ambitious objectives set out in the aforementioned policy initiatives is an environment that supports accurate presentation of green transition efforts. Such an enabling environment predominantly materialises through sustainability/climate reporting at the company level.

To this end, Türkiye has entered a new phase of corporate sustainability reporting with the implementation of the Turkish Sustainability Reporting Standards (TSRS), adopted on 27 December 2023 and effective from 1 January 2024.⁴ These standards, which are aligned with the International Sustainability Standards Board (ISSB) framework, aim to enhance transparency and accountability in corporate sustainability practices in order to better track the advances made by the private sector with a view to achieving climate targets.

⁴ See Public Oversight, Accounting and Auditing Standards Authority (2023a; 2023b).

The structure of the standards is twofold, with TSRS S1 containing general provisions on the disclosure of sustainability-related financial information and TSRS S2 covering climate-related disclosures for the four main dimensions of climate governance: governance, strategy, risk management, and metrics and targets. The TSRS require sustainability reporting for companies that meet at least two of the following criteria over two consecutive reporting periods, with certain entities – that is to say, banks and companies listed on Türkiye’s stock exchange, Borsa Istanbul – required to report regardless of these thresholds:

- total assets exceeding TRY 500 million
- annual net sales revenue of more than TRY 1 billion
- a workforce of 250 employees or more.

The first TSRS-compliant sustainability reports are due in 2025, covering the 2024 fiscal year. As at May 2025, there are no comprehensive data on either the number of companies that have reported under the TSRS or the quality/content of their reports. Knowledge and capacity gaps do exist, however, with many companies remaining uncertain as to the nature of the rules with which they need to comply and, most importantly, how to apply those rules in practice in a manner that is transparent, effective and will allow them to explore business opportunities. To this end, the EBRD has been approached to support its current and prospective investee companies in navigating their climate-related reporting responsibilities. Expert teams across the Bank have already started working on a range of projects in the infrastructure, energy, agribusiness and real estate sectors.

The EBRD has
invested more than
€22 billion
in Türkiye, with
€2.6 billion
in 2024 alone

THE EBRD’S “DUAL” ROLE IN TÜRKİYE

The EBRD’s support in the economies where it invests consists of a combination of financing and policy/technical advisory projects in line with the Bank’s Strategic and Capital Framework and the Green Economy Transition approach.⁵ In Türkiye, the Bank has focused on mobilising a substantial volume of green financing to help the country achieve its green transition targets, alongside comprehensive technical and policy engagement at an economy and a company level.

Türkiye joined the EBRD on 28 March 1991, with the first project in the country starting in 2009. As of February 2025 the Bank has supported 484 projects in Türkiye, surpassing the €22 billion mark.⁶ In 2024, for the fifth year in a row, Türkiye received the largest volume of investment of any of the Bank’s investee economies. Indeed, it received record annual investment of €2.6 billion in that year – nearly 60 per cent of which contributed to the green transition.⁷ The Bank’s support for motorway management company Nakkaş Otoyol Yatırım ve İşletme was its largest single investment in the country in 2024, financing the construction of the final section of the North Marmara Motorway.

⁵ For more information, see <https://www.ebrd.com/home/what-we-do/strategic-and-capital-framework.html> (last accessed 15 July 2025); see also EBRD (n.d.).

⁶ For more information, see <https://www.ebrd.com/home/what-we-do/where-we-invest/turkiye.html> (last accessed 12 May 2025).

⁷ See EBRD (2025).

In addition to assisting Türkiye's efforts through financing, the EBRD has supported various investee companies in the country through tailored policy and technical assistance programmes. Since 2021 the Bank has engaged in 20 corporate climate governance (CCG) projects in Türkiye, all within the framework of the EBRD's CCG Facility. The Bank is the first international financial institution to set up a CCG facility that brings together lawyers, climate experts, economists and policy specialists to help financial institutions and other companies develop and strengthen their climate-related governance, strategy, risk management, target-setting and disclosure practices.

The CCG Facility transforms the way the EBRD's investee companies do business by enhancing their capacity to manage climate-related risks and opportunities and unlocking green investment. The facility revolves around targeted and tailored technical cooperation activities, which include the development and implementation of corporate climate governance action plans (CCGAPs). A prime example of successful and impactful implementation of a comprehensive CCGAP is the recent project conducted with the EBRD's

longstanding partner Rönesans Sağlık Yatırım, part of Rönesans Holding (see the next section for more details).

In addition to providing support at a project level, the EBRD has been highly active in advancing its green agenda in the country. Some key initiatives include:

- supporting the development of Green City Action Plans for five cities – Istanbul, Ankara, Izmir, Bursa and Gaziantep – which, collectively, cover approximately 40 per cent of the population of Türkiye
- launching Chapter Zero Türkiye in partnership with the Turkish Industry and Business Association (TÜSIAD), helping non-executive directors, board members and senior executives of financial institutions and other companies share knowledge on corporate climate governance and best practices
- rolling out a transition planning programme for partner financial intermediaries (PFIs), adapting the standard programme materials to the local context and developing additional localised materials
- building on a previous low-carbon pathway project to spearhead collaboration with the Turkish Ministry of Industry and Technology on the launch of the Türkiye Industrial Decarbonisation Investment Platform (TIDIP).

Overall, the EBRD's policy support has yielded great results by raising awareness of green and other climate considerations and enabling an environment conducive to green investments. In practice, even greater results are achieved when the Bank's policy advice is coupled with targeted financing, as was the case with Rönesans Sağlık Yatırım (Rönesans Healthcare).

Since 2021 the Bank has carried out
20
corporate climate governance projects in Türkiye

Figure 1. The Corporate Climate Governance Facility's approach

SUPPORTING IMPLEMENTATION OF A CORPORATE CLIMATE GOVERNANCE ACTION PLAN IN THE TURKISH HEALTHCARE SECTOR

In December 2022 the EBRD provided a convertible loan of up to €75 million⁸ to Rönesans Healthcare, Rönesans Group's holding company for social infrastructure assets, with those assets including six Turkish hospital public-private partnership (PPP) investments and three facility management companies providing services for hospital PPPs.⁹ The primary objective of the transaction was to finance capital expenditure of the Rönesans Group under the Healthcare Hospitals PPP, with some of the loan to be used for general corporate purposes.

As part of the transaction, the EBRD and Rönesans Healthcare agreed on a comprehensive CCGAP featuring 10 actions, the implementation of which would render the company a leader in climate governance in the country. In January 2024 a project team consisting of EBRD experts, a dedicated body of senior executives from Rönesans Healthcare and Rönesans Holding, and a group of international and local consultants from EY began work to deliver the highly ambitious agenda of the technical cooperation project.

The project was implemented in line with the CCG Facility's approach (see Figure 1), favouring step-like improvements commensurate with companies' baseline climate maturity levels and consistent with the expectations of regulators and investors. In practice, the technical cooperation support developed over various key stages, as illustrated below.

The project encompassed a series of different elements and support activities, key among which were the following:

- **Diagnostic and recommendations on climate governance practices:** The project team focused on establishing clear reporting lines between operational teams, management and the Board of Directors of Rönesans, with added emphasis on the role of the Sustainability Committee and its mandate across the Rönesans Group.
- **Climate risk scenario analysis:** A total of eight priority assets were examined via an extensive climate risk analysis, covering physical and transition risks for two climate-change scenarios over two climate horizons.
- **Development of a methodology for the identification and calculation of greenhouse gas (GHG) emissions:** Rönesans Healthcare had already commenced the process of calculating its Scope 1, 2 and 3 GHG emissions, meaning it was effectively ahead of the curve in the sector. The project team worked on further advancing these internal practices and aligning them with international standards – that is to say, the GHG Protocol Corporate Accounting and Reporting Standard.
- **Support with climate-related disclosures:** In light of the rapid developments in sustainability reporting in Türkiye, the team worked on preparing a roadmap for climate-related disclosures in line with the Turkish Sustainability Reporting Standards, mirroring those of the ISSB. As a result, Rönesans Healthcare (and, by extension, Rönesans Holding) became one of the first companies in the country to develop robust practices for reporting on climate-related considerations.

⁸ The loan was extended in 2024 with an additional €50 million, bringing the total value of the transaction to €125 million.

⁹ See Rönesans Holding (2022) and EBRD (2022).

However, the success of the technical cooperation project lies less in the content of the support activities than in two outcome/ impact milestones: institutionalisation of practices and climate readiness. Throughout the project, the team delivered a rigorous training and capacity-building programme through three extensive in-person workshops at Rönesans' offices. Consultants and technical teams from the EBRD and Rönesans were able to discuss reports, methodologies and experiences in depth, which led to informed feedback sessions and reflective engagement, with the sole purpose of improving sustainability practices. Rönesans' technical teams are now in a better position to fully institutionalise the practices and methodologies developed, which will allow the company to set and achieve objectives to stimulate long-term sustainable development.

In addition, the technical cooperation project resulted in improved climate readiness on the part of Rönesans, given that the company is now in a better position to anticipate and mitigate climate risks, identify climate opportunities and accurately report on climate-related considerations in line with the latest



The EBRD is pleased to have supported Rönesans Sağlık Yatırım in strengthening its climate governance framework, enabling it to identify risks and opportunities and align with evolving global standards. Building on an already well-established environmental framework, Rönesans Holding has further incorporated climate considerations into strategic decision-making and expanded its sustainable financing toolkit. A key milestone in this journey was the successful issuance of a sustainability bond, in which the EBRD invested US\$ 55 million (€48.0 million). This demonstrates the client's leadership in aligning with global best practices and tapping into the sustainable finance market to support long-term value creation and resilience.

Idil Gürsel
Regional Head of Infrastructure
at the EBRD, based in Istanbul



national and international sustainability standards. Unlike many similar companies in the country, which are facing and struggling to overcome issues like identifying their climate-risk universe and calculating GHG Scope 3 emissions, Rönesans is equipped with the tools and the skill set required to address such obstacles in a timely manner and implement changes that make business sense.

In a similar vein, the success of the project was due in large part to the seamless cooperation between all parties and Rönesans' willingness to engage materially with the process – in some instances, going beyond the project's parameters and striving to adopt practices that would make the company a market leader.

To conclude, working with Rönesans was a mutually beneficial exercise, with the company pushing its green agenda by incorporating improvements in corporate climate governance practices and the EBRD setting a high benchmark in terms of what effective partnerships and technical cooperation projects look like in Türkiye and beyond.

CLIMATE GOVERNANCE IN TÜRKİYE: WHAT COMES NEXT?

Türkiye has made notable progress in advancing corporate climate governance, with sustainability reporting increasingly recognised as a strategic business imperative. As companies respond to growing demands for transparency, aligning with international reporting standards has become essential for maintaining competitiveness and credibility. However, further efforts are needed to expand the implementation of robust sustainability/climate disclosure frameworks across the corporate sector and ensure that climate governance is embedded not only in compliance but also in core strategy and risk management.



Partnering with the EBRD to enhance our climate governance has been a pivotal step in aligning our business strategy with global sustainability standards. Through this collaboration, we have not only deepened our understanding of climate-related risks and opportunities but also strengthened our long-term resilience and value creation for stakeholders.

Tuğrul Ertuğrul
CEO, Rönesans Sağlık Yatırım

Development finance institutions (DFIs) – and particularly the EBRD – have a critical role to play in this transition. By offering technical assistance, investment and policy-oriented support, DFIs can guide companies in incorporating climate risk assessment and sustainability principles into governance structures. The EBRD's partnership with Rönesans exemplifies how such cooperation can strengthen climate resilience and improve strategic foresight through greater transparency and accountability. In the future, Türkiye's commitment, combined with targeted support from DFIs, will be key to building a more sustainable and climate-resilient corporate ecosystem in the country.



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EMPOWERING FINANCIAL INSTITUTIONS: THE EBRD'S CLIMATE TRANSITION PROGRAMME



“While voluntary initiatives support initial change at market level, supervisory and regulatory action is essential to effect lasting change.”



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As the global financial sector confronts the challenges of climate change, transition plans have become a key strategic tool for aligning business activities with the goals of the Paris Agreement. This article examines the evolving voluntary frameworks and regulatory landscape, highlighting how financial institutions can use transition planning to manage climate risks, attract green investment and strengthen long-term resilience. Drawing on the EBRD's Climate Transition Programme and insights from a recent survey of its partner banks, the authors explore the unique challenges in emerging markets and outline practical considerations for building a resilient, climate-aligned financial system.



INTRODUCTION

The Paris Agreement¹ commits signatories to aligning financial flows with a pathway that promotes low greenhouse gas (GHG) emissions and climate-resilient development. This means that countries – and by extension, the real economy and financial institutions – must make targeted efforts to support systemic transformation on a global scale by directing funds towards projects, activities and operations that support the climate mitigation and adaptation goals of the Paris Agreement. Financial institutions, as key facilitators of capital, are in a position to play a pivotal role in advancing the decarbonisation of the real economy. By incorporating climate-related considerations into investment and lending decisions, these institutions can redirect financial flows towards green and sustainable investments.

Climate-related risks relevant for financial stability can be categorised as: (i) physical risks, linked to extreme weather events; and (ii) transition risks, derived from changes in policy, regulation, availability of new technologies and changing consumer preferences in the context of climate change. For financial institutions, the impact of physical and transition climate risks can manifest in exposures to borrowers and guarantors who experience physical climate

shocks (such as floods) or who are subject to transition impact (such as the imposition of a pollution “tax”). Litigation risk is a sub-set of physical and transition risk, depending on the circumstance, and can arise as a result of both action and inaction on the part of the relevant financial institution.

Ultimately, both physical and transition climate risks can lead to a range of adverse financial outcomes, such as increased loan defaults, declining asset values (including devaluation of collateral and stranded assets), reduced equity performance, higher risk premiums and broader market volatility. Given these potential impacts, it is imperative that financial institutions proactively assess and manage climate-related risks and incorporate them into their risk management frameworks and strategic planning processes to safeguard financial resilience. In recent years “transition plans” have emerged as a key feature of climate-related disclosure and due diligence frameworks, both voluntary and regulatory, essentially to guide action on climate risk management and strategy. Transition plans are time-bound action plans that establish how an entity will pivot its operations, assets and business model towards a particular climate goal, such as net-zero emissions or a specific reduced-emissions target, and detail the steps, timelines and financial investment necessary to achieve that goal. For financial institutions in particular, transition plans serve as a roadmap for shifting investment portfolios away from carbon-intensive assets towards sustainable, low-emission alternatives.

¹ See <https://unfccc.int/process-and-meetings/the-paris-agreement> (last accessed 15 June 2025).



This article explores the importance of transition plans for the financial sector through an assessment of key regulatory and voluntary frameworks that incorporate requirements for transition plans. It elaborates on the technical assistance offered by the EBRD, highlighting key findings from a recent survey conducted by the Bank to understand how partner banks in its regions are progressing towards the preparation, adoption and implementation of transition plans.

TRANSITION PLANS FOR PARIS ALIGNMENT: FROM POLICY TO PRACTICE

“Paris alignment” is an overarching term that refers to the process needed to make business activities and decisions consistent with the goals of the Paris Agreement. Regulatory and policy approaches that support Paris alignment take the form of (i) government or regulator-led approaches, such as sustainable finance taxonomies and mandatory disclosure regulations; and (ii) voluntary

recommendations, guidance and standards that are market- or industry-driven. As a direct consequence of such developments, financial institutions face growing pressure to align with international climate standards and requirements, some of which pertain to transition plans.

Voluntary measures advanced primarily through market-driven initiatives were deployed by early adopters of climate action in the financial sector. Such measures encompass purely voluntary initiatives, as well as those designed to develop into mandatory requirements at the jurisdictional level. An example of the former is the Glasgow Financial Alliance for Net Zero (GFANZ), a coalition of financial institutions that have made net-zero commitments and are developing tools and methodologies to turn such commitments into action. Regarding the latter, the International Financial Reporting Standards (IFRS) Foundation established the International Sustainability Standards Board (ISSB) to develop a “global baseline” for sustainability

disclosure standards. These are not mandatory but are designed to be formally adopted by jurisdictions and incorporated into national legal frameworks. The ISSB's climate-related standard, IFRS S2, prompts companies, including financial institutions, to report any climate-related transition plan they have, sharing the key assumptions used in developing the plan and the dependencies upon which it relies. GFANZ has developed comprehensive guidance to assist financial institutions in formulating credible net-zero transition plans by (i) setting a clear science-based emissions reduction target; (ii) outlining specific actions, such as financing the development and scaling-up of net-zero technologies, supporting companies already aligned with 1.5°C pathways and facilitating the managed phasing-out of high-emitting assets; and (iii) establishing clear governance structures and reporting practices.

While voluntary initiatives support initial change at market level, supervisory and regulatory action is essential to effect lasting change. This evolution from voluntary to mandatory disclosure frameworks and regulatory expectations is now under way in several jurisdictions. For example, numerous jurisdictions are consulting on proposals to incorporate the ISSB standards into their regulatory frameworks, while regulators and national governments of non-EU countries in the EBRD regions are progressively moving towards introducing mandatory climate disclosure requirements. As of March 2025, 36 jurisdictions have progressed towards introducing the ISSB standards in their regulatory frameworks, while many more are consulting on proposals to do so. In 2024 Türkiye emerged as a frontrunner with the pioneering Turkish Sustainability Reporting Standards, which are based on the ISSB standards, while new EBRD members Nigeria and Kenya adopted the ISSB standards in 2024.²

As of March 2025,
36
jurisdictions have progressed towards introducing the International Sustainability Standards Board standards in their regulatory frameworks

The EU is the leading example of a jurisdiction where regulations are now the primary driver of climate action in the financial sector. The EU has been regulating the financial sector's transition to sustainability, with a growing body of regulations requiring financial institutions to develop and disclose transition plans. The Corporate Sustainability Reporting Directive (CSRD) and the corresponding European Sustainability Reporting Standards (ESRS) provide detailed reporting requirements for financial (and non-financial) institutions that have climate change mitigation transition plans. Specifically, ESRS E1-1 requires that financial institutions explain how their business model and strategy are compatible with limiting the global temperature increase to 1.5°C, in line with the Paris Agreement and the EU's objective of achieving climate neutrality by 2050. For those institutions that have not yet developed a transition plan, there is a requirement to indicate whether one will be adopted and, if so, by when.

Since the CSRD is primarily a disclosure instrument, the substantive legal obligation to prepare and adopt a transition plan, as well as ensure the plan's implementation through concrete actions and investments, derives from

² See IFRS (2024).

Article 22 of the Corporate Sustainability Due Diligence Directive (CSDDD).³ Article 22 also sets out the specific contents of a credible transition plan, which includes (i) science-based and time-bound GHG emissions reduction targets for 2030, and in five-year steps up to 2050; (ii) key levers and actions to reach the defined targets; (iii) investments and funding supporting the plan; and (iv) governance of the plan. However, the recently adopted Stop the Clock Directive has delayed the timeline for entry into force of the CSRD and CSDDD obligations. Furthermore, the wider Omnibus package of proposals⁴ that is currently under consideration is expected to introduce significant legislative amendments. The extent to which amendments to provisions relating to transition plans will be adopted is unclear at this time. Transition plans are also recognised as a critical feature of prudential regulation in the EU. The recently amended Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD)⁵ require national supervisory authorities to mandate that EU credit institutions incorporate climate risk into governance, risk assessments and capital adequacy. While the provisions of the CRD and CRR do not explicitly refer to transition plans, the requirement to incorporate climate-related considerations is designed to ensure that financial institutions are resilient to the economic and financial impacts of the climate transition, so it serves a similar purpose to climate transition plans.

Despite the evolving nature of climate regulations and voluntary frameworks, climate transition planning has emerged as a key mechanism for embedding climate action in business models. It helps banks assess current climate practices, identify material climate risks, set climate-related goals and targets, and

establish accountability and governance. As a strategic tool, climate transition planning also enables banks to incorporate climate considerations into their wider business strategy, thereby strengthening the financial sector's ability to address emerging climate-related challenges.

CHALLENGES ASSOCIATED WITH TRANSITION PLANS

Despite growing recognition of the importance of transition plans, many financial institutions – particularly in emerging markets – face institutional, regulatory and capacity-related barriers to preparing and implementing credible transition plans. Global transition planning frameworks continue to overlook the challenges of emerging economies, which may negatively affect access to finance for climate action in those markets. The misalignment between transition plan requirements and emerging market realities can impact cross-border financial flows that are necessary to support the climate transition. In addition, the Network for Greening the Financial System (NGFS) warns that global financial institutions may hesitate to operate in regions with limited data availability or in sectors that are highly exposed to climate risks, constraining critical financing for sustainable development and climate action.⁶

The pace of the adoption and implementation of frameworks governing transition plans is also uneven across jurisdictions. Despite the common goal of Paris alignment, there is a high degree of market fragmentation when it comes to national standards and regulations applicable to financial institutions. As noted in the previous section, while certain jurisdictions have established comprehensive climate-related regulations, many are still in the process of developing clear national frameworks. In addition, there is considerable variation in how national standards or regulations are enforced and understood at the institutional level. While standard-setters such as the ISSB are attempting to harmonise disclosure frameworks for precisely this reason, the results of these efforts will only materialise in due course.

³ Note that the application and phasing-in of the CSRD/ESRS and the CSDDD are subject to certain size thresholds.

⁴ See https://commission.europa.eu/publications/omnibus-i_en (last accessed 15 June 2025).

⁵ See https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CONSIL:ST_8854_2023_INIT (last accessed 15 June 2025).

⁶ See NGFS (2024).

An EBRD survey of partner banks in 2024 looked at perceptions of national climate frameworks and found that a majority of banks have either already incorporated national climate-change management standards and frameworks or are in the process of doing so.⁷ However, 18 per cent of respondent banks indicated that there were no relevant climate regulations in their countries, despite national peers reporting their existence. These contradictory survey responses were noted in 13 economies, illustrating the widespread challenges in regulation awareness.

THE EBRD'S CLIMATE TRANSITION PROGRAMME FOR FINANCIAL INSTITUTIONS

Recognising the challenges faced by financial institutions in its regions when it comes to developing transition plans, the Bank launched the Climate Transition Programme (the "Programme") in 2023. The Programme is part of the EBRD's wider technical assistance for climate-related processes that has been offered to clients under the EBRD's Corporate Climate Governance Facility since 2022. The Programme is specifically designed to help partner financial institutions in the EBRD regions to build capacity with a view to developing credible and effective climate transition plans tailored to their unique circumstances.

The Programme is designed to be practical and applicable across diverse economies, ensuring that high standards and necessary climate ambitions are promoted. It equips participants with the knowledge and skills needed for transition planning, including in relation to climate risk management, climate governance, climate strategy, metrics and targets, and climate disclosures. The Programme materials reference the EBRD's Paris Agreement alignment methodology and global standards such as those introduced by the ISSB.

18% of respondent banks reported that there were no relevant climate regulations in their countries

The Programme has three main objectives:

1. **Strengthening individual capacity** in transition planning through comprehensive educational activities.
2. **Fostering institutional change** within the participating banks through collaborative work and initiating transition planning for early-stage partner banks or enhancing and reviewing existing plans for advanced banks.
3. **Encouraging systemic change** through networking, peer learning, climate leadership and sector-wide awareness raising to facilitate broader financial sector transformation.

The Climate Transition Programme is delivered to cohorts of seven to ten partner banks from selected geographic regions. Each institution joins the Programme as a small team (three to five people). This allows the participants to engage as a group in the structured learning process, which includes self-paced study and collaborative group work led by international and local experts. Each cohort's curriculum is localised based on the region's climate transition maturity, offering early-stage or advanced content tailored to local market specifics. Participants focus on practical implementation, including simulating real-life applications of climate practices within their

⁷ See EBRD (2025).

institutions. While an institution may take years to develop a complete transition plan, the Programme provides a solid foundation in climate transition planning, enabling participants to identify priorities, plan next steps, support management and colleagues, and secure necessary resources for their institutions.

As of March 2025, the Programme has been delivered in six countries – Armenia, the Kyrgyz Republic, Morocco, Serbia, Tajikistan and Türkiye – reaching more than 250 participants from 55 partner financial institutions. It became clear at an early stage that senior leadership involvement in transition planning was important to enhance accountability and strengthen necessary commitments. Another lesson related to the importance and challenge of banks' engagement with their clients to address climate risks, opportunities and data collection. In response, the Programme developed practical guidance and tools on board- and client-level engagement, helping banks navigate these aspects more effectively. The Programme recently piloted a senior leadership initiative in Serbia to promote understanding of and support for the role of climate leadership in transition planning, as it is evident that transforming banks' operations requires effective decision-making on climate strategy, resource allocation and business relations.

The EBRD has also worked with central banks on climate issues and transition planning. For example, in Morocco it signed a memorandum of understanding with the Bank Al-Maghrib (the country's central bank) and the Groupement Professionnel des Banques du Maroc in 2022 to support climate and environmental risk management in Morocco's financial sector. A market survey of prevailing climate and environmental risk management practices and a review of the Moroccan financial sector's regulatory framework were subsequently undertaken. In 2024 and 2025 this collaboration delivered capacity building for financial institutions on climate risk and transition planning.

The Climate Transition Programme has been delivered in **6 countries**

52% of the surveyed banks reported that they intended to develop transition plans in the next two years

EBRD SURVEY OF PARTNER BANKS' CLIMATE TRANSITION PLANS

In 2024, to better understand how its partner banks are incorporating climate considerations into their operations, the EBRD surveyed 96 such banks across 32 economies.⁸ As regards transition plans, the survey found the following:

1. Awareness of the need for transition planning is high, with only 3 per cent of surveyed banks not prioritising transition plans and only 4 per cent unaware of what transition plans are. However, challenges remain, with 67 per cent of the surveyed banks signalling that they require support to navigate this complex process.
2. The next two years will be a defining period, with 52 per cent of the surveyed banks indicating that they intend to develop transition plans.

⁸ See EBRD (2025).

3. Banks' progress on transition planning varies significantly by region, reflecting differences in regulatory environments, market pressures and institutional capacities. There are also clear differences between subsidiary and non-subsidiary banks. Subsidiaries of international banking groups allocate more resources to climate work and are among the first to incorporate aspects of international climate frameworks. These banks are also more likely to limit financing to clients in high-emitting sectors.
4. Data suggest that the process of transition planning is itself a driver of climate action. Banks that have received transition plans from their headquarters tend to have long-term ambitions and targets but less robust risk assessment.
5. Banks take different approaches to transition planning, including by engaging external experts and employing highly collaborative internal processes. Transition planning is an opportunity for banks to strengthen their climate capacities and skills.

The widespread awareness among EBRD partner banks of the need to take climate action and the anticipated acceleration of climate transition planning over the next two to three years present an opportunity to strengthen strategic and coordinated approaches to climate action. Therefore, in the next few years the Climate Transition Programme aims to support systemic change, fostering sustainable and climate-resilient financial sectors across all the EBRD's regions by supporting the acceleration of transition planning.

Recognising the iterative and ongoing nature of transition planning, and acknowledging that the climate benefits of such planning can only be realised if the plans are implemented, the EBRD aims to maintain its support for Programme alumni. The Bank will continue to provide access to information, tools and expert content to help its partner banks with both transition planning and implementation of their plans. By building institutional capacity and promoting leadership, the Programme lays a strong foundation for the

broader adoption of climate transition planning, ensuring financial institutions are well prepared for the challenges and opportunities ahead.

CONCLUSION

Transition planning is becoming a cornerstone of climate action in the financial sector, offering a structured path for aligning portfolios with the Paris Agreement. Awareness is growing – especially among EBRD partner banks – and the EBRD's Climate Transition Programme demonstrates that, with the right support, financial institutions can begin to embed climate considerations in their core strategies, governance and operations.

However, financial institutions cannot act in isolation. The success of transition planning hinges not only on institutional commitment, but also on the broader regulatory environment. Banks need reliable data from clients and clear, consistent regulatory guidance. While voluntary initiatives have driven early action, ultimately it is regulatory frameworks that will drive systemic change. The evolving landscape of climate-related disclosure – anchored by instruments such as the ISSB standards, the EU's CSRD and CSDDD, and national regulations – underscores the need for coherence, clarity and capacity building. Yet, the current disconnect between corporate and financial-sector disclosure obligations, particularly in jurisdictions where corporate reporting is lagging behind, risks



undermining the development and effectiveness of financial institutions' transition plans.

To accelerate climate action, regulation must evolve in tandem with market realities. While transforming the financial sector is essential, it can only finance the current real economy.⁹ Regulators have a vital role to play in harmonising standards, closing data gaps, and fostering an enabling environment for credible and actionable transition plans. At the same time, financial institutions must continue to promote climate leadership, build internal capacity, engage with clients and incorporate climate considerations into decision-making processes.

The next phase of climate action in the financial sector will require a significant shift, whereby ambition is balanced with practicality, and regulation with support. Through its Climate Transition Programme and ongoing engagement with partner banks and regulators, the EBRD is committed to advancing this agenda, helping build a resilient, climate-aligned financial system across its regions. The lessons learned from implementing the Climate Transition Programme are as follows:

1. **Harmonise regulatory frameworks:** Policymakers should align national regulations with international standards (such as the ISSB framework or the CSRD) to reduce fragmentation and support cross-border financial flows.

2. **Bridge the data gap:** Regulators and standard-setters must address the temporal disconnect between corporate and financial disclosure obligations, ensuring financial institutions have access to the data needed for credible transition planning.
3. **Invest in capacity building:** Continued support for training, peer learning and technical assistance – as provided by the EBRD's Climate Transition Programme, for example – is essential to empower institutions, especially in emerging markets.
4. **Promote leadership and accountability:** Building the capacity of senior management to lead on climate is critical. Regulators and institutions should embed climate governance in strategic decision-making.
5. **Support implementation, not just planning:** Transition plans must be actionable. Financial institutions should be supported not only in preparing plans but also in executing them, through investment, client engagement and internal transformation.

By aligning regulation, capacity and implementation support, the financial sector can become a powerful driver of climate resilience and sustainable development.

⁹ See CISL (2025), p. 10.



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CORPORATE GOVERNANCE REFORM IN ROMANIA: A CATALYST FOR OECD ACCESSION



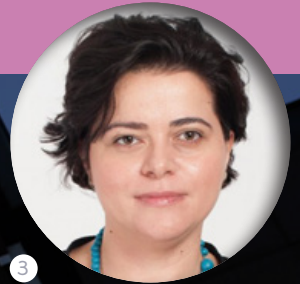
“ Governance practices enhance investor confidence by establishing clear rules and responsibilities for company management and boards, thereby lowering the perceived risk associated with investments. ”



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The EBRD has been helping Romania in its efforts to accede to the Organisation for Economic Co-operation and Development (OECD) by significantly improving the country's corporate governance standards. In collaboration with the Bucharest Stock Exchange (BSE), the Bank developed a new Corporate Governance Code to enhance standards on board accountability and director competence, as well as internal controls. This article details the background to the EBRD's work in the country and the development of the Code, and discusses the benefits it will bring, including greater investor confidence, national practices that are aligned with international standards, and more opportunities for sustainable economic growth and stability.



ROMANIA'S PURSUIT OF OECD MEMBERSHIP AND THE SIGNIFICANCE OF CORPORATE GOVERNANCE

In a testament to its commitment to aligning with international best practices across a spectrum of economic and governance domains, Romania has long had a strategic objective of joining the OECD. A significant milestone in this journey was the OECD Council's decision in January 2022 to formally open accession discussions with Romania, in recognition of the substantial progress the nation had made in various areas. Following this, the Roadmap for Romania's Accession that was adopted in June 2022 set out the specific terms and conditions that the country needed to fulfil to achieve its goal.

A key requirement for OECD membership, and a critical factor in a nation's economic development, is a robust corporate governance framework. Governance practices enhance investor confidence by establishing clear rules and responsibilities for company management and boards, thereby lowering the perceived risk associated with investments. This, in turn, can lead to a reduced cost of capital for companies and a more efficient allocation of resources within the economy. Furthermore, good governance structures ensure a better alignment of interests between a company and its various stakeholders, including shareholders, employees and the broader community. This harmonisation of interests contributes to long-term value creation and the overall stability of the market.

In Romania's pursuit of enhanced corporate governance standards, the EBRD has emerged as an important partner. With its mandate to support the transition towards market-oriented economies, the Bank places significant emphasis on improving corporate governance standards.

A primary reason for adopting the new Corporate Governance Code has been to align the corporate governance framework in Romania with the recently revised G20/OECD Principles of Corporate Governance – the global standard in this regard – as well as with changes in Romanian and EU legislation since 2015. This deliberate effort to harmonise Romania's corporate governance framework with internationally recognised benchmarks is a crucial step in demonstrating the country's commitment to global standards and facilitating its accession to the OECD, as it indicates the country's ability to apply these aspirational standards.

The 2025 Corporate Governance Code reinforces protections regarding shareholder rights and equitable treatment, while also promoting an active role for stakeholders and encouraging comprehensive disclosures. Key reforms to the responsibilities of boards and committees, especially around risk oversight and ethical conduct, directly reflect OECD expectations regarding accountability and transparency. The Code's new focus on sustainability, board diversity and whistleblower protection further demonstrates Romania's ability to implement modern governance practices consistent with international norms.



The EBRD has
invested more than
€11 billion
in Romania since
1991

THE EBRD'S ROLE AND STRATEGY IN SUPPORTING ROMANIA'S ECONOMIC TRANSITION

The EBRD has been investing in Romania since 1991, consistently working to support the nation's transition towards a fully functioning market-oriented economy. Over the years, the EBRD has channelled significant financial resources into Romania. With investment totalling €658 million in 2023 and €707 million in 2024, the Bank's total cumulative investment in the country now exceeds €11 billion across more than 500 projects, with a strong focus on the private sector. This sustained – and, indeed, increasing – level of investment underscores the EBRD's enduring commitment to fostering economic development in Romania. The emphasis on private-sector investment highlights the Bank's strategic goal of building a competitive and dynamic market economy, where sound corporate governance is a fundamental prerequisite for success.

The evolution of corporate governance in Romania has been gradual, with the BSE recognising its importance early on. The EBRD's

direct collaboration with the BSE in this area began with the development of the country's first Corporate Governance Code, which was issued in 2015. This Code was specifically designed to build an internationally attractive capital market in Romania by promoting principles of best practice, transparency and trust among listed companies.

In 2024 the BSE and the EBRD drew on this established partnership to join forces once again to review and revise the nine-year-old Corporate Governance Code. The partnership between the EBRD, with its expertise in international standards, and the BSE, with its understanding of local market dynamics, was instrumental in creating a code that was both ambitious and relevant to the Romanian context. The new Corporate Governance Code was published in December 2024, at the end of the revision process, throughout which the EBRD played a significant supportive role, lending its expertise and guidance to ensure the final code reflected international best practices.

THE NEW CORPORATE GOVERNANCE CODE: A FOUNDATION FOR THE FUTURE

The Code takes into account numerous changes in both legislation and the corporate governance landscape, and, consequently, introduces many new recommendations. Those relating to the structure and functioning of boards of directors are particularly significant and emphasise various aspects of board effectiveness, including the composition of the board, the independence of its non-executive members, the importance of gender diversity and the overall effectiveness of the board in fulfilling its duties. The Code further recommends that boards develop a board profile, outlining the desired characteristics and skills of their members, and implement a diversity policy applicable to both the board and executive management. In addition, the Code specifically recommends that companies establish key functions and mechanisms that enhance their governance practices – recommending, for example, that they develop a whistleblowing mechanism, establish a risk management function and designate an investor relations officer. Finally, the Code emphasises the importance of ethical business conduct and a strong corporate culture.



“ Reflecting the growing global awareness of the importance of environmental, social and governance factors, the Code includes a new section dedicated to sustainability. ”

The recommendations in the new Corporate Governance Code also consider company practices and aim to elevate them to a higher standard. According to the monitoring results in the BSE's aggregate report for 2022 and 2023 on compliance with existing corporate governance requirements, the provisions with the highest compliance rates – greater than 90 per cent across both years – related to equal shareholder rights, the presence of a board secretary and the independence of internal audit functions. Provisions where the compliance rate was not so good – 70 per cent or lower – related to elements such as board evaluation practices, the existence and publication of forecast and dividend policies, and the organisation of analyst/investor meetings. The low level of compliance in these areas is attributed to lack of internal structures, legal exemptions or insufficient prioritisation by listed companies. To address this, the new Corporate Governance Code includes clearer guidelines and encourages enhanced board training, annual board self-evaluations, and greater focus on investor relations and disclosure of key policies.

Reflecting the growing global awareness of the importance of environmental, social and governance (ESG) factors, the Code includes a new section dedicated to sustainability. This addition signals a forward-looking approach aimed at preparing Romanian issuers for the increasing relevance of ESG considerations and upcoming sustainability legislation.

One of the standout features of the 2025 Code is its anticipatory nature. Rather than simply reacting to current standards, it embeds emerging best practices in areas such as sustainability, digital governance and board diversity. This positions Romania as a proactive contributor to the evolving global dialogue on corporate governance. For instance, the inclusion of a dedicated sustainability section aligns Romania – ahead of schedule – with anticipated EU reporting directives and ESG disclosure trends, making the Code one of the most forward-looking governance frameworks in central and eastern Europe.

A fundamental principle underpinning the Code, in both its previous and new iterations, is the “comply or explain” approach. This principle provides listed companies with the flexibility to decide which of the Code's recommendations they will adopt to ensure effective governance. However, it also stipulates that if a company chooses not to comply with a particular provision, it must provide a clear and reasoned explanation for its non-compliance. This approach strikes a balance between setting aspirational standards for corporate governance and acknowledging the diverse circumstances and operational realities of different companies. The continued reliance on this principle suggests a preference for a market-driven evolution of governance practices, where transparency of and accountability for governance choices are paramount. The first year in which companies will be required to report their compliance with the provisions of the new Code is 2026, covering the 2025 financial year.

HOW THE IMPROVED CORPORATE GOVERNANCE CODE STRENGTHENS ROMANIA'S INVESTMENT CLIMATE AND SUPPORTS ITS OECD MEMBERSHIP ASPIRATIONS

A candidate country's corporate governance framework is a key criterion for OECD membership. As part of the accession process, the OECD has conducted assessments of Romania's corporate governance framework, identifying both areas of progress and areas where further improvements are needed. The Code is aligned with all six of the G20/OECD Principles of Corporate Governance: ensuring the basis for an effective corporate governance framework; shareholder rights; equitable treatment of all shareholders; the role of stakeholders in corporate governance; disclosure and transparency; and, in particular, the responsibilities of the board (including its committees) and sustainability.

Romania's concerted efforts, with the support of the EBRD, to align its corporate governance framework with international standards have been acknowledged by the OECD itself. In April 2025 Romania received a formal opinion from its Corporate Governance Committee, which indicates strong recognition of the progress made in aligning with the G20/OECD Principles of Corporate Governance. This positive opinion was based on the measures implemented at national level to strengthen the corporate governance of listed companies, including the recent modifications to the Code.

Romania's new Corporate Governance Code is aligned with all six of the G20/OECD Principles of Corporate Governance

CHALLENGES AND FUTURE STEPS IN ROMANIA'S CORPORATE GOVERNANCE LANDSCAPE

While the "comply or explain" approach offers valuable flexibility, it can also present challenges when it comes to ensuring full and consistent implementation of the Corporate Governance Code's provisions. The effectiveness of this approach is heavily reliant on the willingness and capacity of companies to provide meaningful and transparent explanations for any deviations from the Code's recommendations. Ensuring the integrity of this approach will require ongoing monitoring and robust enforcement by the BSE.

Another potential challenge lies in the Code's adoption rate by listed companies. While many companies are likely to embrace the updated standards, some may face resistance or move towards adoption at a slower pace, necessitating continued efforts in the form of awareness-raising campaigns and comprehensive training programmes. The BSE's ongoing training initiatives will be crucial in facilitating a deeper understanding and smoother implementation of the new Code among listed companies and other stakeholders.

To support robust implementation of the new Code, the BSE has committed to a set of proactive monitoring and support measures. These include publishing aggregate public reports on companies' compliance with provisions of the new Code, thematic reviews of governance practices and capacity-building initiatives for listed issuers. These initiatives not only reinforce the effectiveness of the "comply or explain" approach, but also illustrate Romania's institutional readiness to uphold the rule of law and regulatory accountability – both critical elements in the OECD's evaluation process.

In conclusion, the dedicated work on the part of the BSE and the EBRD on the new Corporate Governance Code has played a crucial role in supporting Romania's efforts to meet one of the most stringent requirements for OECD membership. The revised Code not only strengthens the investment climate by fostering greater transparency and accountability, but also signals Romania's commitment to adopting international best practices. While challenges remain, particularly in the realm of state-owned enterprises – a global issue – the synergistic relationship between the EBRD's ongoing support and Romania's determined pursuit of OECD accession positions the country favourably on its path towards deeper international integration and sustainable economic development.

“The revised Code not only strengthens the investment climate by fostering greater transparency and accountability, but also signals Romania's commitment to adopting international best practices.”





THE LONG JOURNEY TO IMPROVING THE CORPORATE GOVERNANCE OF STATE-OWNED ENTERPRISES IN UKRAINE



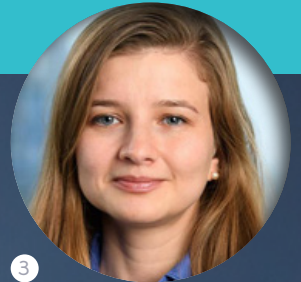
“The transformation of Naftogaz since 2015 stands as a powerful example of how crisis, when combined with concerted international pressure and internal resolve, can catalyse reform in even the most firmly entrenched state-owned enterprises.”



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This article outlines the major corporate governance journey of Ukrainian state-owned enterprise (SOE) Naftogaz, initiated by the EBRD in 2014 amid a national crisis in the country. It details the challenges, legislative changes, and the gradual shift towards transparency and accountability, as well as notable successes achieved and ongoing struggles against political interference and the impact of external factors such as the invasion by Russia and the ensuing war.



INTRODUCTION

In 2014 the EBRD started engaging with the largest state-owned company in Ukraine – Naftogaz – promoting good corporate governance as a way of obtaining much-needed investment support. That engagement led to the Ukrainian government approving a reform roadmap. In the intervening 10 years the journey has proceeded through some of the most dramatic events in Ukraine’s history. Those circumstances – albeit tragic – have been central to shaping the political commitment to this remarkable reform, which has slowly advanced in the face of myriad difficulties and detractors. In this setting, the perseverance of passionate leaders, the activism of the international community converging towards the OECD standards¹ and the progressive shaping of a corporate culture based on transparency and accountability have been the building blocks of a transformation that will be the cornerstone of the post-war and reconstruction period.

In December 2014 the EBRD agreed a €150 million sovereign loan to Ukraine to upgrade and repair part of the Ukrainian gas transmission system – the main artery via which Russian gas is transported to Europe – which accounted for 40 per cent of Europe’s total gas-storage capacity. The transmission system was managed by Naftogaz Group.² The signing of this loan agreement followed many failed attempts to engage with Naftogaz – one

Naftogaz is one of the largest companies in Ukraine, employing more than **53,700** people

of the largest and most strategic companies in Ukraine, which employs more than 53,700 people and is the country’s largest producer, importer and wholesale trader of natural gas. This new engagement with the EBRD was the result of two distinct factors: the serious financial crisis Ukraine was facing at the time and an innovative focus on corporate governance.

In 2014 Ukraine was on the verge of a financial default. In February of that year the “Revolution of Dignity” – also known as the “Maidan Revolution” – culminated in the ousting of President Yanukovich and the formation of a new interim government. Parliamentary elections in October 2014 consolidated the positions of reformist forces but also underscored the urgent need for sweeping change in the context of extreme instability. Ensuring a reliable gas supply to

¹ The G20/OECD Principles of Corporate Governance and the OECD Guidelines on Corporate Governance of State-Owned Enterprises.

² It was first managed by the Naftogaz subsidiary Ukrtransgaz, before being transferred to its subsidiary GTS in 2019.

Ukrainian and European households and industries was a key priority for global stability. To this end, it was necessary to reform the gas sector and secure financing for critical investment to rehabilitate the transmission network. These were priorities for both the Ukrainian government and the EBRD. Since then, the Bank, together with the European Union (EU), the World Bank, the International Monetary Fund (IMF) and the European Investment Bank (EIB), has been actively engaged in joint policy dialogue with the Ukrainian government, seeking to provide technical and financial assistance with a view to reforming and restructuring the gas sector and modernising gas infrastructure in accordance with market-based principles and liberalisation.

This reform has centred on Naftogaz. Until 2014 Naftogaz Group was loss-making. In that year alone, it sustained losses of about US\$ 5.6 billion,³ the equivalent of 5.7 per cent of the country's GDP, prompting George Soros to describe the company as "a black hole in the budget and a major source of corruption".⁴ Indeed – as later evidenced by the findings of a corporate governance review undertaken by the EBRD – corporate dynamics were flawed, accountability was non-existent, and the activities of the company and its stakeholders were subordinate to vested interests. Without a strong and credible commitment to radical transformation, engagement with such an entity was extremely risky.

In this context, "good corporate governance" was the key that unlocked such engagement: one of the main conditions of the EBRD loan was that Naftogaz comprehensively reformed its corporate governance in line with OECD standards. Given the global recognition of the OECD Principles and Guidelines, the international donor community strongly supported the reform effort.

In 2014 Naftogaz sustained losses of around **US\$ 5.6 billion**, equivalent to **5.7%** of Ukraine's GDP

A TAILORED CORPORATE GOVERNANCE REVIEW AND ACTION PLAN

In early 2015 experts from the EBRD's Legal Transition Programme (LTP) joined the Bank's team working on the project and started a comprehensive, Group-wide corporate governance review aimed at identifying the main issues of concern and securing agreement for an improved action plan.

Like many SOEs, Naftogaz operates within a highly complex and rigid regulatory environment. Its governance was shaped by a dense network of – often contradictory and overlapping – laws, regulations, resolutions and instructions, creating a framework that enabled political interference and undermined effective corporate oversight.

Consequently, the review focused not only on internal practices but also on the broader legislative and regulatory context governing the company. This was the first time the EBRD had adopted such a model, which it then successfully replicated in many other SOEs in Ukraine,⁵ as well as in other EBRD economies of operation.⁶

³ See Naftogaz (2015a).

⁴ See Soros (2014).

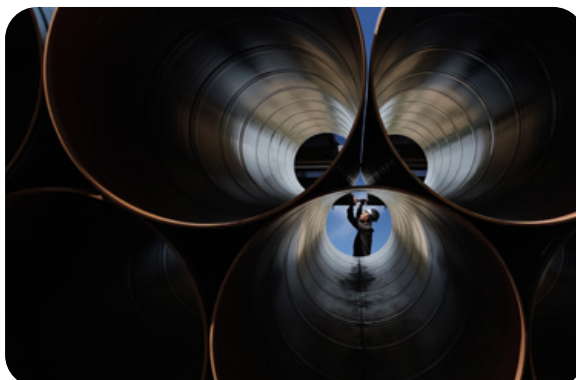
⁵ Such as UkrPoshta in 2017, Ukrenergo in 2019 and Energoatom in 2019.

⁶ Similar initiatives were adopted for Kesh in Albania in 2016, Serbian Railways in Serbia in 2022 and NEPCO in Jordan in 2019.

The review concluded in June 2015, resulting in a detailed report that outlined key governance shortcomings and the legislative changes that were required to align Naftogaz's practices with OECD standards.⁷ The key priorities were:

- to reduce state interference within the company's management
- to clarify the Group's ownership structure⁸
- to separate the ownership, regulatory and policymaking functions, which were affecting Naftogaz's commercial autonomy and raising conflicts of interest
- to develop a state ownership policy, defining the state's vision and rationale for state ownership and ensuring transparent metrics for commercial and social purposes
- to establish an independent and qualified supervisory board – which, up to that point, existed only on paper – with clear authority and responsibilities
- to empower the independent and qualified supervisory board to develop a Group strategy, anchored in a set budget, accounting for risks, and with clearly defined commercial and social goals, to be detailed as public service obligations (PSOs)
- to create an internal control framework servicing corporate objectives
- to strengthen the Group's transparency and disclosure.

More than **80**
laws, decrees and
orders needed to
be amended



THREE-PHASE ACTION PLAN

For the reform to happen, a complex set of legislation – including more than 80 laws, decrees and orders – needed to be amended. To this end, the EBRD escalated its policy dialogue efforts from the company to the government level – in SOEs, the line between the two is often blurred – and secured the commitment and support of the leadership at the Ministry of Economy, Naftogaz management and the international community.

The company management embraced the proposed reform, publishing, in May 2015, its first ever annual report, entitled *Changing for the future*. This provided not only a clear picture of the financial results but also, and most importantly, the vision for reform agreed with the EBRD,⁹ including establishing an independent supervisory board, building internal control functions and processes, and

⁷ Primarily, the G20/OECD Principles of Corporate Governance and the OECD Guidelines on Corporate Governance of State-Owned Enterprises.

⁸ At that time, ownership was divided between the Cabinet of Ministers as “company founders” and the Ministry of Energy as a “company shareholder”.

⁹ See Naftogaz (2015a).

implementing market-based pricing for gas. In addition, Naftogaz prioritised diversifying gas supply routes, integrating with the EU gas market and improving financial performance.

Since then, Naftogaz annual reports have been important building blocks for the creation of a culture of transparency and accountability.

After months of negotiations, the reform plan was ready. Next, it was essential to secure authoritative approval, leaving no doubt about the commitment to the reform. For this reason, the discussion was escalated to Ukraine's Cabinet of Ministers, which, on 21 October 2015, approved the **Naftogaz Corporate Governance Action Plan (CGAP)**, targeting improvements in corporate governance practices and legislative amendments (which were to be implemented in accordance with a defined timetable).¹⁰

Owing to the complexity of the reform, the action plan was divided into three phases. The first phase involved immediately starting to insulate Naftogaz from political interference and allowing it to start operating as a commercial company, albeit with social objectives. This involved clarifying the ownership structure; approving a new charter; defining the role of shareholders, the supervisory board, committees, internal auditors, compliance, anti-corruption measures and risk management; and introducing a transparent policy for nominating members of the supervisory board, based on qualifications and expertise.

These actions laid the groundwork for a second phase, set to begin after one year, which would focus on legislative and regulatory reforms to align Naftogaz's governance structure with OECD standards, and the final third phase, which was expected to end in mid-2017.

Most priority measures in the first phase were implemented swiftly: in December 2015 the dichotomy between founders and owners was resolved and the company's shares were transferred to the Ministry of Economy (before subsequently being transferred to the Cabinet of Ministers in September 2016), thus clarifying the entity in charge of the ownership function. At the same time, a revised company charter and terms of reference for the supervisory and management boards were approved.¹¹

“For the first time ever, the majority of the directors on the board of a state-owned enterprise in Ukraine were qualified and independent.”

This paved the way for a second EBRD operation with Naftogaz in October 2015: a US\$ 300 million loan to purchase gas from its interconnections with Europe and support Ukraine in reaching its gas-storage target. Under the terms of the loan, Naftogaz was required to tender for and contract gas in line with best European practices and to comply with the agreed action plan.

The search for independent and qualified directors to serve on the supervisory board of Naftogaz began in January 2016, and a new supervisory board was appointed in April 2016.¹² For the first time ever, the majority of the directors on the board of a state-owned enterprise in Ukraine were qualified and independent. Shortly afterwards, new charters were approved and a new internal control framework was created.

¹⁰ See Naftogaz (2015b).

¹¹ See Naftogaz (2016a).

¹² Ibid.



In May 2016 Naftogaz published its 2015 annual report, entitled *Setting it Right*,¹³ which revealed that although the company had posted a net loss of about US\$ 1.6 billion, it had increased its tax contributions.

However, the report warned that “the reforms are not yet complete, with, in particular, all state-owned companies expecting a new legislative framework which will protect them from political meddling and allow them [to] work efficiently”.

A storm was looming on the horizon.

In February 2016 Aivaras Abromavicius, the Minister for Economy and one of the main promoters of the reform, had resigned. In his resignation statement, he had referred to the Naftogaz CGAP and cited¹⁴ pressure around SOE appointments. The government reshuffle that followed slowed down the reform process and led to deadlock. In April 2017 the chair of Naftogaz’s supervisory board, Yulia Kovaliv, also resigned, citing fundamental disagreements over the company’s strategic direction and a lack of consensus on implementing the corporate governance reform as originally planned. That same month, the independent board members sent a letter to the Deputy Prime Minister of Ukraine expressing serious concerns about the

situation at Naftogaz and stating: “Without material progress it would be inappropriate and untenable for us to continue as supervisory members.”¹⁵ Less than five months later, they resigned.¹⁶ It was a shock for the whole reform process – especially at a time when Ukraine was about to launch its first sovereign bond issue since restructuring its debt in 2015.¹⁷

In this context, the collective resignation of all independent directors, which was a highly significant event for the company, sent a strong message about the level of integrity expected from independent directors – something that was unprecedented in Ukraine. Indeed, independent directors play a crucial role, and if their ability to act objectively is compromised, stepping down is preferable to continuing under constrained conditions. Such a move – albeit extreme – sends a strong message to the market. In this case, the market players understood the seriousness of this signal and the call was answered by the international community.

“Independent directors play a crucial role, and if they are unable to do their job, it is better that they resign, rather than carry on with business as usual.”

In Ukraine, the market players involved in this reform included members of the international community, who engaged firmly with the Cabinet of Ministers, leading, in November 2017, to the appointment of a new supervisory board, again composed of a majority of highly qualified and reputable independent directors.

¹³ See Naftogaz (2016b).

¹⁴ See Ministry of Economy of Ukraine (2016).

¹⁵ See <https://static.ukrinform.com/files/1491555223-4018.pdf> (last accessed 22 April 2025).

¹⁶ See Naftogaz (2017a).

¹⁷ See Naftogaz (2017b).

In 2016 Naftogaz recorded a net profit of more than **US\$ 1 billion** – its first in **five years**



¹⁸ For information on the EBRD's assistance with the Prozorro public procurement system, see Niewiadomska (2025).

¹⁹ The Stockholm arbitration arose from disputes over gas contracts concluded between Naftogaz and Gazprom in 2009. In 2014 Naftogaz challenged the "take-or-pay" clause and initiated arbitration over both supply and transit agreements. In 2018 the tribunal ruled largely in Naftogaz's favour, dismissing US\$ 56 billion of Gazprom claims and awarding US\$ 2.56 billion to Naftogaz in net compensation. A payment of US\$ 2.9 billion and a new five-year transmission contract followed. The ruling was a major win for Naftogaz, supporting its gradual transition and integration into the European gas market.

²⁰ Law No. 289-VIII, "On Amendments to Certain Legislative Acts of Ukraine on Protection of Investors' Rights", adopted by the Ukrainian parliament on 7 April 2015.

²¹ Law No. 1405-VIII, "On Amendments to Certain Legislative Acts of Ukraine on Managing State and Municipal Assets", adopted by the Ukrainian parliament on 2 June 2016.

²² Resolution of the Cabinet of Ministers No. 142, "On Certain Matters of Managing State Enterprises and Companies Where the State Holds Over 50% in Share Capital", dated 10 March 2017; Resolution of the Cabinet of Ministers No. 143, "On Certain Matters of Managing State-Owned Assets", dated 10 March 2017; Regulation of the Cabinet of Ministers No. 469 dated 4 July 2017, amending Resolution of the Cabinet of Ministers No. 777, "On Carrying Out Competition for Appointment of Key Officers of State-Owned Enterprises".

²³ The procedure for the Nomination Committee is detailed in Resolution of the Cabinet of Ministers No. 777 (2008). The selection of Naftogaz board members in 2016 was conducted by a special body comprising four members (not the Nomination Committee): a shareholder representative, a workforce

IN THE BLACK

In May 2017 Naftogaz published its third annual report, *In the Black*. The company posted a net profit of more than US\$ 1 billion, marking its first profit in five years and making it the largest contributor to Ukraine's state budget. For the first time, Naftogaz operated without direct financial support from the state.

The report noted key reforms, including anti-corruption initiatives, with Naftogaz being one of the first to join the Prozorro public procurement system.¹⁸ Naftogaz also invested significant effort in securing a favourable ruling from the Stockholm Arbitration Tribunal regarding the Gazprom case,¹⁹ given that an adverse ruling could negatively affect Naftogaz's financial operations and gas market reform in Ukraine. However, the unbundling of the gas transmission system operator – required under the EU's Third Energy Package – was facing delays, which prevented the establishment of a professional and efficient gas transmission system operator, crucial for gas market reform.

On the regulatory side, intense engagement between the EBRD and Ukrainian authorities led to significant progress. In April 2015 the law on joint stock companies was amended,²⁰ introducing the concept of independent directors and requiring boards of public companies and SOEs to have at least two such directors. In June 2016 the bar was raised by another law, under which more than half of all directors sitting on SOE boards had to be independent.²¹ These laws were followed by a number of Cabinet of Ministers acts²² setting out the rules for selecting independent supervisory board members, including a dedicated state-level Nomination Committee.²³ The establishment of this Committee marked another important milestone in the reform process, adding transparency to the selection

representative and two independent members. In 2017 Resolution of the Cabinet of Ministers No. 232 expanded the Committee's composition to include three representatives of independent international financial institutions (IFIs). The Nomination Committee was not involved in the 2017 selection process. The current Nomination Committee structure was established in 2018. Prior to March 2018 the Committee had 18 members, with no international representatives. In March 2018 the composition changed to include four state representatives and four representatives of independent IFIs. Since then, the ratio of state representatives to representatives of independent IFIs has fluctuated between 3:4 and 4:4.

of members of the boards of strategic SOEs. Representatives of the international community – including the EBRD – sit on the Committee as observers to help safeguard the integrity and credibility of the process. Based on the Committee’s proposals, the state entity owning the company appoints board members.

While all of these measures enabled the establishment of qualified SOE boards, a consensus had not yet been reached on a core issue: the lack of clarity regarding boards’ statutory authority in making strategic decisions, which allowed the state to continue to interfere in company operations. To curb this unhealthy practice, in January 2018 a new law came into effect that prohibited the general meeting of shareholders from deciding on matters reserved for the supervisory board. Shareholders bypassing the supervisory board – and its independent directors – on key strategic decisions had historically been a major problem in Ukraine, resulting in the state meddling directly in company matters.²⁴

However, the new law, while a major step forward, was not enough to ensure healthy corporate dynamics. The bulk of the proposed reform was enshrined in draft Law No. 6428 – developed with support from the EBRD and international partners – which was still under discussion in the Ukrainian parliament. The draft law aimed to implement key CGAP recommendations, notably empowering supervisory boards to approve SOE strategies and budgets, and to appoint and dismiss management. This authority is essential for boards to strategically guide management and hold it accountable. Unfortunately, given the significant shift in authority proposed, the draft law met strong resistance. Despite

endorsement by the Parliamentary Committee on Economic Policy, it failed to secure enough votes in its first reading in March 2018 and was subsequently deprioritised.



In mid-2018 Naftogaz published its fourth annual report, entitled *Historical Victory and the Beginning of Transformation*.²⁵ The report highlighted the victory over Gazprom in the Stockholm arbitration (see footnote 19). Financially, in 2017 Naftogaz reported a net profit of roughly US\$ 1.4 billion, which reflected part of the compensation that Gazprom had been ordered to pay under the arbitration results.

On the other hand, the report also outlined the slow progress that was being made on the corporate governance reforms that were needed to bring Naftogaz up to the required standards. Indeed, the lukewarm regulatory progress – with draft Law No. 6428 now abandoned – had caused the pace of reform to slow down.

During this period, the international community reshaped its approach, targeting renewed dialogue with the government.

Among other things, a new assistance structure (the Ukraine Reforms Architecture)²⁶ was created by the EBRD and the EU to support the government’s reform agenda. More than 200 local experts were embedded in ministries and agencies to fill capacity gaps, facilitate the uptake of technical assistance, and strengthen coordination between the Ukrainian civil service and international donors. This helped reinvigorate the reform process in the corridors of government.

²⁴ Law No. 2210-VIII, “On Amendments to Certain Legislative Acts of Ukraine on Simplification of Doing Business and Investment Attraction by Securities Issuers”, adopted by the Ukrainian parliament on 16 November 2017. The law also introduced new independence requirements for supervisory board members, extended the scope of the activities of the supervisory board committees and introduced the corporate practice concept of a succession plan, which was completely new for Ukraine.

²⁵ See Naftogaz (2018).

²⁶ See <https://www.ebrd.com/home/work-with-us/projects/tcpsd/668.html> (last accessed 28 May 2025).

In 2018 the company's
net profit fell to
US\$ 400 million



²⁷ See Naftogaz (2019).

²⁸ This is a widely adopted framework for effective risk management and internal control. It divides responsibilities among operational management (first line), risk and compliance functions (second line) and internal audit (third line). This structure ensures that risks are identified, managed and independently reviewed to strengthen accountability and oversight across an organisation.

²⁹ In 2019 an OECD report emphasised the need for the Ukrainian government to take steps to complete corporate governance reforms at Naftogaz. Key among these was the need to grant the supervisory board full authority over core functions, such as hiring and dismissing the CEO, approving strategy, and endorsing financial and investment plans. The report also recommended assigning appropriate operational autonomy to the executive board and the CEO, including removing the requirement for government approval of business transactions when robust internal controls were in place. For more effective governance, Naftogaz also needed to control assets held by its wholly owned subsidiaries. See OECD (2019).

³⁰ See Naftogaz (2020).

³¹ See Naftogaz (2021).

In 2018 Naftogaz's net profit fell to US\$ 400 million.²⁷ That year, the company also completed the implementation of a new internal control system based on "three lines of defence"²⁸ – a first for Ukrainian SOEs and a key requirement of the action plan. The system was independently certified in 2018, a condition for transitioning from a state-controlled system to a corporate-controlled one under board supervision. However, the discussion on this transition stalled, giving the state the opportunity to increase its demands as regards its share of Naftogaz profits from 50 per cent in 2017 to 75 per cent in 2018 and 95 per cent in 2019, undermining the company's ability to fund necessary investments and increasing its reliance on external funding.²⁹

In April 2018, in accordance with Naftogaz's remuneration policy, the supervisory board voted to pay a bonus to the company's management amounting to 1 per cent of the US\$ 2.56 billion awarded to Naftogaz following its victory in the arbitration case against Gazprom. The then-CEO, Andriy Kobolev, received US\$ 22 million, which was criticised as excessive and triggered reactions and legal investigations. In early 2020 the National Anti-Corruption Bureau launched a pre-trial investigation into the bonus, while the Cabinet of Ministers introduced a cap on the remuneration of the CEOs of SOEs. In the meantime,³⁰ Naftogaz completed the unbundling of its gas transmission system operator and received the outstanding portion of the compensation awarded by the Stockholm Arbitration Tribunal, resulting in a US\$ 2.9 billion payment and a new five-year transmission contract.

While the world was facing major disruption due to the Covid-19 pandemic, in Ukraine the liberalisation of the retail gas market enabled consumers to choose their suppliers, leading to Naftogaz acquiring more than 900,000 new customers by year-end.³¹ The company also resolved longstanding debts, including compensation for PSOs from the period 2015-19.



In April 2021 the government contested Naftogaz's financial statements and rated the performance of its supervisory board as "unsatisfactory", leading to the dismissal of the board. Then, in the "absence" of the board, the Cabinet of Ministers "exercised the authorities of the board"³² and dismissed the CEO – despite having supported a four-year extension to his term just a month earlier. The Cabinet then appointed the acting Ukrainian Minister for Energy, Yuriy Vitrenko – a former Naftogaz executive – as the new CEO of Naftogaz.³³ Finally, the Cabinet reinstated Naftogaz's supervisory board in its previous composition the day after dismissing it.

At this point, all members of the supervisory board tendered their resignations, with the result that, from September 2021 until January 2023, Naftogaz had no supervisory board. In its absence, its powers were exercised by the general meeting of the company (that is to say, the Cabinet of Ministers).³⁴

This governance crisis triggered reaction within the international community once more. The EBRD and other IFIs walked out on the Nomination Committee and sent numerous

letters to the government, pushing for a more ambitious version of draft Law No. 6428 – now called Law No. 3587, "On the Improvement of SOE Corporate Governance" – to be adopted on its first reading by the Ukrainian parliament. EU macrofinancial assistance was also tied to this milestone. As a result, the government committed to having the draft law adopted in parliament – which it was, on its first reading in July 2021, thanks in part to the unprecedented involvement of IFIs and the EU.

This was a moment of alignment when the government yielded to reform demands – but the draft law soon entered yet another dormant phase.

In the meantime, the situation in Ukraine was rapidly deteriorating. On 22 February 2022 Russia launched a full-scale invasion, subjecting Ukraine's state infrastructure to constant bombardment. The international community remained by the Ukrainian government's side, supporting the country's defence and, at the same time, strengthening calls for the acceleration of reform. The EBRD, for its part, announced an initial €2 billion package of resilience measures to help Ukraine.



In mid-2022 Naftogaz published its eighth annual report, entitled *Resilience, Victory, Recovery*.³⁵ At the time of writing, this was the last annual report published by the company, given that SOEs have been exempt from information disclosure rules while the country remains under martial law.³⁶ Interestingly, in this 2021 report the company placed emphasis on reflecting on its recent governance crisis and said it had commissioned a leading

³² At that time, a general meeting of the shareholders of a private joint stock company was allowed to exercise all board powers in the absence of the board. This provision was repealed with the adoption of the new Law on Joint Stock Companies, effective since 2023.

³³ According to Naftogaz's charter, the general meeting of shareholders is authorised to appoint and dismiss the CEO based solely on proposals from the supervisory board, which holds exclusive competence for such decisions.

³⁴ Notably, similar governance concerns have emerged elsewhere in the SOE sector; in 2024 several independent board members at Ukrenergo also resigned, citing political interference.

³⁵ See Naftogaz (2022).

³⁶ After the end of martial law, SOEs will have 90 days to disclose annual and interim information (including financial statements) for the period 2021-24.

international firm to conduct an independent corporate governance review. Financially, Naftogaz returned to profitability after losses in 2020 and saw growth in domestic gas production.

Aside from necessary limitations, the war did not hinder reform in Ukraine – on the contrary, it accelerated it. Given Ukraine’s urgent financial needs, the international community was called on to help, in exchange for progress on the long-awaited reforms.

In January 2023 a new Law on Joint Stock Companies came into effect, introducing governance improvements such as: electronic voting at shareholder meetings; a clear framework on the liability of company officials and fiduciary duties; a defined legal status for and requirements of the corporate secretary – now mandatory for public interest enterprises; and abolition of the outdated and useless revision commission. In addition, it addressed various inconsistencies, including as regards the number of independent members required on SOE boards (with the majority of members needing to be independent). In the same month, six members were appointed to Naftogaz’s supervisory board, following pressure from the G7 Ambassadors’ Support Group,³⁷ meaning that the company had a board for the first time since September 2021. Despite a freeze on competitive selection of supervisory board members applying to nearly all SOEs during martial law, Naftogaz’s selection went through a competitive process at the Nomination Committee.

Reform momentum remained strong, and donor support – notably via the EU-Ukraine Plan and the IMF Programme – revived the agenda previously championed by draft Law No. 6428. In February 2024 Law No. 3587, “On the Improvement of SOE Corporate Governance” was adopted – a culmination of years of EBRD-led policy dialogue and technical assistance.

Following intense negotiations between IFIs and the government of Ukraine, and as foreseen in the CGAP, the new law now grants the supervisory board exclusive authority to appoint or dismiss the CEO and approve strategic and financial plans – with Ministry of Finance involvement in key parameters – while also establishing additional criteria for the structural and financial independence of board members. The law also reinforces the concept of fiduciary duties of supervisory board members and requires SOEs to establish an internal audit function. Furthermore, it defines grounds for the early dismissal of board members to prevent arbitrary actions by the state, introduces enhanced disclosure requirements and provides for consolidated dividend payments across company groups.³⁸

Overall, 2024 proved to be a highly productive year for reform of the corporate governance of SOEs in Ukraine and represented one of the final milestones in the implementation of the CGAP. Law No. 3587 also triggered the adoption of a number of secondary legislative acts, including frameworks for establishing and reporting on key financial indicators for the largest SOEs, the evaluation of supervisory board performance and a new State Ownership Policy (SOP) approved in December 2024.

THE NEW STATE OWNERSHIP POLICY

The adoption of the SOP was a key requirement in both the OECD Guidelines and the CGAP. The SOP establishes the rationale for state ownership and sets out “triage” criteria for retaining SOEs in state ownership, to optimise the state asset portfolio by privatising or liquidating non-strategic enterprises. Importantly, it outlines principles for formulating and compensating for PSOs, defines mandatory criteria for the creation of supervisory boards, and provides a framework for setting objectives and KPIs – including the introduction of “letters of expectations” as a new instrument for the state to transparently communicate its ambitions. Furthermore, the SOP sets clear guidelines for the remuneration of CEOs and supervisory board members in line with comparable private-sector levels.

³⁷ See X (last accessed 22 April 2025).

³⁸ In May 2024, however, the provision regarding consolidated dividend payments was diluted through subsequent tax law amendments, requiring Naftogaz’s subsidiary Ukrnafta to pay dividends directly to the state.

Naturally, policies are not an end in themselves: implementation is key. The newly adopted SOP sets out an ambitious agenda for the Ukrainian authorities to follow in the near future, which is referred to in Ukraine's international commitments. Among the key priorities are the creation of a centralised ownership function, the development of a detailed framework for PSOs and the establishment of a comprehensive performance assessment system.

And so to current challenges. One of the most critical next steps will be the establishment of a strong corporate governance culture at all levels of the SOE sector. In support of this goal, the EBRD launched an extensive training programme aimed at raising awareness and enhancing capacity among newly appointed supervisory board members, ownership entities and corporate secretaries of SOEs.

LESSONS LEARNED

The transformation of Naftogaz since 2015 stands as a powerful example of how crisis, when combined with concerted international pressure and internal resolve, can catalyse reform in even the most firmly entrenched SOEs. Ukraine's energy sector, once a source of massive fiscal losses and systemic corruption, was reshaped by a rare concurrence of geopolitical urgency, financial necessity and a unified international community converging on OECD standards.

Central to the success of Naftogaz's transformation was undoubtedly the action plan for reform, which targeted both company practices and the legislative framework. In SOEs, dynamics flow smoothly only when they are expressly permitted by law – unlike in private companies, which operate unless explicitly prohibited from doing so. This cautious stance underscored the necessity of a comprehensive and enabling regulatory framework. In this setting, the critical enabler was the decade-long effort to strengthen the

legal and regulatory framework for corporate governance in Ukraine. The introduction of legislation aligned with OECD standards³⁹ – including the depoliticisation of supervisory boards, the adoption of transparency requirements, and clearer separation between ownership and management functions – laid the institutional foundations for sustainable reform. These legal changes enabled greater accountability and protected the company from undue political interference, helping shift Naftogaz from a liability to a self-sustaining and strategically independent enterprise.

Equally important was the role of the EBRD and its passionate people in creating and leading the “coalition of change”. The Bank was more than just a financial backer; it acted as a convener of reform-minded stakeholders, ensuring coordination among international donors (notably as regards financing conditionalities), advising on corporate governance frameworks and advocating consistently for best practices in line with OECD guidance. Its credibility and technical expertise helped maintain reform momentum, particularly during periods of domestic political resistance or backsliding.

Naftogaz's reform journey has not been without significant challenges. Achievements remain fragile and undue political interference is always in the background, ready to materialise when structural weaknesses – such as blurred lines between ownership, supervisory and executive roles – offer the chance. While the adoption of OECD standards provides a strong foundation, ensuring that these changes translate into consistent, long-term impact and a shift in the corporate governance culture requires continued guidance, vigilance, strong national leadership, capacity building and performance-based oversight to avoid regression and achieve further progress.

Here, perseverance is key.

While the Naftogaz case may appear exceptional, its core lessons are transferable. Reform of SOEs is possible elsewhere, but typically under specific conditions and with a small window of opportunity: a shared crisis

³⁹ The G20/OECD Principles of Corporate Governance and the OECD Guidelines on Corporate Governance of State-Owned Enterprises.

or strategic incentive, where credible and coordinated international support can engage with strong domestic reform champions. These elements create the incentive, the pressure and the protection needed to implement and defend difficult changes, shielding reformers from (often strong) internal resistance and political interference.

Ultimately, the story of Naftogaz highlights the fact that lasting reform is dependent not only on policy and legal frameworks but also

on timing, pressure and the presence of determined coalitions capable of translating external demands into durable institutional change. Replicability lies not in copying policies wholesale but in adapting the core enablers that made reform possible. For policymakers, the key question is not what to reform, but how to cultivate or make the most of the conditions that make meaningful and lasting change achievable.



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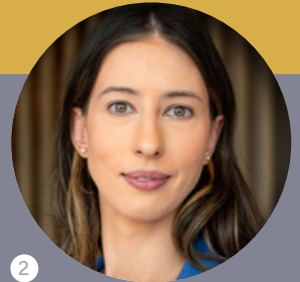
FROM REFORM TO IMPACT: THE PAST, PRESENT AND FUTURE OF LEGAL AND REGULATORY REFORMS AIMED AT IMPROVING ACCESS TO FINANCE FOR SMEs AND STARTUPS



“Through its work on factoring, crowdfunding and secured transactions, the EBRD's Legal Transition Programme helps businesses unlock capital, encourages entrepreneurship and creates more resilient economies.”



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For decades, the EBRD's Legal Transition Programme (LTP) has been instrumental in shaping the legal and regulatory frameworks that support factoring, crowdfunding and secured transactions in economies where the EBRD invests. With transaction volumes for these products at an all-time high, now is a good time to assess what has been accomplished and identify areas where successes can be built on.



THE GLOBAL REACH OF LTP PROJECTS

Access to finance is a cornerstone of economic development, yet many businesses – especially small and medium-sized enterprises (SMEs) – struggle to secure the funding they need to grow. The LTP, by focusing on access to finance (among other areas), aims to address this by developing legal and regulatory frameworks that enable modern, efficient and inclusive financial systems. Through its work on factoring, crowdfunding and secured transactions, the LTP helps businesses unlock capital, encourages entrepreneurship and creates more resilient economies.

Work under the Programme spans diverse regions, comprising unique economic landscapes, but sharing common financial challenges. The economies in which the EBRD invests are typically in transition – rich in potential but facing structural barriers to growth. Many of these economies have large SME sectors, but these businesses struggle with limited access to finance, owing to underdeveloped banking systems, rigid collateral requirements and risk aversion on the part of investors.

The transformative power of financial reforms – such as factoring, crowdfunding and secured transactions – has been crucial in unlocking financing opportunities for businesses across the EBRD regions. While drawing a direct causal link between legal reforms and market impacts can be challenging, there is a strong argument that well-designed laws act as catalysts for market dynamism and growth, especially when coupled with capacity building and outreach activities, advisory work and, ultimately, transactions.



FACTORING: UNLOCKING LIQUIDITY FOR SMALL BUSINESSES

Most companies in the EBRD regions typically possess limited immovable assets, which traditionally serve as collateral for banking loans – still a major form of financing. At the same time, businesses of any size often own receivables that are eligible to be factored. Factoring is a financial service based on the transfer of accounts receivable (short-term assets) in exchange for financing, which unlocks access to working capital. Given the inclusivity and flexibility of the service, the factoring and receivables finance industry has been growing exponentially. However, legislative, institutional, capacity, market and technological bottlenecks often limit its growth.

The LTP's experience in several countries highlights the transformative impact of factoring reforms. In **Croatia**, the adoption of factoring laws in 2014 set the stage for rapid market growth. The laws came into effect in

2017, by which time factoring penetration in Croatia had already surpassed the global average,¹ proving its effectiveness as a valuable financing tool for local businesses. Between 2014 and 2016 Croatia's factoring market experienced substantial growth, with total annual factoring volumes of between €2.5 billion and €2.9 billion.² In 2017, however, there was a decline in the annual factoring volume, attributed to – among other things – market externalities and the collapse of a major retailer in the country.³ Despite this dip, the market regained ground from 2018 to 2023, with annual factoring volumes consistently ranging from €1.1 billion to €1.4 billion.⁴

In **Montenegro**, following technical assistance from the LTP to the Ministry of Finance, the country's parliament passed the Act on Financial Leasing, Factoring, Purchase of Receivables, Microcredit and Credit-Guarantee Operations on 25 October 2017. This legislation, which came into effect on 11 May 2018, sparked a gradual increase in the use of factoring. Although the market started slowly, with no factoring licences issued that year,⁵ by the end of 2019 one factoring company had started operating. Overall, factoring receivables rose by 6 per cent in 2019, with that single company reporting receivables of €1.1 million.⁶ By 2021 the central bank had licensed a second factoring company⁷ and

In 2022, the two Montenegrin factoring companies' receivables increased by **71%** year on year

factoring had gained significant traction, with 12 per cent of businesses recognising it as a relevant financing option.⁸ The two factoring companies in Montenegro began to see a substantial increase in their receivables, recording a combined figure of €7.8 million in 2022 – up 71 per cent on the previous year.⁹ In 2023 the volume of factored receivables in the market stood at €8.1 million, continuing the trend of steady growth.¹⁰

Between 2018 and 2023 **Kosovo's** factoring sector underwent significant transformation, driven by regulatory reforms supported by the EBRD. A landmark development occurred in 2018, when the Board of the Central Bank of Kosovo adopted the Regulation on Factoring, which entered into force in November 2019. Between 2020 and 2023 the total annual factoring volume remained steady at around €30 million, with no international factoring activity recorded during this period.¹¹ Following the reform, the first Kosovan bank joined the FCI network (FCI being the global representative body for factoring and financing of open account domestic and international trade receivables).¹² As a result, local businesses were able to tap into international and reverse factoring, expanding opportunities for cross-border trade finance.

¹ See FCI (2017), p. 10.

² See FCI (2017), p. 24.

³ The Croatian Financial Services Supervisory Agency primarily attributed the decrease in the annual factoring volume to developments connected with business relations with the Agrokor Group companies during 2017 and 2018 for factoring transactions involving the discounting of bills of exchange. Specifically, the business relations of factoring companies with Agrokor Group companies resulted in significant value adjustments and write-offs of receivables. For more information, see CFSSA (2017), p. 16.

⁴ See FCI (2024), p. 31.

⁵ See CBCG (2018), p. 54.

⁶ See CBCG (2019), p. 51.

⁷ See CBCG (2021), p. 61.

⁸ See EBRD (2022), p. 11.

⁹ See CBCG (2022), p. 63.

¹⁰ See CBCG (2023), p. 71.

¹¹ See FCI (2021-24).

¹² See FCI (2022), p. 16.

Factoring in **North Macedonia** has seen significant growth over the past few years, driven by both market demand and crucial regulatory support. Back in 2017 the market was limited, with only two financial institutions offering factoring services. However, from 2020 to 2022, factoring in North Macedonia steadily expanded, with combined domestic and international turnover standing at between €23 million and €25 million annually. A key turning point for the industry came in 2023, when legislative amendments supported by the EBRD were introduced. In July of that year, the Assembly of the Republic of North Macedonia adopted amendments to Law No. 08 – 3790/1 on Financial Companies. These amendments provided more clarity around factoring transactions in the country by (i) providing a definition of different types of factoring, including recourse, non-recourse and reverse factoring; (ii) explicitly allowing for factoring agreements to be signed electronically; and (iii) clarifying insolvency procedures for factoring companies and ensuring that factored invoices did not form part of the insolvency estate of the assignor. As a result, there was a jump in factoring activity in 2023, with total factoring turnover reaching €38 million.¹³

CROWDFUNDING: EMPOWERING ENTREPRENEURS

Crowdfunding platforms provide smaller businesses with opportunities to access financing that might otherwise be unavailable through traditional financial institutions or capital markets. Following successful crowdfunding initiatives in Armenia, Kazakhstan, Morocco and Türkiye, significant legislative progress has been made in these countries. Four key laws have been enacted, facilitating the establishment of 30 licensed crowdfunding platforms: one in Armenia, eight in Kazakhstan, three in Morocco and eighteen in Türkiye.

Between 2019
and 2024,
18
equity-based
crowdfunding
platforms
were licensed
in Türkiye

In February 2022 the Central Bank of **Armenia**'s board approved a package of regulations developed with assistance from the LTP. This framework enables Armenian SMEs to access new financial products, such as equity crowdfunding, and reach a wider pool of investors. The first Armenian crowdfunding platform to be licensed on the basis of this regulatory framework – ARFI – obtained its licence in 2022 and, by March 2024, it had hosted four projects, raising more than US\$ 3 million. Although this initial crowdfunding platform is no longer active, a new platform – Eqwefy – was licensed in 2024 and began operations with two campaigns worth €40,000 in total.¹⁴

In **Türkiye**, the LTP provided the Capital Markets Board with drafting advice and other guidance on secondary legislation for equity crowdfunding. The EBRD's guidance extended to donation- and reward-based crowdfunding, as well as best practices for regulating debt-based crowdfunding. This resulted in the approval and publication of new legislation in 2019, which allowed equity-based

¹³ See FCI (2021-24).

¹⁴ See <https://eqwefy.com/en> (last accessed 28 May 2025).

crowdfunding platforms to enter the market. Between 2019 and 2024, 18 such platforms were licensed, and they have raised more than €30 million in equity for startups and early-stage businesses (based on publicly available information in April 2025).¹⁵

In **Kazakhstan**, amendments to the Astana International Financial Centre (AIFC) Financial Services Framework Regulations, supported by the LTP, were approved in 2019 to regulate both debt- and equity-based crowdfunding. Prior to these reforms, no crowdfunding platforms existed in the AIFC. By 2023 there were eight active platforms, raising more than €1 million, mostly through loan-based crowdfunding.

Between 2018 and 2021 the LTP provided assistance to the Ministry of Finance of **Morocco**, the Central Bank of Morocco and the Moroccan Capital Markets Authority with a view to establishing a legal and regulatory framework for crowdfunding. In February 2021 the Moroccan House of Representatives unanimously adopted Bill No. 15-18 on crowdfunding. Since then, the LTP has assisted the authorities with issuing the relevant implementing regulations and guidelines, with the licensing process officially starting in 2024. At the time of writing, two lending-based crowdfunding platforms have officially been licensed in the country and are due to commence operations soon.



SECURED TRANSACTIONS: STRENGTHENING FINANCIAL INFRASTRUCTURE

A secured transaction regime provides businesses, especially SMEs, with the ability to access financing by using their movable assets – such as inventory, receivables or equipment – as collateral. This system is particularly important in regions where traditional forms of collateral, such as real estate, are limited or unavailable, as it bridges the financing gap and allows a wider range of businesses to secure the capital they need for growth. A robust secured transactions framework is vital for creating a resilient, inclusive market economy and serves as an attractive factor for foreign investors.

In 1992 none of the economies in which the EBRD operated had practical, up-to-date laws allowing non-possessory security over movable assets. Moreover, using immovable property as collateral was often complicated by ineffective rules or, in some cases, non-existent land registers.

To address this gap, the EBRD introduced its Model Law on Secured Transactions in 1994. This aimed to harmonise security rights legislation in the EBRD regions and set clear expectations for international investors and lenders. The framework outlined core principles for secured transactions and has since guided reforms across these regions. Several countries subsequently adapted their national laws based on the EBRD's Model Law, including Hungary (1996), Romania (1999), Serbia (2003) and the Slovak Republic (2003). These reforms have made it easier for businesses to access credit by enabling them to pledge movable assets as security for loans.

A more recent success story can be found in **Morocco**, where, in 2018, EBRD-supported reform culminated in the introduction of Law No. 21-18 on security over movable assets. This law aimed to streamline access to credit and enhance the efficiency of investment protection. For instance, under the former security law, subject to some exceptions, public auction was the principal way to enforce security over movable assets. The new law

¹⁵ See Capital Markets Board of Türkiye (n.d.).

introduced major innovations, including three new methods of enforcing security over movable assets and a single registration regime for pledges. These changes have made the process more coherent, efficient and transparent, further supporting business growth and economic development in the country.

“Digitalisation – along with other critical building blocks – has the potential to make financial products safer, cheaper and more efficient to deploy.”

LOOKING AHEAD: SCALING UP IMPACT

“The farther back you can look, the farther forward you are likely to see.” In these challenging times, when “doing more with less” is the ultimate aim, Winston Churchill’s words resonate more than ever.

Taking stock of accomplishments, together with continuous dialogue with public and private stakeholders across EBRD regions, provides the benefit of hindsight and the ability to apply lessons learned to further refine our approach to reforms.

Passing a law is not the end of the road; it is the beginning of a new cycle – a cycle of assessment and reflection, involving meaningful engagement with financial institutions, corporates and SMEs through both transactional and advisory work to promote the effective implementation of new laws and regulations.

While the Bank’s reform efforts have been successful, it is constantly striving to improve. Today, its approach is more comprehensive than ever. Alongside legal reforms, the EBRD promotes the use of digital tools as a key component for unlocking both scale and value in financial services. Digitalisation – along with other critical building blocks – has the potential



In my work advising numerous banks in Morocco, I have witnessed a remarkable difference in their approach to lending since the entry into force in 2018 of Law No. 21-18 on security over movable assets.

A key area is the introduction of the **national electronic registry for movable assets**. This simple platform, to which everyone has access, serves two functions: it informs third parties of the existence of non-possessory pledges and it establishes the priority status of such pledges.

Another significant development is in relation to the **enforcement of movable collateral**. Before, the only enforcement route was judicial, through a court process, which was unpredictable, lengthy and costly. The new law now provides a clear pathway for out-of-court enforcement. Upon default, the title of the pledged assets goes directly to the creditor, who can then sell it privately or via public auction, bypassing the need for protracted court-led auctions. This clarity has been a major driver in prompting banks to accept movable assets as collateral and approve deals that might not have been considered previously.

An additional notable advance that I have noticed is the **increased bankability of project finance**. The fact that future receivables generated under a project can now be effectively secured has clearly boosted creditors’ appetite.

Furthermore, the legal framework for **pledging shares** now works very well, adding another layer of viable collateral options. The introduction of the **security agent** has also streamlined the process of creating, handling and enforcing securities in syndicated deals, leading to greater efficiencies.

While quantifying the overall impact might be challenging, the shift in behaviour among market participants is undeniable.

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to make financial products safer, cheaper and more efficient to deploy. This, in turn, should stimulate both demand for and supply of alternative financial services, leading to broader and more affordable access to finance.

The Bank's longstanding work in Georgia provides a good example. In addition to supporting the drafting of the new Law on Factoring (currently pending before the country's parliament), the EBRD, through its Investment Council, has helped design the upgrading of public digital infrastructure – including invoice registries – which will reduce some of the risks associated with factoring, such as double invoicing, and enable faster and more effective market adoption once the law enters into force.

Looking ahead, scaling up impact will be a key focus. Expanding the reach of EBRD reforms to more countries will require political will, sustained collaboration and continued commitment to strengthening the regulatory frameworks that underpin these vital financial services.

Continued efforts to enhance both the legal and financial infrastructure can be expected to result in greater innovation, improved access to finance and long-term economic growth across the EBRD regions.



To operationalise the forthcoming Law on Factoring, the EBRD helped the Georgian government with the design of a centralised electronic platform for the registration of factoring invoices. The aim of this platform is to facilitate inclusive, freely accessible, transparent and reliable B2B/B2G factoring operations throughout Georgia. The design ensures protection against the use of invalid or unsuitable invoices; fraud on the part of sellers, such as increases in the value of a transaction; risks of double financing (submission of the same invoices by different factors); and general operational risks. The e-factoring platform is expected to provide SMEs with an additional mechanism for accessing funds more quickly by matching them with factoring companies.

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DELIVERING IMPACT IN MOROCCO: CONVENING PRIVATE- AND PUBLIC-SECTOR STAKEHOLDERS TO SUPPORT DIGITAL TRADE



“The active involvement of both private- and public-sector stakeholders is critical for the success of any reform.”



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In 2025, Morocco embarked on a transformative journey to enhance its digital trade landscape. An initiative led by the Ministry of Industry and Trade, in partnership with the EBRD's Legal Transition Programme, aims to assess and promote the use of digital trade documents in the country and align Morocco's legislation with the recent United Nations Commission for International Trade Law (UNCITRAL) Model Law on Electronic Transferable Records. Successful reform of commercial law requires close consultation and engagement with relevant private- and public-sector stakeholders. The EBRD has helped the Ministry bring together key stakeholders at an early stage to engage with the reform, guided by the International Chamber of Commerce of Morocco. The UNCITRAL Secretariat and the EBRD's Trade Facilitation Programme (TFP) have provided relevant technical expertise on legal and trade finance matters.



THE IMPORTANCE OF DIGITAL TRADE

Morocco is one of the world's largest exporters of mixed mineral or chemical fertilisers and a significant exporter of cars, insulated wire, non-knit women's suits and tomatoes. As an economy, Morocco is also a large importer of goods, including refined petroleum, cars, motor-vehicle parts and accessories, petroleum gas and coal briquettes.¹ The EBRD project on digital trade in Morocco aims to make export and import transactions easier to perform and finance by furthering the digitalisation of trade documents and processes. This is expected to reduce the inefficiencies and costs related to paper-based trade and, ultimately, contribute to the development of a more environmentally sustainable trade ecosystem. The project also seeks to maintain Morocco's alignment with its key trading partners (see Figure 2). Spain and France are among the country's most important partners for both exports and imports. Last year

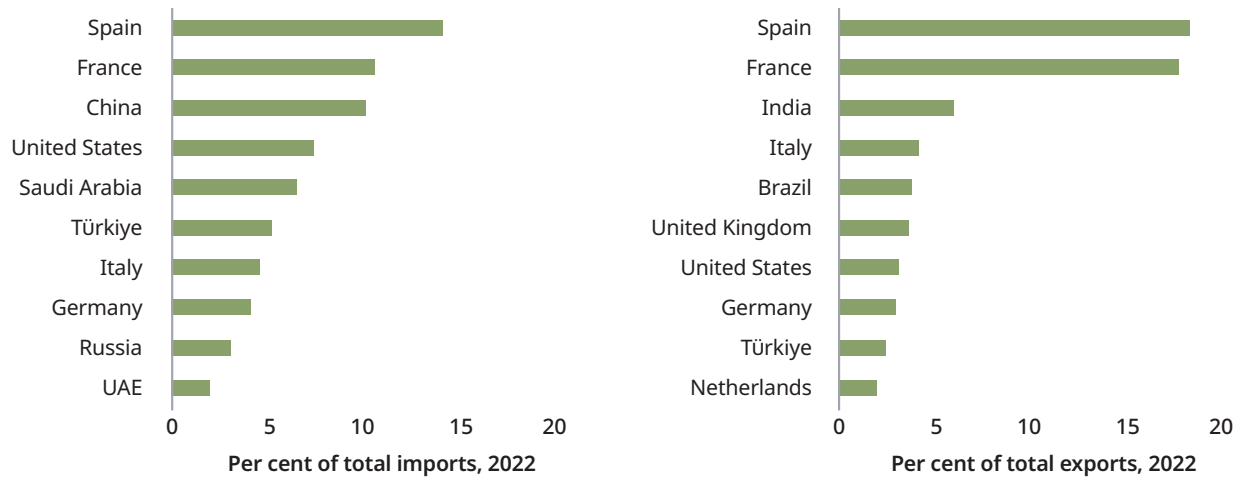
According to the Asian Development Bank, the global trade finance gap stood at **US\$ 2.5 trillion** in 2022, up from **US\$ 1.7 trillion** in 2020

¹ In 2023 Morocco's top export destinations were Spain (US\$ 9.8 billion), France (US\$ 8.23 billion), Germany (US\$ 2.89 billion), the United Kingdom (US\$ 2.49 billion) and Italy (US\$ 2.18 billion). For imports, the main partners were Spain (US\$ 11.7 billion), China (US\$ 7.71 billion), France (US\$ 7.32 billion), the United States of America (US\$ 6.12 billion) and Türkiye (US\$ 3.6 billion). See <https://oec.world/en/profile/country/mar> (last accessed 27 May 2025).

² Changes to legislation were introduced through Law No. 2024-537 of 13 June 2024, an omnibus legislative act aimed at increasing business financing and the attractiveness of France as a financial centre.

France adopted the UNCITRAL Model Law on Electronic Transferable Records (MLETR), which gives legal effect to certain types of digital trade document known as transferable documents (see Box 1).² Spain and other countries in Europe are expected to follow suit.

Digitalisation of trade and trade finance is important for all businesses – especially small and medium-sized enterprises (SMEs), which often struggle with limited access to financial

Figure 2. Morocco's trading partners

Source: UN Comtrade and EBRD calculations.

products and cashflow. Recently, the Asian Development Bank reported that unmet demand for international finance for trade – known as the “global trade finance gap” – had risen from US\$ 1.7 trillion in 2020 to US\$ 2.5 trillion in 2022.³

Transferable documents are critical for the transport of goods and trade finance, but historically they have needed to be in paper form in most jurisdictions, owing to the possessory and enforceable rights they confer on the holder. The EBRD’s digital trade project addresses the recognition of digital transferable documents in Morocco’s legal system and paves the way for their future use in the trade ecosystem.

“Transferable documents give their holder the right to demand fulfilment of an obligation – for example, an obligation to pay or to receive goods.”



Box 1. Transferable documents underpin trade

Transferable documents are commonly used in international trade to facilitate the movement of funds, goods or financing. They include financial instruments (such as bills of exchange and promissory notes), as well as transport documents (such as bills of lading) that support the delivery of goods.

Transferable documents give their holder the right to demand fulfilment of an obligation – for example, an obligation to pay or to receive goods – as specified in the relevant document. A defining characteristic is their ease of transfer to third parties through possession. As a result, the laws of most countries have historically only recognised these documents in paper form.

³ See Asian Development Bank (2023).



Box 2. The importance of trade for Morocco

Alexa Tiemann, the EBRD's Regional Policy Lead for the Southern and Eastern Mediterranean, comments on the importance of trade for Morocco and the EBRD:

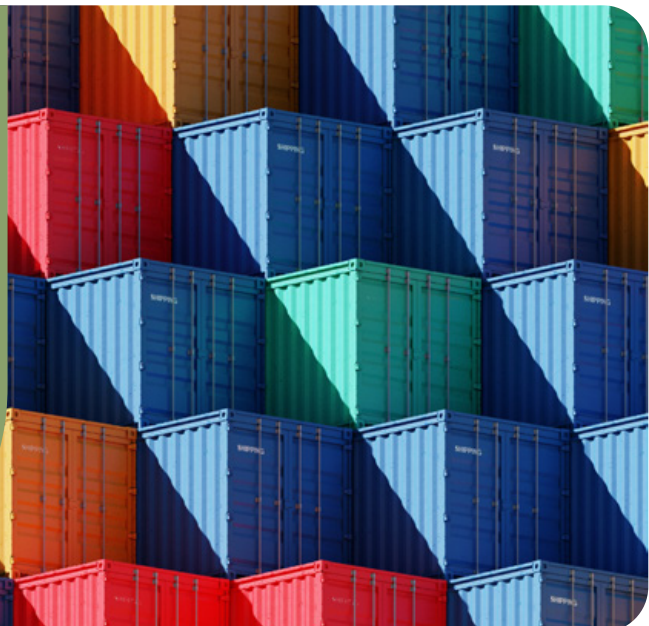
Trade is incredibly important for countries, not only in terms of access to inputs and products not produced domestically but also in terms of exports, which help boost jobs and incomes.

In the last two years Morocco has become the largest automotive exporter to the European Union, with finished vehicle exports rising to more than 500,000 units. Exports make up nearly 80 per cent of domestic production, with cars accounting for nearly 10 per cent of total exports of goods and services. Other important exports include car parts and inputs, as well as chemicals (phosphates) and agricultural products and textiles. In 2023 the total value of exports was more than US\$ 59 billion – up from US\$ 36 billion a decade ago.

This incredible rise in trade has been supported by improved trade infrastructure, as well as better customs and trade procedures. The EBRD is supporting the expansion of physical infrastructure in Morocco – for example, by financing port infrastructure and providing a loan of up to MAD 690 million (equivalent to €65 million) to Marsa Maroc in 2024 to increase port capacity.

However, streamlining, updating and digitalising trade procedures have also been essential. Morocco began moving towards digital customs procedures earlier than many other emerging markets, but the transition has accelerated considerably since 2019. Importantly, transparent flows of data help boost efficiency and mitigate bottlenecks in the clearance process. Around 95 per cent of the country's foreign trade procedures are now paperless; for example, certificates of origin are issued electronically and post-clearance processes have been digitalised. As a result, the average time that goods spend in ports has come down from 13 days in 2014 to less than eight days in 2023 (according to a recent WTO trade facilitation review). This has also improved the country's overall competitiveness and its attractiveness as a place for doing business, as trade facilitation is important for companies.

Cars account
for nearly
10%
of Morocco's total
exports of goods
and services



THE DIGITAL TRADE PROJECT: STRONG FOUNDATIONS

In collaboration with the Ministry of Industry and Trade, the EBRD and its team of national and international advisers are assessing the use of transferable documents in Morocco and identifying the necessary amendments to national legislation to ensure it complies with the MLETR. The project, which is expected to conclude by 2026, is being conducted in partnership with the International Chamber of Commerce of Morocco. Based in Casablanca, ICC Morocco is part of the global ICC network, which has more than 6 million members in more than 100 countries⁴ and is known for its expertise in trade, producing globally recognised rules and guidelines that help businesses import and export goods and access financing.⁵ The UNCITRAL Secretariat is also a project partner, offering substantial knowledge and expertise to the Ministry, ICC Morocco and the EBRD on the scope and application of the Model Law and on e-commerce generally. Within the EBRD, the Legal Transition Programme is working closely with banking colleagues in the TFP, who bring relevant know-how and contacts in trade finance. The TFP is active in Morocco and 19 other economies where the EBRD invests, supporting trade by providing cash facilities and guarantees to partner banks (see Box 4).

Morocco has strong foundations for digital trade. The country has a well-developed trade infrastructure, including a modern electronic platform – PortNet – that acts as a national single window for business-to-business foreign trade. PortNet integrates the information systems of all relevant parties involved in foreign trade at a national and

Around **95%**
of Morocco's foreign
trade procedures
are now paperless

regional level, including customs, airport and port authorities, and terminal operators.⁶ This highly advantageous centralised gateway for trade is present in several EBRD economies of operation, including Egypt, Nigeria, Tunisia and Türkiye, and helps support greater digitalisation of trade documents, as well as procedures.

In terms of its legal framework, Morocco is also advanced. Law No. 53-05 on the electronic exchange of legal data, introduced in 2007, establishes a legal framework for electronic signatures, ensuring the security of online transactions. Under certain conditions, electronic documents have the same legal value as paper documents. In addition, Law No. 43-20 on trust services for electronic transactions aims to promote the use of electronic signatures and strengthen the legal security of electronic transactions. It establishes a framework for trust services, cryptographic tools and the operations of service providers. However, neither law recognises transferable documents – such as bills of lading for transport or bills of exchange and promissory notes for trade finance – in electronic form. Amendments to various national laws are therefore necessary to align with the MLETR and ensure the full legal recognition of electronic transferable documents.

⁴ See <https://iccwbo.org/about-icc-2/> (last accessed 27 May 2025).

⁵ These include ICC rules on documentary credits, forfaiting, demand guarantees, bank payment obligations and dispute resolution.

⁶ See <https://ipcsa.international/about/members/members-africa/portnet-morocco/> (last accessed 27 May 2025).



THE MODEL LAW ON ELECTRONIC TRANSFERABLE RECORDS

Adopted on 13 July 2017 during the 50th session of UNCITRAL, the MLETR, which was developed by UNCITRAL Working Group IV on Electronic Commerce, reflects a broad consensus among member states on the importance of recognising electronic transferable documents. Its primary aim is to guarantee that electronic transferable documents receive the same legal recognition as paper documents. This recognition is subject to certain conditions, however, including the application of a reliable (technological) method to establish control over the documents and to preserve their integrity, given their transferability. The Model Law does not specify criteria for determining the reliability of platforms for electronic transferable documents, and there are various ongoing initiatives aimed at assessing this. In 2024 the ICC developed a self-assessment tool allowing banks and trade-finance users to assess the reliability of such platforms and harmonise the market standards for service providers.⁷

The Model Law leaves the harmonisation of substantive law on transferable documents to national legislators. It does, however, support

cross-border recognition of electronic transferable documents and reduces the likelihood of conflicts between national laws, which is important for international trade and commerce. As a model law, the MLETR needs to be adapted by national authorities to fit their legal systems and trade contexts. Nevertheless, it should be adapted as uniformly as possible to ensure harmonisation of legal texts across different countries. In Morocco the formal adoption of the MLETR is expected to have an important signalling effect for local banks and businesses that are waiting for official recognition of electronic transferable instruments before piloting new digital technologies in the area of trade.

For the reform to be effective, its principles should also be incorporated into the various regulations issued by Moroccan public authorities. These include the Moroccan Exchange Control Office, an entity that oversees foreign-exchange operations. Its tasks include verifying the validity of invoices and commercial documents, as well as the proper execution of payments and transfers. Currently, these are all required to be in paper form. Any recognition of electronic documents and digital signatures by the Exchange Control Office and other public authorities will depend on certain authenticity and security standards being met.

⁷ See Atkins (2024).



Box 3. Q&A with Luca Castellani, Legal Officer at the UNCITRAL Secretariat

Luca Castellani specialises in international sales, electronic commerce and paperless trade. He joined the United Nations Office of Legal Affairs in 2001 and then the UNCITRAL Secretariat in 2004, where he has played a significant role in drafting key legal texts, such as the MLETR and the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific.

The MLETR is helping national authorities create the legal basis for digital trade and strengthen competitiveness in international trade. How is the UNCITRAL Secretariat working with multilateral development banks like the EBRD to achieve impact?

UNCITRAL is the core body in the United Nations system for the harmonisation and modernisation of commercial law. The importance of its work is evident, yet it is supported by just a small secretariat, which provides assistance primarily in relation to legislative activity, such as the drafting of treaties and model laws. Resources for promoting the adoption and use of UNCITRAL texts are severely limited and declining all the time. In this context, it is imperative for UNCITRAL to partner with other institutions on promotional activities. The MLETR has benefited greatly from the support of the private sector in the form of the International Chamber of Commerce. However, effective engagement at the country level has only been possible with the involvement of multilateral development banks.

These do much more than just provide capital to fund law reform projects: they have presence in and experience of the relevant countries, share use cases and provide tools to measure economic impact. The UNCITRAL Secretariat is happy to provide guidance on the enactment of UNCITRAL texts in cooperation with local experts, as it is currently doing with the EBRD in Morocco and Egypt, and with the Asian Development Bank in Georgia. As these projects come to a fruitful conclusion, there may be more opportunities for such joint work.

The MLETR is a cornerstone of digital trade. What, in your view, are the other main building blocks?

The MLETR was originally conceived to close a legal gap that prevented the digitalisation of transferable documents and instruments. This gap had long been a problem, despite repeated efforts – especially in the maritime transport sector – to address it. The Model Law ended up having much more wide-ranging effects, however, as it made it possible to rethink digital trade in a holistic and coherent manner, in line with concepts such as the “data pipeline” and “end-to-end trade digitalisation”. In short, the MLETR triggered the “from documents to data” movement. Today, in addition to its original function, the MLETR is just as important as an enabler of digital trade transformation.

Looking at the digital trade ecosystem, several legal and regulatory elements come to mind, starting with those related to data flows, such as data privacy and data protection law, and those linked to automation and the Internet of Things. A law on trust services that opens the door to cross-border recognition of data-quality assurance stands out as a priority. At the regional level, the EU’s “eIDAS 2.0” (Regulation (EU) 2024/1183 of the European Parliament and of the Council of 11 April 2024 amending Regulation (EU) No 910/2014 as regards establishing the European Digital Identity Framework), which establishes the European Digital Identity Framework and builds on the electronic identification and trust services for electronic transactions established by the original eIDAS Regulation, is a prominent solution. I hope that the UNCITRAL Model Law on the Use and Cross-border Recognition of Identity Management and Trust Services (2022) could play the same role at the global level as the eIDAS Regulation has played in the EU.

Several UNCITRAL member countries – including France, Singapore and the United Kingdom – have recently aligned their legislation with the MLETR. What has been critical to the success of

these reforms, and how can countries like Morocco benefit?

Legislative reform is very important, but not sufficient by itself. The change in business models and the take-up by the private sector have been two key – and closely related – factors in that success. The electronic transferable records management model used before the MLETR relied on service providers using central registries and rulebooks as the sole legal basis. It could be argued, however, that this approach aimed to “lock in” customers and create data silos. The current model foresees service providers offering interoperable solutions and competing for clients in open digital-trade ecosystems – which, in turn, should encourage client buy-in.

I believe that it is important for Morocco to look at these developments and adopt a law that is as technology-neutral, supportive of interoperability and competition-friendly as possible. The same goes for France, with regard to the secondary legislation about to be adopted there. Indeed, Morocco may find inspiration in that piece of legislation, given the common elements in commercial-law tradition between it and France, the countries’ similar laws on identity management and trust services, and the importance of doing business with the European Union for the Moroccan economy.

What comes next (after the MLETR)?

The MLETR has become the legal blueprint for UNCITRAL and other legislative projects on transferable documents and instruments. Its provisions have been transposed into the UNCITRAL/UNIDROIT Model Law on Warehouse Receipts and the forthcoming convention on negotiable cargo documents. Uniformity across laws and electronic documents is important, as it promotes legal predictability. Moreover, it allows the same technical standards to be used for the assessment of reliability and other purposes, which supports private-sector participation and the scaling-up of initiatives.

So, after the MLETR there may be more of the same – not necessarily called the MLETR but always true to the MLETR’s core provisions and accompanying implementation tools.

CONVENING PUBLIC AND PRIVATE STAKEHOLDERS

The active involvement of both private- and public-sector stakeholders is critical for the success of any reform. The Moroccan digital trade project poses challenges due to the extensive and diverse range of stakeholders that may be impacted by the reform.

International trade is a complex activity involving exporters, importers, transporters, freight forwarders, banks, insurers, customs authorities, quality-control organisations and digital platforms (such as the Moroccan single window PortNet). Each of these stakeholders plays a specific role in the trade cycle, from the production and transport of goods to their distribution in international markets. The first project deliverable has therefore been the preparation of a stakeholder map for the Moroccan Ministry of Industry and Trade to identify the principal counterparts for discussions and outreach, and their relative importance for the reform. Mapping stakeholders in the public sector was easier than in the private sector because of the central role of the Ministry of Industry and Trade, which is responsible for the coordination of all matters related to trade with relevant public authorities. These include the Ministry of the Economy and Finance, the Ministry of Justice, the Administration of National Defence, and the Ministry of Transport and Logistics. In the private sector, coordination is less centralised and stakeholders are more diverse, including as they do numerous confederations, associations and chambers of commerce representing various segments of the economy. These private-sector stakeholders have all been invited by the EBRD and the Ministry of Industry and Trade to take part in an online survey on the proposed reform and the relevance of transferable documents for domestic and cross-border trade involving Morocco.



A further challenge is effective communication with both groups of stakeholders. The alignment of Morocco's laws with the MLETR raises many technical, legal and commercial issues. In February 2025 the Ministry of Industry and Trade hosted a public workshop in Rabat to help familiarise the main public authorities with the scope of the reform. The workshop was opened by the secretary of state responsible for international trade and the head of the EBRD's Resident Office in Morocco. It presented details of the reform project and invited speakers from the Moroccan public sector to discuss the benefits of MLETR alignment. It also showcased recent experience of legislating on digital trade in France and the United Kingdom, with input from the Moroccan legal counsel to the project. Another public-sector event took place in the first week of July 2025, communicating the results of the stakeholder survey and looking at questions surrounding a reliable method of controlling electronic transferable documents and identifying appropriate technical solutions. This event was part of a "digital trade week",

during which the EBRD's Trade Facilitation Programme teamed up with ICC Morocco to deliver a series of talks and presentations on digital trade to EBRD partner banks.

Perhaps the greatest challenge of the project, however, is what comes after the legal reform. It is essential that market participants – banks, businesses, and transport and logistics companies – start using new technologies and products once legislation permits their use for transferable documents.

“ In today's dynamic global trade landscape, digitalisation is a critical enabler of efficiency, security and inclusivity. ”



Box 4. Driving digital transformation in trade finance: the role of the EBRD's TFP and Innovation Lab

Shona Tatchell, Director of the Trade Facilitation Programme, looks at how digitalisation is shaping the TFP's agenda and the support it provides to partner banks:

In today's dynamic global trade landscape, digitalisation is a critical enabler of efficiency, security and inclusivity. The EBRD's Trade Facilitation Programme recognises that embracing digital trade processes is more than just a technological upgrade – it is a strategic imperative for fostering economic growth, financial inclusion and sustainable development across the Bank's regions of operation.

The TFP has long supported international trade by offering guarantees and financing to bridge gaps between exporters and importers. However, traditional trade finance remains heavily paper-based, leading to inefficiencies, delays and increased risk. Digitalisation offers a transformative solution by streamlining documentation, accelerating transaction processing and enhancing transparency. This is particularly beneficial for SMEs, which often face bureaucratic hurdles in accessing trade finance.

To address these challenges and support its partner banks (PBs) the TFP is launching the **TFP Innovation Lab** – a digital training and advisory platform designed to catalyse the digital transformation of trade finance operations. The Lab aims to reduce transaction costs, enhance sustainability, and build a more resilient and transparent trading environment. It will serve as a central hub for knowledge sharing, experimentation and implementation of digital solutions.

The Innovation Lab is structured around three core components:

1. **The Information Hub:** This platform will provide PBs with access to up-to-date digital trends, case studies and best practices from global banks and fintechs. It will feature educational webinars and resources on emerging technologies, such as blockchain,

artificial intelligence and electronic trade documentation. This hub will offer thought-leadership articles and white papers that highlight the case for implementing the MLETR and other fundamental legislation that helps realise the opportunities that digitalising trade creates. The hub aims to bridge the knowledge gap and equip PBs with the insight needed to evaluate and adopt digital tools.

2. **The Online Advisory Hub:** Through this portal, registered PBs can seek tailored advice from consultants on digital strategies, technologies and process improvements. The advisory services will be agile and responsive, helping PBs navigate the complexities of digital transformation. Insight from these consultations will be anonymised and shared, to benefit the broader PB community.
3. **The Transaction Facilitation Hub:** This component focuses on the practical implementation of digital solutions. It will support PBs in developing business cases, engaging with technology providers and executing digital trade finance transactions. The goal is to demonstrate real-world applications and benefits of digitalisation, setting benchmarks for future initiatives.

Despite the clear benefits, many PBs in EBRD countries of operation face significant barriers to digital adoption, including limited expertise, underdeveloped IT infrastructure and high implementation costs. The Innovation Lab directly addresses these challenges by offering a collaborative, low-risk environment for learning and experimentation.

Ultimately, the TFP's digitalisation efforts, anchored by the Innovation Lab, aim to foster a more inclusive, efficient and sustainable trade finance ecosystem. By equipping PBs with the tools and knowledge to embrace digital trade, the EBRD is reinforcing its role as a leader in innovative and sustainable finance, ensuring that its partner economies are not left behind in the global shift towards digital trade.

CONCLUSION

In an EBRD survey in 2024 looking at the market for digital trade in Türkiye, 83 per cent of banks said that legislation was a barrier to trade digitalisation. A significant majority (87 per cent) considered that a change in the country's legislation to align it with the MLETR would accelerate the adoption of trade digitalisation. It will be interesting to compare the survey results for Morocco with those from Türkiye when the former are available. Discussions between stakeholders and the project team to date suggest that legal reform is a critical step in the development of digital trade. It is not, however, the final step. For there to be real change – especially in cross-border transactions – private-sector players need to embrace the reform by testing and trialling new technologies. This requires changing the way business has historically been done with respect to transferable documents and considering new ways in which transferable documents can be used in the future.

By reducing administrative costs and streamlining trade processes, the reform of Morocco's laws is expected to boost the country's economy and enhance the competitiveness of Moroccan businesses in the global market. Analysis by the project team suggests that SMEs in particular stand to gain significantly from reduced barriers to international trade and better access to trade finance.

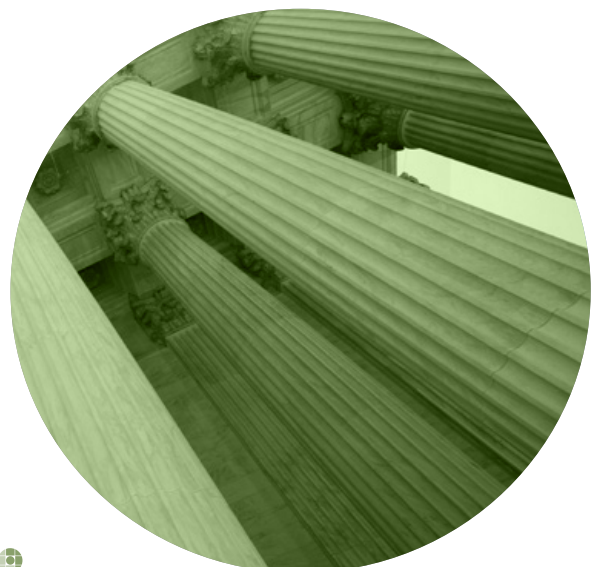
The next steps in the EBRD's project with the Ministry of Industry and Trade will involve finalising the legal framework for digital trade in Morocco and conducting further stakeholder consultations. It is expected that Morocco – like its close trading partner France – may seek to develop implementing regulations on the use of reliable methods to establish control over transferable documents and preserve their integrity.



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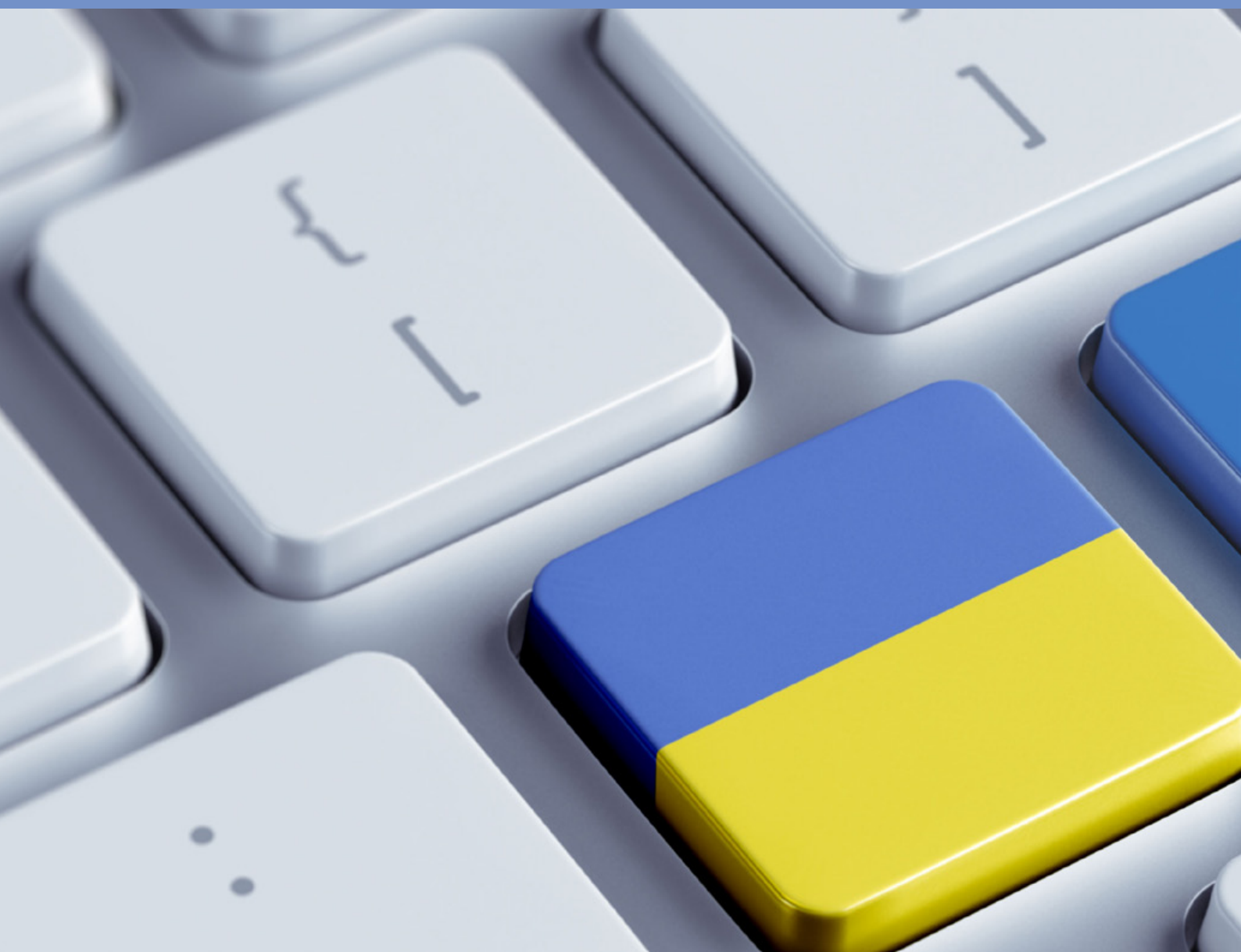
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THE IMPACT OF THE PROZORRO PROCUREMENT SYSTEM ON THE UKRAINIAN ECONOMY



“ Prozorro has changed how Ukrainian businesses and citizens think about public procurement and their government. ”



economy

1

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Ukraine's innovative national-level e-procurement system Prozorro is helping foster a well-governed market economy and strengthen democracy and the rule of law in the country. In addition, it is contributing to positive economic and market outcomes, some of which can be traced back to the EBRD's technical cooperation with the Ukrainian government. This has included specific technical activities – such as legal assessment, regulatory reforms, entering the international trade system and piloting a digital infrastructure innovation – that have ultimately led to a better governed and more transparent, efficient and competitive economy in Ukraine.



INTRODUCTION

During the Ukrainian Maidan Revolution – the 2014 uprising in the country against widespread corruption under former president Victor Yanukovich – a group of civic activists and data experts, realising the importance of public contracts for well-functioning public services and markets, decided to overhaul government procurement in Ukraine. Their efforts produced an open-source e-procurement system, Prozorro (meaning “transparency” in Ukrainian), and a community of civic volunteers, Dozorro (meaning “watchdog”), who analyse contracting data, flag high-risk deals and irregularities, and report them to relevant government monitoring and enforcement agencies to improve the quality of procurement and public services dependent on public contracts.

Launched initially as a civic effort, Prozorro's first institutional support came from the EBRD. The Bank's technical assistance – in particular, the Prozorro Project Implementation Support programme, which was implemented in cooperation with Transparency International Ukraine – helped with the piloting of Prozorro, and the electronic trading system (ETS). Prozorro was subsequently developed into an advanced e-government IT solution with the assistance of the United States Agency for International Development. Prozorro has changed how Ukrainian businesses and citizens think about public procurement and their government. The system also demonstrates that systemic economic and governance transformation depends on the ability to overcome problems of market

Prozorro
means “transparency”
in Ukrainian

The number of domestic
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14,000 in 2014 to
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Prozorro has saved
more than

US\$ 8.7 billion
of public money
since its launch

uncertainty and the legitimacy of government. In the 11 years since work began on Prozorro, it has survived the Covid-19 pandemic and the ongoing challenges of the wartime economy during the Russian invasion. It has persisted as a highly successful digital marketplace, an impressive tool for combating corruption and a reminder of the importance of transparency in reinforcing confidence in government. Prozorro has also created competitive domestic markets, increased the number of domestic commercial companies bidding for public contracts – from 14,000 in 2014 to 140,000 in 2024 – and, since its launch, helped save more than US\$ 8.7 billion in public funds in Ukraine’s state budget. Prozorro is therefore not only a successful reform of government procurement but also a cornerstone of a healthy market, a source of Ukrainian private-sector digital competitiveness, and a contribution to democracy and the rule of law in Ukraine.

THE IDEAS BEHIND PROZORRO

Ukraine is the second-largest country in Europe by area, with a population of approximately 41 million people (2022). Before the full-scale Russian invasion, Ukraine’s gross domestic product (GDP) was growing modestly, reaching around US\$ 155.5 billion in 2021. The country’s key economic sectors are agriculture, manufacturing and services. As in all transition economies, public procurement accounts for a substantial share of Ukraine’s economy. In 2021 it represented an estimated 13-15 per cent of GDP. This is linked to a large public sector of 40,000 public buyers, which includes a significant number of state and municipally owned enterprises acquiring goods, services and works, ranging from commodities to key large-scale infrastructure projects. Prior to the reforms sparked by Prozorro, digitalisation levels in government were typically low, with opaque governance processes, limited access to information and a high risk of corruption.

In 2021 public procurement accounted for an estimated **13-15%** of Ukrainian GDP

Prozorro was thus born of frustration on the part of many Ukrainians with a corrupt system of public procurement that was closed to all but a well-known circle of oligarch-owned companies. It was inspired by successful reforms in Georgia, where, in 2010, the Saakashvili government started to use technology to fight corruption in government procurement. Prozorro, too, was built on the principle of employing technology to embed transparency and impartial decision-making in the public-sector governance process – key ingredients in any post-Soviet reform.¹

The fairytale-like post-Maidan transformation of public procurement in Ukraine is built around two core concepts. The first, “Everyone sees everything”, is borrowed from Georgia and its aforementioned success in fighting corruption. The second, the “Prozorro Golden Partnership Triangle”, is original to Ukraine and essentially involves merging open-government concepts with IT industry expertise. This has resulted in the design of a thoroughly innovative, modern digital marketplace model for the public sector.

1. “Everyone sees everything”: In Prozorro, everyone can see everything in real time, or almost. All solicitations and announcements from all market participants are available online immediately. After each step of the bidding process, complete tender data are

¹ See Nizhnikau (2022).

disclosed online. These include a list of all participants in the public tender procedure, their bids, information about the auction process (if applicable), decisions of the tender committee and all supplier qualification documents. All this information is also publicly accessible through the Prozorro business intelligence hub at <https://bi.prozorro.org>, which allows all market stakeholders, including members of the public, to follow all procurement decisions of the government.

2. “Prozorro Golden Partnership Triangle”:

Technically speaking, this term refers to a networking IT platform that operates through automated online collaboration between several IT tools belonging to market stakeholders – e-commerce marketplaces, government and civil society – with each digital tool playing its part in the governance of this market. This makes Prozorro a unique e-procurement solution, because it has introduced an IT-industry principle of shared business logic into the design of the e-government system. Shared business logic systems network online, allocating relevant parts of the same transaction to the responsible parties and executing it in a standardised way. This model for IT architecture ensures the technological independence of each party and serves to reduce the total cost of the necessary digital infrastructure, while increasing trust among transaction partners by creating a system of mutual checks and balances. In other words, the open-source Prozorro boasts all the benefits of blockchain without the actual use of proprietary blockchain technology.

In the Prozorro system, privately owned e-commerce marketplaces are certified to operate to the required legal and data standards in order to network with the government-operated central database unit (which is the heart of Prozorro), and, through it, with other linked civic and government tech tools that, together, make up the Prozorro digital marketplace. In this modular and constantly innovating model, the government owns what it needs, which is complete procurement transactions data, while the commercial e-marketplaces compete with each

other to deliver the best possible end-user service to business and public-sector buyers. And it is genuine competition, because the instant exchange of data between privately owned e-commerce platforms and the government's central unit means there are no strings attached for end-users; both public buyers and the private sector may use different e-commerce platforms for each public tender procedure. This results in commercial platforms actively competing for clients and providing continuous improvements in service for both government buyers and the private sector. In such a model, the government does not really provide digital services to end-users but benefits from a lower vendor lock-in risk and good-quality, comprehensive procurement data, enabling it to manage the market effectively, fine-tune procurement regulation and innovate.

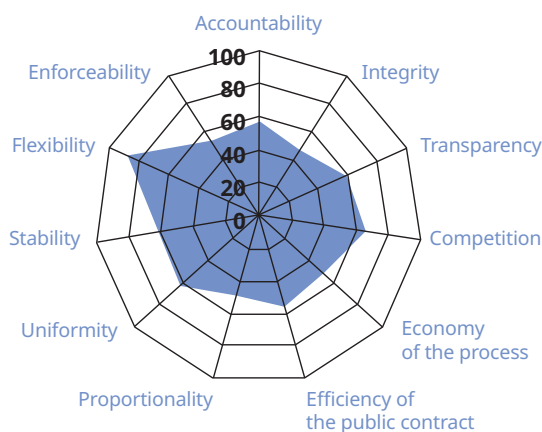
EBRD INVOLVEMENT

In 2010 the EBRD's Legal Transition Programme (LTP) completed a legal assessment of public procurement in the economies where the Bank operates, covering regulatory transparency safeguards, economic efficiency and the institutional effectiveness of domestic regimes for public procurement. The key research findings for Ukraine, as shown in Figure 3, did not paint a pretty picture. The country's public procurement system was found to feature the following:

- **A fragmented, manual and unaccountable process:** Each contracting authority managed its own procurement, supervised by several overlapping control mechanisms, often leading to inefficiencies, inconsistencies and legal uncertainty.
- **A lack of transparency:** Paper-based procedures meant market information was incomplete and compliance and performance monitoring were difficult, creating plenty of opportunities for mishandling public spending.
- **Low competition:** Unclear and bureaucratic procedures deterred businesses – especially small and medium-sized enterprises – from bidding on government contracts.

- **A high perception of corruption:** Ukraine was ranked poorly on corruption control, eroding trust among businesses and the public.
- **A lack of government accountability for procurement decisions:** The public procurement complaint mechanism was not independent, and the review process did not ensure procedural fairness for the private sector.

Figure 3. Key findings of the legal assessment of Ukraine's public procurement, 2011



Source: EBRD (2011).

In response to these identified procurement-market shortcomings, the EBRD's technical cooperation with Ukraine focused on advocating for legislative reforms, including creating an independent procurement complaint mechanism and facilitating Ukraine's accession to the World Trade Organization (WTO) Agreement on Government Procurement (GPA). The aim was to introduce international public procurement policy standards to Ukraine's legislative framework and create a powerful safeguard against the reversal of procurement reforms. Because the WTO GPA is a ratified international agreement, it stands just below Ukraine's constitution in the country's civil law system.

At the same time, the EBRD shared the views of Ukrainian civic activists that legislative reform would not, on its own, change how the

“The EBRD defines a well-governed economy as one that promotes the rule of law, transparency and accountability, stimulating firms to balance the interests of stakeholders effectively.”

country was governed overnight. The risk of new progressive procurement laws remaining unimplemented is well-known in post-Soviet countries. For this reason, the LTP embraced the idea of using emerging technologies to create a transparent, efficient and accessible e-procurement system for Ukraine, and the Bank decided to support the Maidan civic technology activists' digital innovations, including Prozorro.

PROZORRO'S IMPACT ON THE ECONOMY

The EBRD defines a well-governed economy as one that promotes the rule of law, transparency and accountability, stimulating firms to balance the interests of stakeholders effectively. Prozorro supports these principles by driving improvements in national and subnational economic governance and strengthening the rule of law. Since its nationwide launch in 2015, Prozorro has significantly strengthened national and subnational economic governance. By 2023 it had centralised the allocation of nearly 80 per cent of public procurement funds, reducing inefficiencies. The platform has achieved more than UAH 290 billion in savings, including UAH 17 billion in defence procurement alone. In addition, Prozorro Market, a specialised procurement platform integrated into Prozorro, has reported cost savings of between 15 and 20 per cent compared with the

traditional direct awarding of low-value public contracts. These advances attest to the system's effectiveness in improving resource management, enhancing public trust and optimising the use of taxpayers' money.

Prozorro also aligns the legal and business framework for procurement in Ukraine with the WTO system of international trade rules for procurement and the EU's *acquis communautaire*, bolstering adherence to international best practice in the regulation and operation of domestic and regional public procurement markets. Transparency and accountability have improved dramatically, thereby enhancing trust in public institutions. The World Bank Enterprise Survey in 2019 reported that around 9.2 per cent of surveyed Ukrainian firms participated in public tenders – an increase on previous years and a sign of constantly growing business confidence in Ukraine's public procurement markets.

This development is also reflected in global indices. Since the Maidan Revolution, Ukraine has steadily improved its score for Transparency International's Corruption Perceptions Index (CPI). Between 2014 and 2024 its score went up by nine points, to 35, indicating continued progress in anti-corruption efforts.

By 2023 Prozorro had centralised the allocation of nearly **80%** of public procurement funds

More than **3.6 million** tender procedures were conducted in 2024

PROZORRO'S IMPACT ON DOMESTIC MARKETS

Prozorro's impact at the market level is evident in how effectively it fosters good governance, anti-corruption measures and improved procurement practices across sectors. In addition, the governance of stakeholders and institutions has become more effective. The exponential growth of the specialised Prozorro Market, which is now an important component of the Prozorro system, demonstrates the more robust governance of market stakeholders and the improvements in institutional capacities. By 2024 procurement volumes had surged, bolstered by a record-breaking 3,618,320 tender procedures. These figures illustrate the ability of Prozorro Market to foster greater responsiveness and transparency among stakeholders, enabling institutions to manage complex procurement.

Prozorro – with its principle of “Everyone sees everything” – is the first time that Ukrainian policies and institutions have been used in such a forceful way to combat corruption. This principle empowers the private sector, citizens, civil society and watchdog groups to monitor government procurement decision-making. Dedicated digitally enabled communities such as Dozorro provide structured methods to identify and report irregularities and suspected corruption cases. This multifaceted transparency strategy has proved critical in

Ukraine's anti-corruption efforts, evidenced by improvements in both domestic and international corruption perception ratings. According to Transparency International, Ukraine's CPI score, while still low, shows a gradual upward trend, signalling that such watchdog initiatives are beginning to bear fruit in the fight against graft. Similarly, the World Bank's "Control of Corruption" indicator highlights modest but steady progress.

Prozorro's success is also based on modern public procurement policies and the use of technology to improve domestic procurement practices. Prozorro has introduced multi-criteria evaluations (including assessments against energy efficiency and sustainability standards) to Ukrainian businesses and markets.

Prozorro averaged
2.38
bidders per tender
procedure in 2024 –
above the EU
average

Prozorro promotes fair competition by targeting improvements in the quality of public services in Ukraine. It has created a healthy marketplace that has remained competitive over time, with 2.38 bidders per tender procedure in 2024, which is above the EU average. Major procurement categories, such as food products, road infrastructure and electricity, have benefited from this increased competitiveness. Notably, the platform has facilitated the spending of UAH 16 billion on electricity alone, ensuring more reliable provision of this critical public service.

The development of risk-based indicators for ex ante monitoring in 2018 and a risk monitoring system for Prozorro in 2021 has enabled proactive oversight, leading to better compliance. This data-driven approach helps identify irregularities before they escalate, increasing efficiency and transparency. At the same time, aligning with the Open Contracting Data Standard paves the way for EU integration and the funding of reconstruction.

Prozorro has introduced energy efficiency and sustainability criteria, reducing costs and shortening procurement timelines. An online library of energy efficiency technical specifications and evaluation methods has been created and built into Prozorro workflows for easy access by public buyers. This emphasis on environmental standards positions Prozorro as a strategic tool for implementing sustainable public procurement while leveraging new technologies. It also ensures that Ukraine's procurement practices meet international standards. Digital tools like the Prozorro monitoring system and e-catalogues have modernised procurement procedures, reduced administrative burdens and made the market widely accessible to a broad range of new-entry suppliers.

The success rate
for procurement
rose from
60%
in 2022 to
68%
in 2023

PROZORRO'S IMPACT ON MARKET STAKEHOLDERS

Among Prozorro's direct beneficiaries are state agencies, local authorities and other public-sector buyers, such as municipal and state-owned enterprises, while indirect beneficiaries include businesses of all sizes. The EBRD's technical cooperation has supported advances in the skills of procurement-market institutions and stakeholders. Today, the system ensures inclusivity and resilience, particularly in frontline regions such as Mykolaiv, Kherson and Kharkiv. With competitive participation rates in these regions of 79 per cent, 50 per cent and 65 per cent, respectively, Prozorro is effective in engaging all market stakeholders.

By introducing digital complaints mechanisms and conducting online hearings, Prozorro builds the trust of private-sector suppliers and contractors and enhances the governance and accountability of public procurement decisions in Ukraine.

Prozorro creates an environment that allows robust governance practices to flourish across all levels of the public sector in Ukraine. The system's centralised real-time data platform underpins its unparalleled transparency and accountability. Tailored capacity-building programmes have been developed to train procurement officers, civil servants and

businesses in Prozorro's functions. These efforts contribute to cultivating a skilled workforce capable of sustaining systemic improvements. The fact that the success rate for procurement increased from 60 per cent in 2022 to 68 per cent in 2023 indicates that institutions have become more effective in executing procurement processes. Improvements in the accessibility and quality of data have reinforced public trust in government spending in Ukraine.

Today, it is clear that the combination of improvements to the governance framework, technology and institutional effectiveness is promoting greater accountability and service quality in both the public and private sectors. Legislative alignment with EU directives is further consolidating institutional frameworks.

TEN YEARS OF PROZORRO INNOVATION

Prozorro shows the added value of pursuing technological advances in public procurement systems alongside legislative reform to create an enabling environment for a well-governed economy. It is an established success story and an inspiration to both transitioning and developed economies. It shows how a dedicated focus on transparency, efficiency and accountability, combined with effective stakeholder engagement, can transform a domestic public procurement market. With support from the EBRD and international partners, the system has strengthened Ukraine's alignment with EU standards and addressed persistent market shortcomings in the form of inefficiency and corruption. By combining legislative reforms, digital transformation and capacity building for all market stakeholders, Prozorro has laid strong foundations for the public procurement ecosystem in the modern digital economy. In doing so, it has enhanced competition, bolstered public confidence and helped create the conditions necessary for a well-governed market economy. Data collected by Prozorro from its ecosystem of digital platforms – public, private or civic tech – serve all stakeholders at the same time: the government, business and civil society. This builds trust and enables innovation to better serve the needs of the country and its people.

Mykolaiv, Kherson and Kharkiv have participation rates of **79%, 50% and 65%,** respectively

The EBRD's support for Prozorro, in the form of LTP technical cooperation, has genuinely delivered change. This change can be measured by counting the number of technical outputs delivered (53), allowing us to see how these products of policy dialogue and technical assistance have contributed to the achievement of impact in domestic and regional procurement markets and helped to bolster the private sector and support Ukraine's economic development.

Demonstrating the effectiveness of technical cooperation, Prozorro highlights the EBRD's commitment to creating tangible, positive

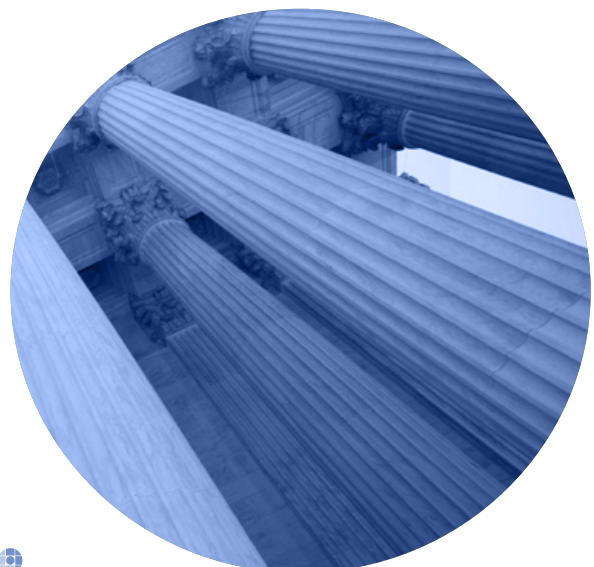
change in the regions it serves. It showcases the additionality of EBRD technical cooperation, demonstrating the value that the EBRD adds over and above the provision of financing. This is particularly important in the context of public contract reforms, where systemic changes can have far-reaching implications for economic efficiency, anti-corruption efforts and private-sector development. By assessing the outcomes and impacts of technical cooperation programmes like Prozorro Project Implementation Support, the EBRD can refine its approach, replicate success and better contribute to global change.



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THE VALUE, EVOLUTION AND IMPACT OF DISPUTE RESOLUTION ACTIVITIES UNDER THE EBRD'S LEGAL TRANSITION PROGRAMME



1



2



“Judicial systems had been identified as the weak link in ensuring that creditors' rights could be enforced, so making these systems more efficient seemed an obvious priority.”



3



4



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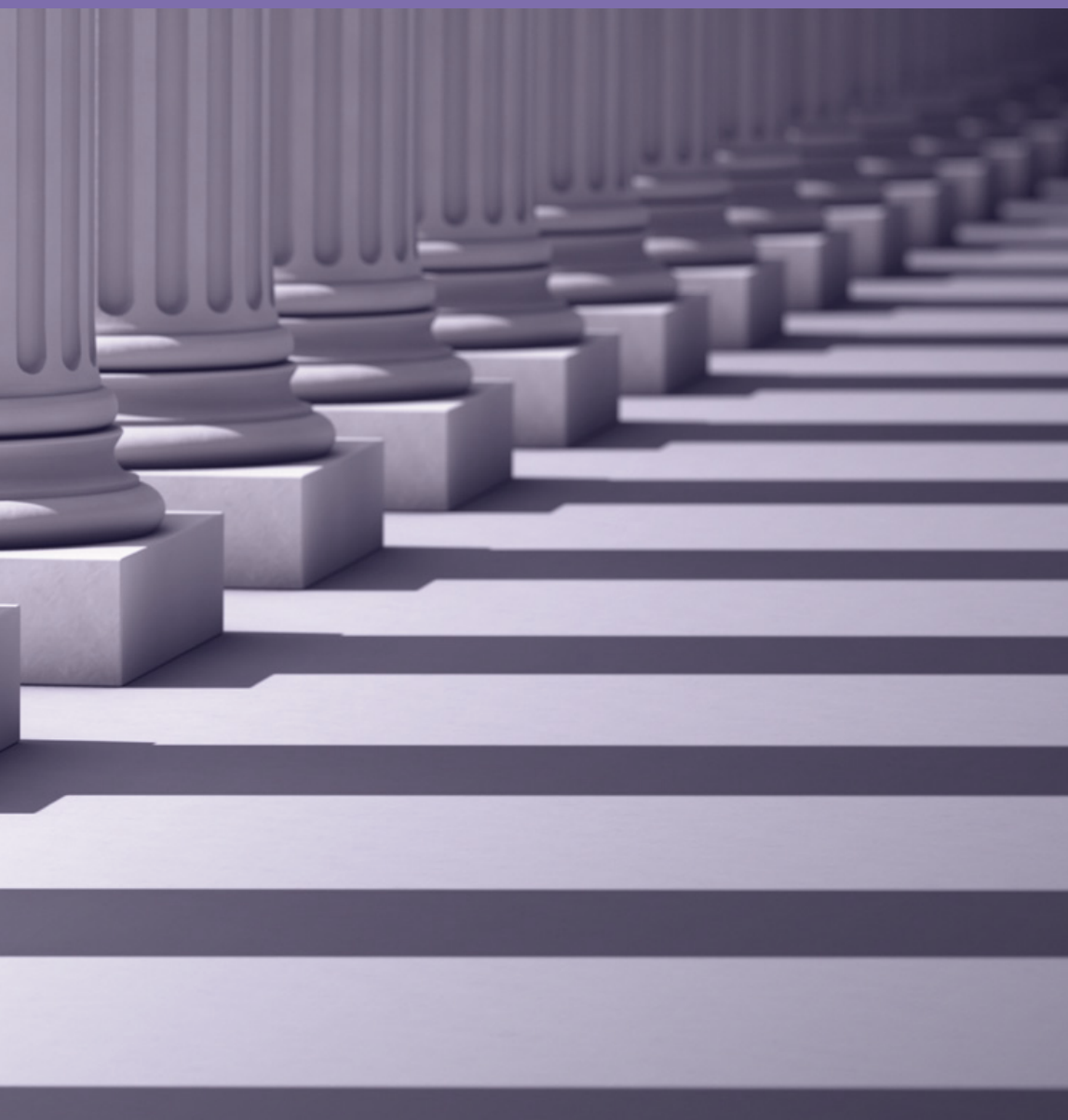
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Over two decades the work by the EBRD's Legal Transition Programme (LTP) in the area of dispute resolution has evolved from strengthening post-Soviet commercial courts to effecting broader reforms in the areas of enforcement, mediation and competition. Building on and learning from its key achievements – such as increasing judicial capacity and creating mediation frameworks – the EBRD is now shifting towards investment-linked policy dialogue and technical cooperation. Nevertheless, the LTP remains committed to applying a holistic approach to contract enforcement and is aware of the continued need for support in this area.



TWENTY YEARS OF TECHNICAL COOPERATION IN DISPUTE RESOLUTION

It is hard to believe that 20 years have passed since the edition of the *Law in Transition* journal focusing on courts and judges was published. That 2005 edition announced that the LTP was adopting a new approach, working to build the capacity of commercial courts. The main article highlighted the principal challenges faced by judicial systems in the regions where the EBRD operates, indicating that a lack of technical skills, scarce financial resources, interference by the executive and integrity concerns were all common in a lot of post-Soviet countries. Some years earlier, the Lex Mundi project,¹ which examined the procedures used by litigants and courts to evict tenants for non-payment and to collect bounced cheques, had emphasised the importance of courts in the economic development process.

Judicial systems had been identified as the weak link in ensuring that creditors' rights could be enforced, so making these systems more efficient seemed an obvious priority in promoting better investment climates. Arguably, there was little point in upgrading the legislative framework for business if the new laws were not properly enforced by judiciaries.

The LTP then embarked on its first judicial capacity-building initiative in the Kyrgyz Republic, aiming to enhance the skills of some 300 judges in the field of commercial law. Through a combination of interactive courses, institutional support, exposure visits and the creation of a law library for judges, the Programme had a significant impact on courts handling commercial disputes in that central Asian country.

Recognising the need for technical expertise in the training of judges, the EBRD joined forces with the International Development Law Organization (IDLO), which had acquired a strong reputation in the field after training judges from many African countries and being tasked with the reorganisation of the Afghan judicial system following the fall of the Taliban in 2001. Since 2005 the EBRD and the IDLO have developed numerous projects together on dispute resolution matters in various economies where the Bank operates. In the intervening 20 years, their activities have broadened to cover other topics, in addition to judicial capacity, and dispute resolution projects have become the LTP's standard offering to governments in the EBRD regions.

Now, however, the EBRD has decided – in light of the ongoing scarcity of donor funding and with a view to maximising its impact as a multilateral development bank – to focus its efforts on policy dialogue and technical cooperation that are directly linked to investment activities. As a result, dispute resolution assistance will be phased out.

¹ See Djankov et al. (2002).

Figure 4. Achievements by the LTP in dispute resolution, 2005-24

This is in no way a judgement on the value of such assistance, which plays an important role in the development process and should be continued by other organisations that offer it. The EBRD has simply decided to shift its focus to other areas of technical cooperation where it thinks it can make a bigger difference.

So, what has the Bank accomplished during two decades of dispute resolution activities? And what lessons have been learned?

EVOLVING WORKSTREAMS IN DISPUTE RESOLUTION

In recognition of the vital role that courts play in safeguarding investment and enabling debt recovery, dispute resolution work under the LTP began with training judges in commercial law. With business transactions becoming more complex, judges (who, 20 years ago, had little understanding of the market economy in EBRD regions) needed to stay up to date to ensure they made fair decisions and were less susceptible to external pressures.

Back in 2005 the LTP focused on areas such as banking, finance, competition, intellectual property and insolvency. Gradually, it then expanded its focus to include commercial-court reform, including assessments of the quality of judgments. It also identified gaps in the capacities of competition authorities that were limiting their effective enforcement of competition laws, delivering targeted training projects in response to help strengthen the authorities' capabilities.

To ease pressure on courts and equip businesses with alternative tools, the Bank began supporting commercial mediation reform in 2010. This involved helping countries adopt legal frameworks, as well as training mediators, judges, lawyers and businesses. The Bank's longest-running mediation reform initiative is in Moldova.

The LTP also turned its attention to the enforcement of court decisions, recognising that, without effective enforcement and trained officers, justice would remain incomplete.

By 2020-21 the LTP's work had extended further to online courts for small claims – essential for small businesses and an ideal entry point for digital justice solutions. Here, it conducted readiness assessments and designed a pilot online court in Ukraine.

By 2024 the LTP's dispute resolution work focused on four key areas, seeking to build investor confidence and strengthen justice systems:

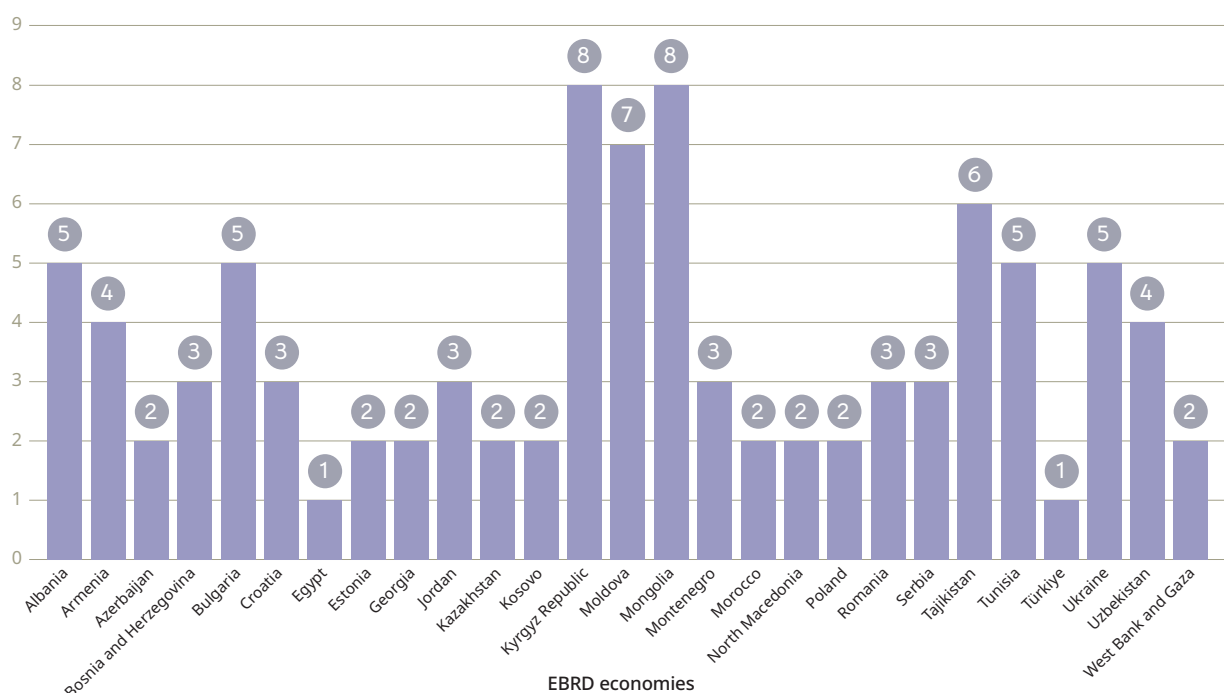
- judicial capacity building and training for competition authorities
- enforcement reform and training
- mediation development
- online small claims courts.

Judicial capacity building, training for competition authorities and assessments

Strengthening the capacity of commercial judges and competition authorities, alongside conducting targeted assessments of commercial and enforcement frameworks, has been central to the support provided under the LTP for economies in transition. Predictable application of commercial law and effective competition frameworks are vital for private-sector growth and investor confidence.

Since 2005,
the LTP has
delivered
around
95
judicial
capacity-building
projects in
27
economies
where the EBRD
invests

Figure 5. Number of judicial capacity-building initiatives per EBRD economy, 2005-24



In the area of dispute resolution reform, the LTP has, since 2005, delivered around 95 judicial capacity-building projects in 27 economies where the EBRD operates, helping judges navigate complex commercial law and improve contract enforcement through enhanced legal reasoning and commercial awareness. As a result, more than 1,570 judges from 15 jurisdictions have improved their knowledge of and skills in commercial law.

Recognising the importance of competition authorities in shaping sound markets, the LTP began supporting them nearly a decade ago. In partnership with the EBRD's Office of the Chief Economist, it launched technical assistance projects in Jordan, Moldova, Montenegro and Serbia – with the list later expanding to include Mongolia, Tunisia and Ukraine.² In 2023 and 2024 alone more than 600 competition-law practitioners were reached through training initiatives, promoting international standards and improving enforcement practices.

To inform and strengthen reform efforts, the LTP has conducted legal and practical assessments across the EBRD regions. These included Judicial Decisions Assessments between 2010 and 2012 across the Commonwealth of Independent States (CIS), Georgia, Mongolia and south-eastern Europe, which evaluated the quality and consistency of commercial rulings, and examined key aspects such as predictability, enforcement, cost and judicial impartiality.

To build on the findings of these assessments, in 2013 the LTP developed a comparative analysis of enforcement systems in the CIS countries, Georgia and Mongolia, examining the effectiveness of bailiff and enforcement agent operations. To identify avenues for enhanced operational efficiency, this critical evaluation scrutinised the regulatory

More than **600**
competition-law
practitioners undertook
training in 2023 and
2024 alone

landscape, asset recovery capabilities, procedural costs and timelines, and challenges in enforcing claims against various asset types.

In line with the EBRD's 2021 commitment to digital transformation,³ the LTP launched the Regional Framework Project on Digital Transformation of Courts – Development of Online Courts for Small Claims. Between 2022 and 2023 it assessed the readiness to introduce or expand online courts for commercial disputes – particularly small claims, which are crucial for small and medium-sized enterprises (SMEs) – in 17 economies where the EBRD operates.⁴ Based on the findings of the assessment, the LTP team developed a guide⁵ and a bespoke list of measures⁶ for policymakers to enable them to build an online court.

Enforcement: the missing link in access to justice

The enforcement of court decisions is fundamental to the right, enshrined in Article 6 of the European Convention on Human Rights, to a fair trial. A judgment that cannot be enforced – or is enforceable only with great difficulty – has little practical value.

Importantly, effective enforcement systems offer a deterrent effect: parties are more likely to comply voluntarily with court decisions when they know enforcement mechanisms are

² See Ciari and Colman (2015).

³ See <https://www.ebrd.com/home/what-we-do/focus-areas/digitalisation.html> (last accessed 30 April 2025).

⁴ See <https://ecourts.ebrd.com/> (last accessed 30 April 2025).

⁵ See EBRD (2023a).

⁶ See <https://ecourts.ebrd.com/survey-form> (last accessed 30 April 2025).

strong and reliable. Yet, despite its critical role, enforcement (particularly for commercial judgments) continues to be overlooked by policymakers and development institutions.

To address this, the LTP undertook a comprehensive assessment of enforcement laws and practices across the economies in which the EBRD operates. This revealed common gaps, including inadequate procedures for locating and seizing debtors' assets, inefficient asset-sale processes and weak incentives for voluntary compliance. Procedural shortcomings – such as limited interest accrual, overly generous appeal rights or weak powers of enforcement officers – were widespread. Many enforcement agencies also faced structural challenges, including undertrained staff, perverse incentives, and risks of abuse or corruption.⁷

In response, the LTP launched a series of targeted reforms. It conducted legal and institutional gap analyses in countries such as Ukraine, Tajikistan and Mongolia. It supported legislative changes aimed at improving efficiency and accountability, with an added focus on digitalisation, in various economies, including Azerbaijan and Mongolia. It also developed training programmes, e-learning modules and guidance materials to build capacity among enforcement officers in countries such as the Kyrgyz Republic and Mongolia.

To date, the LTP has delivered 12 training and reform projects across six jurisdictions: Azerbaijan, the Kyrgyz Republic, Moldova, Mongolia, Tajikistan and Ukraine. It has trained more than 300 enforcement officers, developed e-learning modules on around 10 topics, conducted six gap analyses and contributed to four draft enforcement laws. The insight gained from its practical experience with enforcement systems in these jurisdictions has been incorporated into the Enforcement Best Practice Principles that are currently being finalised by the International Institute for the Unification of Private Law (UNIDROIT).⁸

The LTP
has delivered
12
training and reform
projects across
6
jurisdictions

Figure 6. Enforcement reform and capacity-building projects



⁷ See <https://www.ebrd.com/home/what-we-do/policy-and-business-advice/legal-reform/dispute-resolution.html#Assessments> (last accessed 30 April 2025).

⁸ See <https://www.unidroit.org/work-in-progress/enforcement-best-practices> (last accessed 13 May 2025).

Promoting mediation to strengthen access to justice and enhance the investment climate

Since 2013, to ease pressure on overburdened courts and enhance the investment climate, the LTP has promoted commercial mediation as a cost-effective and efficient alternative to litigation, especially for SMEs. The Programme began its work in this area in Moldova and Mongolia, before expanding to other countries. In 2016 the EBRD co-organised a regional forum in Minsk, bringing together more than 50 senior officials, judges and experts from 11 countries to encourage knowledge exchange and wider uptake of mediation in eastern Europe and central Asia. In Moldova, the EBRD also expanded its mediation project to include efforts to improve the legal framework for arbitration, thus improving access to various dispute resolution mechanisms for Moldovan businesses.

In response to the Covid-19 pandemic, the LTP shifted its focus to online mediation, ensuring continued access to dispute resolution during periods of restricted movement, particularly through projects in the Kyrgyz Republic and Montenegro.

In 2022 the EBRD deepened its engagement in the Kyrgyz Republic to support the country's accession to the UN Convention on International Settlement Agreements Resulting from Mediation (the "Singapore Convention"). As part of the mediation project, it provided legal analysis, exposure to international best practice and assistance in drafting necessary legislation. The Singapore Convention, which facilitates the cross-border enforcement of mediated agreements, is expected to be ratified by the Kyrgyz parliament in 2025. This will be followed by awareness-raising and training for stakeholders to ensure effective implementation of the Convention.

While uptake across the EBRD regions was initially limited, mediation has shown strong potential for broader adoption, supported by sustained engagement by the Bank. As a result of its support from 2013 to 2024, 18 technical cooperation projects have been implemented in eight countries: Jordan, the Kyrgyz Republic,

Moldova, Mongolia, Montenegro, Serbia, Tajikistan and Uzbekistan. These initiatives supported legal and institutional reforms aligned with international standards, including improvements to mediation laws, the creation of regulatory bodies and centres, and capacity building for institutions, mediators and judges. Projects also promoted public awareness, particularly among SMEs, and supported the digitalisation of mediation services, including the use of online mediation platforms.

In all, seven assessments and legal analyses were conducted, 15 policy documents and recommendations were developed, and 25 draft laws and regulations on mediation were prepared, most of which were adopted. About 1,300 mediators, including judges, improved their knowledge and skills in the field of mediation through 58 training sessions, while more than 3,800 stakeholders (mediators, judges, lawyers, entrepreneurs, civil servants and academics) improved their mediation knowledge through 36 outreach events. Fifteen mediation practices, including mediation centres and regulatory bodies, were introduced/improved and digital products were developed, including updated websites for individual centres and regulatory bodies.

Online courts for small claims

As part of its support for the modernisation of justice systems, the EBRD has prioritised the development of online courts for small claims to improve access to justice for SMEs. This workstream aims to deliver faster, more affordable and user-friendly dispute resolution through digital technology.

Building on the assessment of online courts discussed earlier, a pilot project in Ukraine led to the design of a national concept and roadmap for an online small claims court. The model is integrated into the existing Unified Judicial Information and Telecommunication System and covers commercial disputes up to UAH 210,200 (approximately €5,150). It features simplified procedures, promotes online negotiation and mediation, and focuses on accessibility for self-represented users. The importance of this initiative has grown

following Russia's full-scale invasion of Ukraine in 2022 and the subsequent strain on the country's judicial infrastructure.

MEASURING IMPACT

Assessing and quantifying impact in the field of legal reform are inherently challenging – and often not feasible. Unlike in other sectors, it is not possible to conduct randomised control trials on the application of the law. Impact measurement is also time-consuming and resource-intensive.

As a result, much of the EBRD's work is guided by an assumed theory of change, based on evidence, experience and expert judgement. Nevertheless, where possible, efforts are made to track actual outcomes on the ground and understand how the Bank's interventions influence legal practice and the broader market environment in each country.

Below are selected examples that illustrate tangible impacts of the EBRD's work.

Promoting mediation in Moldova

Since 2013 the LTP's Commercial Mediation and Arbitration project has been a key driver of Moldova's efforts to diversify and strengthen its alternative dispute resolution (ADR) market. When the project began, Moldova's 2007 Law on Mediation was largely ineffective and mediation was rarely used, leaving courts overburdened and businesses with limited options for resolving disputes. This had a negative effect on Moldova's business environment.

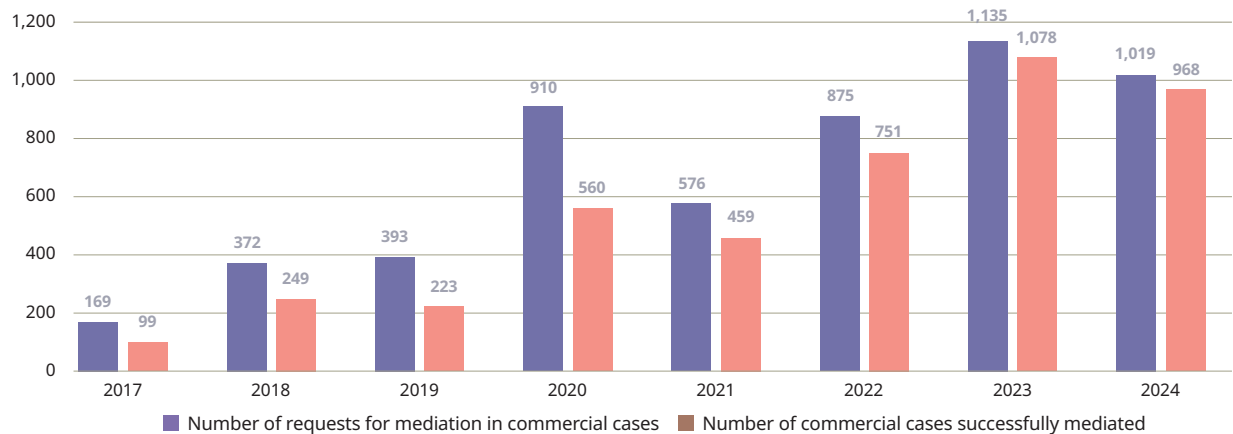
Between 2017 and 2024 the project helped transform access to justice and improve the commercial climate in the country, contributing to a tenfold increase in the number of mediation cases that were resolved each year – from 99 to 968.

Key achievements included the creation of an electronic register of mediators and automation of mediation case management, which improved efficiency and integration with other government e-systems. The project also supported the Chamber of Commerce Mediation Centre in securing its first

Between 2017
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99 to 968

international accreditation and helped establish two regional mediation centres to improve access for businesses in northern and southern Moldova.

Now in its final phase, the project is working with the Ministry of Justice to refine and implement a comprehensive legislative and institutional reform package. These reforms aim to further boost demand for mediation, raise service quality and align Moldova's ADR framework with European and international best practices.

Figure 7. Mediation in commercial disputes in Moldova, 2017-24

Judicial capacity building in the West Bank

From 2020 to 2023 the Strengthening the Capacity of Palestinian Judges in Commercial Law project, funded entirely by the EBRD's Multi-Donor Trust Fund for the West Bank and Gaza, supported the High Judicial Council and the Palestinian Judicial Institute (PJI) in building a sustainable training programme for judges in the field of commercial law – a historically underrepresented area of judicial education.

The project developed four comprehensive handbooks on the core topics of bankruptcy, banking transactions, commercial acts and negotiable instruments. These were converted into six interactive e-learning modules, launched in April 2023, and 35 judges subsequently completed the training. A group of 11 judge-trainers was also established, and a further 50 judges improved their skills through 12 in-person training sessions held in mid-2022.

An exposure visit to Egypt's economic courts in early 2023 allowed six judges to explore best practices and formulate recommendations for enhancing the Palestinian commercial court system. A follow-up survey confirmed strong results: most participants had applied their new knowledge in court and more than 30 per cent had continued to use the training materials in practice.

The project delivered meaningful improvements in judicial capacity and prompted requests from the PJI for continued support – particularly in developing legal frameworks and ADR mechanisms.⁹

Assessment of online courts and pilot project in Ukraine

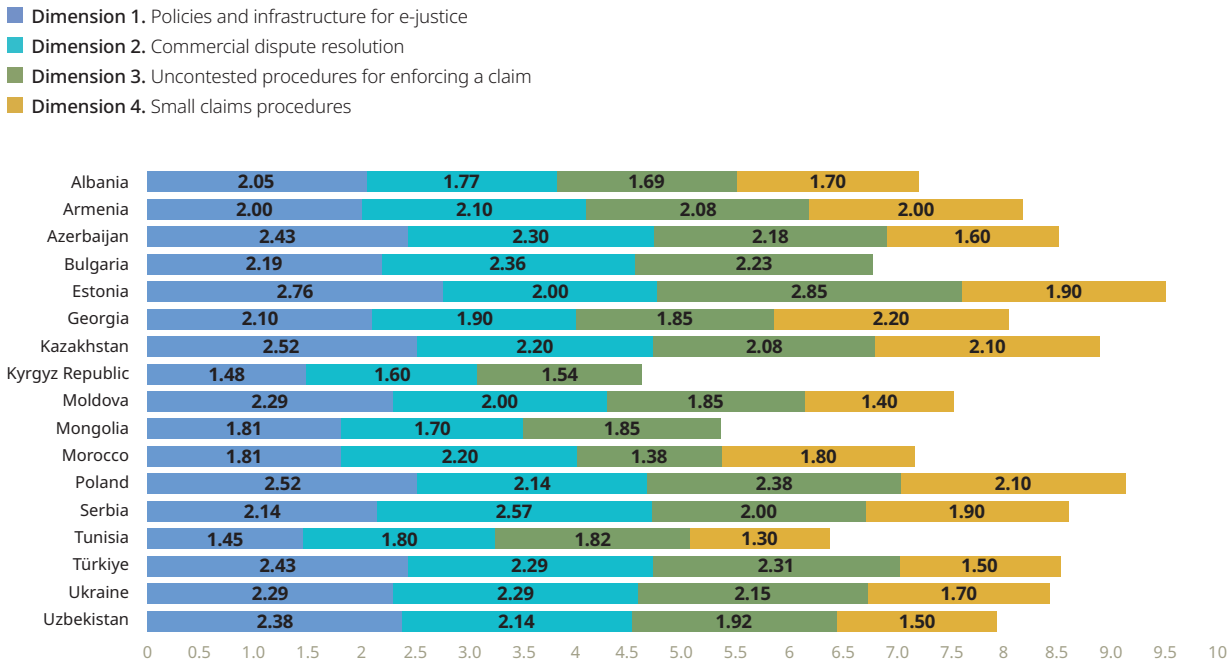
The EBRD's Cross-Regional Court Performance Assessment has already accelerated reform by providing policymakers with clear, data-driven insight into the digital readiness of their justice systems. Targeted advocacy and global engagement have secured recognition from institutions such as the World Bank and the World Justice Project, inspiring further research and drawing attention to digital justice reforms at international level.

By identifying specific gaps in legal frameworks, procedures and digital capacity, the Assessment has enabled more focused, evidence-based interventions. Its emphasis on small claims and uncontested procedures – areas critical for SMEs – has reinforced efforts to make commercial justice faster, more accessible and more affordable.

The dedicated website on the assessment of readiness for online courts¹⁰ has extended the Assessment's reach through an interactive tool that supports governments in translating findings into concrete, jurisdiction-specific reform strategies. This tool enables governments to develop tailored action plans

⁹ See EBRD (2023b).

¹⁰ See <https://ecourts.ebrd.com> (last accessed 30 April 2025).

Figure 8. Readiness of selected EBRD countries of operation for electronic courts

Source: EBRD (2023).

for introducing online courts within their jurisdictions.¹¹ Meanwhile, the pilot project in Ukraine has played an important role in promoting a people-centric approach to justice, illustrating how tailored online small claims courts can enhance access to justice for smaller businesses and individuals, who are traditionally underserved by conventional justice systems.

CONTRACT ENFORCEMENT ACTIVITIES WILL GO ON

Contract enforcement lies at the heart of effective dispute resolution. An applied discipline, it requires constant adaptation, innovation and alignment with evolving legal and economic realities.

Although dispute resolution is being phased out as a standalone focus area, the LTP remains committed to applying a holistic, cross-sectoral approach to enforcement. It will continue to pursue opportunities to enhance enforcement across other key areas of its work, including corporate governance, financial law, sustainable finance regulation, natural and mineral resources, and infrastructure.

One example of this forward-looking approach is the Programme's current work in Ukraine, where it is supporting the lifting of moratoriums on state-owned enterprises. This reform is vital to unlocking private investment and stimulating the recovery and modernisation of critical economic sectors.

¹¹ See <https://ecourts.ebrd.com/survey-form> (last accessed 30 April 2025).

To deliver long-lasting and systemic change, enforcement efforts must be part of a broader, cross-sectoral strategy incorporating legal, institutional and economic reforms. Only through this holistic approach can the LTP ensure that contract enforcement serves as a true enabler of market development, investor confidence and the rule of law.

“Contract enforcement lies at the heart of effective dispute resolution.”



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GLOSSARY

ADR	alternative dispute resolution
BSE	Bucharest Stock Exchange
CCG	corporate climate governance
CCGAP	corporate climate governance action plan
CPI	Corruption Perceptions Index
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CSDDD	Corporate Sustainability Due Diligence Directive
CSRD	Corporate Sustainability Reporting Directive
DFI	development finance institution
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development
ECB	European Central Bank
EIB	European Investment Bank
EITI	Extractive Industries Transparency Initiative
ESG	environmental, social and governance
ESRS	European Sustainability Reporting Standards
EU	European Union
GDP	gross domestic product
GET	Green Economy Transition
GFANZ	Glasgow Financial Alliance for Net Zero
GHG	greenhouse gas
GPA	Agreement on Government Procurement
ICC	International Chamber of Commerce
IDLO	International Development Law Organization
IFI	international financial institution
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
ISSB	International Sustainability Standards Board
LTP	Legal Transition Programme
MDB	multilateral development bank
MLETR	Model Law on Electronic Transferable Records
NDC	nationally determined contribution
NGFS	Network for Greening the Financial System
OECD	Organisation for Economic Co-operation and Development
PPP	public-private partnership
SCF	Strategic and Capital Framework
SDG	Sustainable Development Goal
SIA	sustainability impact assessment
SMEs	small and medium-sized enterprises
SOE	state-owned enterprise
TCFD	Task Force on Climate-related Financial Disclosures
TFP	Trade Facilitation Programme
TIDIP	Türkiye Industrial Decarbonisation Investment Platform
TSRS	Turkish Sustainability Reporting Standards
UNCITRAL	United Nations Commission for International Trade Law
UNIDROIT	International Institute for the Unification of Private Law
WTO	World Trade Organization

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