European Bank
for Reconstruction and Development

Economic Governance Strategy 2026-30

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Executive summary

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Economic governance lies at the heart of the EBRD's transition mandate. At its core, economic governance is about better-functioning markets, unlocking the full potential of private sector-led growth while holding the state sector accountable for delivery of high-quality goods and services. Since its inception, the Bank has championed the principles of transparency, accountability and fair competition as essential pillars of open and prosperous market economies. In a rapidly changing global environment, transition gaps across the Bank's regions persist and, in some contexts, risk widening, reinforcing the importance of sustained commitments to these foundations. Against this backdrop, the EBRD's commitment to strengthening economic governance remains unwavering.

This inaugural Economic Governance Strategy sets the objective of deepening the Bank's impact by focusing on long-term, systemic change. This will foster competitive business environments that enable the private sector's growth and innovation while mobilising domestic and foreign capital. To this end, the Bank will work towards increasing the participation of private firms in state-dominated sectors, assist in deploying the Bank's capital to foster the formation and growth of companies, and improve the transparency and accountability of state-owned enterprises (SOEs) and financial institutions. Advancing economic governance will continue to be a top priority in Ukraine over the period of the new Strategic and Capital Framework (SCF) given the critical importance of accelerating reform progress aligned with Ukraine's EU integration path.

The strategy will create clear value offers for governments and public- and private-sector clients. Governments will gain stronger institutions, as well as tools to design and implement reforms, attract investment and deliver infrastructure. **Public-sector clients** will be better governed and more accountable and will improve service delivery and cost recovery. **Private-sector clients** will improve their corporate governance, meet market standards, and operate in a fairer, more predictable environment, with better access to finance and markets. **Financial institutions** will aggregate and allocate capital more effectively, boosting resilience and profitability. And **consumers** will benefit from fairer markets, rationalised state ownership, and regulation that drives innovation and protects competition. There are also important benefits for investors, as improved economic governance fosters a more predictable and attractive business climate, expands investment opportunities and helps reduce project delivery risks. This strategy delivers across the Bank's transition qualities and covers all sectors and countries which the Bank operates in.

The EBRD is well placed among international financial institutions to support and accelerate this agenda. Since its inception, the Bank has embedded economic governance at the core of its market-transition mandate, combining a strong local presence with an investment-led approach that integrates financing, technical cooperation and sustained policy dialogue across the private and public sectors. Building on these strengths, the strategy sharpens the Bank's focus and use of its core instruments to support systemic economic governance reform over time, in coordination with other multilateral development banks and development partners.

Success requires strong partnerships and leadership. The EBRD will work closely with reform-minded governments, clients, development partners and international institutions. The Bank will offer leadership in aligning international efforts to strengthen economic governance across its regions, sharing best practices and optimising resource allocation. Donor support will be vital in supporting complex multi-year reforms that drive systemic change.

The EBRD will deliver on this agenda, leveraging its full suite of products, expertise and partnerships, in line with long-term policy reform priorities across sectors and regions. The Bank will prioritise and sequence interventions with the greatest potential to deliver meaningful impact, taking into account clients' willingness to engage in reform and their track record, and calibrating the scale of the Bank's engagement accordingly. This integrated framework will link the Bank's activities with strategic reform pathways, reinforcing the Bank's contribution to sustained and transformational improvements in economic governance.

Tailored approaches are essential. Recognising that governance challenges vary across regions and sectors, the Bank will tailor its approach to country-specific circumstances, balancing ambition with opportunity and client commitment. Building momentum through early wins, the Bank often starts with incremental but tangible steps that build credibility and trust among stakeholders. Scaling up for systemic change, initial successes foster commitment, reduce resistance and create a platform for broader reform efforts over time.

Three new operational elements will be introduced to deliver the strategy. First, commencing in 2026, every investment or client will undergo **systematic screening** to identify meaningful economic governance reform potential. Second, **Economic Governance Action Plans** will translate reform potential into coherent, project-specific engagements, consolidating economic governance-related activities across transition qualities. Third, **Sector Reform Roadmaps** will provide structured, longer-term reform pathways in priority sectors/countries, aligning investment, policy engagement and capacity building with strategic sequencing across multiple operations in the same sector. As a result, the Bank's approach will be more systematic and intentional with a clear view of the necessary reforms in a particular sector and a clear plan for how they can be achieved over a realistic time frame, potentially through multiple interventions.

Operational delivery will be supported by a combination of reporting and targets, alongside a robust Performance Monitoring Framework that incorporates quantitative metrics as well as narrative insights. An initial corporate scorecard target will be established for 2026 at the start of the strategy period, with a goal of having 65 per cent of state-sector operations contributing to economic governance objectives. Building on lessons learned during the initial implementation period, the scorecard target and underlying methodology will be reviewed. Results will also be disclosed in the EBRD's annual *Impact Report* and quarterly Board updates.

This strategy represents an inflection point for the EBRD, its partners and its clients across regions. By combining its distinct business model – closely aligned policy reforms and investments – with an intentional and sustained operational focus, the EBRD is positioning economic governance as a transformative lever for systemic market reform, helping our regions transition to a future that is characterised by openness, innovation and opportunity.

Economic Governance Strategy 2026-30

WHY? The rationale

Persistent transition gaps and new global challenges such as slowing reforms, fragile institutions and shifting geopolitics are threatening competitiveness and resilience across the EBRD regions.

This strategy responds to the urgent need for systemic, long-term reforms to create dynamic, competitive and inclusive markets, supporting productive growth led by private-sector entrepreneurship, innovation and investment.

WHAT? Strategic objectives and actions

This strategy introduces an intentional and systematic approach focused on long-term reform goals that links investments and policy engagement with a view to achieving systemic impact.

High-level objectives

1. **Well-governed institutions:** creating and enabling a policy environment conducive to economic growth and investment
2. **Well-managed public-sector enterprises and financial institutions:** efficiently fulfilling public mandates in the context of competitive markets
3. **Well-managed and innovative private enterprises and financial institutions:** competing effectively domestically and internationally

Key delivery themes span

- (i) legal and regulatory reform
- (ii) improvements in market structure and regulation
- (iii) enhancement of the state's capacity to design and deliver reform
- (iv) effective and accountable state ownership of enterprises and financial institutions
- (v) modern corporate governance standards and commercialisation, including privatisation where appropriate

Value proposition

- **Governments and public institutions:** enhanced policymaking, project delivery and financial resilience
- **Public-sector enterprises:** clearer mandates, greater efficiency, reduced fiscal risks and better financing
- **Private sector:** level playing field, improved access to markets and finance, and stronger incentives to innovate
- **Consumers:** better services, lower costs and more innovation through improved public-sector performance and regulation
- **Investors:** enhanced delivery of results and reduced project risks through stronger business climates and more effective governance in EBRD regions

HOW? Enhanced approach

Monitoring of progress
Reporting via scorecard, impact stories and performance frameworks, focusing on systemic change and long-term results based on a clear theory of change

Systematic screening
All investments and clients screened for viable economic governance reform potential

Clear prioritisation
Reform pathways give priority to reform-minded clients and interventions with the greatest potential to deliver meaningful impact in the long term

Well-targeted engagements
Economic Governance Action Plans steer project-specific reform engagements; and in strategic sectors, Sector Reform Roadmaps outline multi-phase reform trajectories

Integrated delivery
EBRD leverages its full suite of policy products, investment capacity and expertise tailored to local contexts

Strategic partnerships and global leadership
Cooperation with governments, private sector, international financial institutions and donors to align efforts and maximise impact

1.
The economic governance imperative for the EBRD regions

1. The economic governance imperative for the EBRD regions

Introduction

1.1. **The EBRD's mandate is to foster the transition of its countries of operation** to sustainable market economies that are competitive, well governed, green, inclusive, resilient and integrated. The Strategic and Capital Framework 2026-30, approved by the Bank's Board of Governors in May 2025, sets out how it intends to deliver on that transition mandate in the medium term.[1] The SCF identifies three strategic themes – supporting the green transition, strengthening economic governance, and enhancing human capital and equality of opportunity for all. These themes are supported by two enablers – private-sector mobilisation and digital technologies.

1.2. **Economic governance – encompassing the rules, policies and institutions that shape and regulate economic activity at corporate, sectoral and national level – is a critical foundation for delivering on the EBRD's mandate for sustainable, open market economies.**[2]

1.3. **Sound economic governance** is characterised by transparent and accountable institutions, efficient and effective public service delivery, fair competition, a policy environment conducive to private-sector confidence, innovation and growth, and the effective management of key externalities, such as environmental challenges. **While the state is the primary agent shaping governance frameworks at national level, the quality of economic governance is also shaped by the capacity, behaviour and interactions of various stakeholders, including the private sector**.

1.4. **The EBRD's mission to support economic governance reforms is more important than ever.** Reform progress has slowed and transition gaps remain significant – and risk widening in some contexts – across the Bank's countries of operation. A shifting economic and geopolitical landscape further exacerbates these challenges, placing additional pressure on fragile institutions, undermining government effectiveness, and risking the entrenchment of existing economic structures. Advancing economic governance will continue to be a top priority in **Ukraine** over the period of the new SCF given the critical importance of accelerating reform progress aligned with Ukraine's EU integration path.

1.5. **This Economic Governance Strategy sets out the Bank's approach and objectives as regards strengthening economic governance in the EBRD regions in the 2026-30 SCF period**. Its aim is to support systemic change, recognising that reform in this area takes time, is complex and can be non-linear.[3] The Bank will combine investment and policy engagements to strengthen economic governance and promote competitive markets in the economies where it operates, working with the private and public sectors, supported by sound institutional frameworks and policies. Interventions in the state sector can help shape policies and institutions at the sectoral or national level, while interventions in the private sector can have an impact beyond the project boundaries[4] or simply improve the internal governance of Bank clients. More broadly, our work supporting the private sector helps to improve the efficiency and functioning of the economies where we work.

1.6. **Among international financial institutions,** the EBRD operates with a clear market-transition mandate, which has placed economic governance at the core of its operating model since the Bank's inception. Through its private-sector focus and investment-led approach – combining financing, technical cooperation and sustained policy

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1 See EBRD (2025a).

2 Economic governance is reflected in several transition qualities in the Bank's transition impact methodology.

3 The EBRD's definition of systemic change refers to the transformational and lasting changes to market structures, behaviours or institutions that are triggered by Bank projects. Driving systemic change often involves altering underlying roles, norms, structures and incentives within a market system, rather than focusing on outputs from an individual project. See EBRD (2025b).

4 This includes increasing the participation of private firms in state-dominated sectors, helping to use the Bank's capital to foster the formation and growth of companies, and improving the transparency and accountability of state-owned enterprises and financial institutions.

dialogue across private and public clients – the Bank is able to respond to reform opportunities with agility and engage as a committed, long-term partner, often in coordination with other multilateral development banks and development partners, to support reform priorities over time. Grounded in a strong local presence, the EBRD brings in-depth country and sector knowledge that informs the identification of priority reforms and the sequencing of interventions over time. Drawing on these strengths, the Bank can flexibly deploy its core instruments to drive systemic change.

1.7. The Bank will build on its strengths to adopt a new, more systematic and intentional approach to economic governance that extends beyond individual transactions and aims to contribute to systemic change across sectors and the wider economy.

This approach will focus on deepening impact through four interlinked pillars:

- Screening and strategic prioritisation – Systematically screening new investments or clients to identify areas where the EBRD has the leverage and comparative advantage to support economic governance reforms. This includes analysing client characteristics, policy and institutional environments, reform dynamics, and lessons learned from past and peer experiences and identifying strategic entry points for systemic impact, including in support of reform commitments to international organisations and, where relevant, the European Union. The Bank will prioritise interventions with clients that demonstrate commitment to reform (see 3.9 for further details).
- Economic Governance Action Plans (EGAPs) and Sector Reform Roadmaps (SRRs) – Building on the screening and prioritisation process, the Bank will develop Economic Governance Action Plans that articulate the project-specific economic governance-related engagements agreed with a client. In addition, in priority sectors, the Bank will develop Sector Reform Roadmaps to guide its engagement over a longer-term period and multiple projects. The Sector Reform Roadmaps will reflect previous policy engagement efforts (by both the EBRD and other actors) and political economy realities, and articulate longer-term reform priorities involving multiple Bank engagements aligned with country strategies (see 3.9 for further details).
- Local presence and partnerships for scale and sustainability – Leveraging the EBRD's local presence, sectoral expertise and collaborations with reform-minded governments, development partners and private-sector actors to tailor interventions to country and sector circumstances, balancing ambition with opportunity, political economy realities and client commitment.
- Learning and accountability for results – Tracking and assessing engagements to ensure that cumulative results contribute to competitive markets, improved governance and sustained institutional performance, and to inform adaptive sequencing and prioritisation across reform pathways.

1.8. With its work on economic governance, the Bank presents a strong value proposition to its key clients (see Box 5 for further details):

- Governments and public institutions benefit from enhanced policymaking and project implementation capabilities, while state-owned banks and public financial institutions gain improved performance and resilience, allowing them to attract long-term market financing and operate independently of political influence.
- For public-sector enterprises, the value lies in clearer operating mandates, streamlined procedures, increased efficiency, reduced fiscal risks and improved access to commercial financing.
- For the private sector, it enables enterprises to operate on a level playing field supported by impartial public institutions and effective regulation. This environment helps to create and integrate markets, facilitates access to finance and investment, strengthens incentives to innovate, and enables firms to participate more effectively in local, regional and global value chains.

1.9. The benefits of sound economic governance for each stakeholder group extend across the wider economy, beyond companies and institutions, underpinning public trust, strengthening economic resilience and fostering more inclusive prosperity. For consumers, improvements in the performance of state-owned enterprises and financial institutions, as well as rationalised approaches to state ownership and the improved regulation of sectors with market power, will improve service delivery, reduce costs and increase innovation. There are also positive effects for investors, including the Bank, as improved economic governance fosters business-climate enhancements and investment opportunities, while reducing project delivery risks.

Box 1: Economic governance – concepts

Economic governance refers to the **rules, policies and institutions** that shape and regulate economic activity at corporate, sectoral and national levels.

- **Corporate level:** Through corporate governance, companies are directed and controlled by systems of rules and practices that ensure accountability, balance stakeholder interests, and provide internal controls and disclosure aligned with international standards; by meeting market standards, companies can compete effectively domestically and abroad.
- **Sectoral/national level:** Institutions and processes that uphold the principles of the rule of law, transparency, accountability and fair competition, in line with international norms.

Sound economic governance is characterised by firms with strong corporate governance and business standards, strong and transparent institutions, efficient public services, fair competition, and a policy environment that fosters private-sector confidence, innovation and growth.

Within the EBRD's transition concept,[§] economic governance is anchored in the **well governed** transition quality (for example, improved corporate governance and national/sub-national-level governance), but it also cuts across other qualities – especially **competitive** (for instance, improved corporate governance standards and privatisations), **integrated** (harmonisation of international standards, for example) and **resilient** (tariff reforms, capital market development, and so on), while also supporting the transition to **green** and **inclusive** economies (for instance, through renewable energy auctions and inclusive procurement processes, respectively).

§ See EBRD (2016).

Economic governance in the EBRD regions

1.10. **Although progress has been made with the strengthening of economic governance in some sectors and economies where the Bank operates, particularly those that have acceded to the European Union (EU), economic governance gaps across the EBRD regions remain substantial**. In addition to endemic structural factors that inhibit market creation, shifting geopolitical landscapes and the risk of inadequately designed industrial policies introduce new challenges by putting pressure on already fragile institutions, undermining government effectiveness and cementing entrenched economic structures. The remainder of this section outlines the key economic governance gaps and challenges identified through the Bank's diagnostics across its regions (see Annex 1).

1.11. **The breadth and complexity of challenges, and the resulting transition gaps, underscore how important it is that the Bank takes a strategic and context-specific approach to economic governance reform, reflecting specific market and institutional realities**. These can be grouped into three distinct but interdependent categories:

- governance and effectiveness of public institutions and policy environment
- governance of public-sector enterprises
- governance and competitiveness in the private sector as described in the following sections.

Addressing these challenges requires coordinated action, as progress in one area often depends on advances in another. Identifying and understanding these structural interconnections helps the Bank to focus on the systemic improvements which are most likely to be implemented and prioritise interventions that will deliver deeper and longer-lasting impact.

1.12. Governance and effectiveness of public institutions and the policy environment: key challenges

a. Policy environment and regulatory frameworks

- Weak economic regulation that distorts price signals and fails to address barriers to entry, abuse of market power, externalities and wider forms of market failure, leading to resource misallocation and increasing vulnerability to shocks.
- Structural and institutional weaknesses in financial regulation, hindering capital-market development and reducing economic efficiency.
- Ineffective insolvency regimes and weak enforcement of security interests, discouraging long-term investment and posing risks to financial stability.

b. Institutional governance

- Lack of regulatory independence, leading to regulatory fragmentation, inconsistent enforcement and diminished credibility, undermining market functioning and deterring private-sector investment.
- Lack of transparent and efficient public procurement systems, creating inefficiencies and corruption risks.

c. Capacity and engagement

- Limited capacity to design and implement economic policies. This is a particular challenge when it comes to industrial policies. When badly designed or poorly implemented, such policies risk becoming distortive, wasteful and ineffective, potentially undermining the very goals they aim to achieve.
- Inadequate public-private dialogue that limits the voice of business in shaping needed reforms, leading to policy changes which may be misaligned with market realities.
- Burdensome compliance requirements and limited enforcement capacity, which erode trust in public institutions and lead to high levels of informality and corruption risks, reducing economic efficiency and growth.

1.13. Governance of public-sector enterprises: key challenges

a. Market structures and governance

- Market distortion leading to unequal competition or a lack of entry into a market as a result of preferential treatment for SOEs relative to private players or monopolistic behaviour.
- Distortive political interference, weak financial discipline, fiscal risk, unclear mandates, competing objectives and weak oversight capacity by the state, which undermines state-owned firms' autonomy and credibility.

b. Oversight and accountability risks

- Challenges to oversight and accountability can result from unclear responsibilities within government and the fiscal risks stemming from political interference in operational questions and lax financial management and reporting.
- Regulatory forbearance or political lending decisions in the financial sector, which often mask deteriorating balance sheets, leaving governments exposed to serious contingent fiscal risks in times of stress. In addition, weak prudential frameworks further undermine financial-sector stability and oversight.

c. Operational and integrity concerns

- Operational inefficiencies and service delivery gaps are endemic. Outdated management systems, overstaffing, limited technical capabilities, limited adoption of international standards, low technological and digital uptake, and vulnerability to cyber threats are recurrent features of underperforming state-owned enterprises and financial institutions.
- Corruption remains a pervasive challenge. Opaque decision-making processes, ambiguous regulatory environments, limited oversight and political interference create opportunities for rent-seeking and

misallocation of resources. This undermines operational efficiency, distorts market competition and erodes public trust in both state-owned enterprises and financial institutions, as well as in the broader economy. In addition, the entrenchment of corrupt practices discourages private-sector participation in the economy and hinders broader reform efforts.

1.14. Governance and competitiveness in the private sector: key challenges

a. Governance and management

- Weak corporate governance practices that restrict business growth and performance, undermining transparency and long-term performance, as well as restricting firms' access to finance and capital markets, constraining growth potential and hindering integration into formal financial systems. In the financial sector, the adoption of international governance standards remains limited.

b. Market entry and competition

- Barriers to market entry and the dominance of entrenched incumbents that weaken competition and stifle innovation.
- Inadequate management and production standards constrain firms' integration into global value chains, with many firms, especially small and medium-sized enterprises (SMEs), struggling to meet the strict quality, safety and sustainability requirements of export markets.
- Limited access to appropriate financing instruments, including local currency and risk-sharing solutions, constrains private-sector market entry and expansion, particularly for new entrants and SMEs, reinforcing market concentration and weakening competitive pressures.

From lessons learned to enhanced action: the EBRD's strategic approach to economic governance reform

1.15. From the outset, sound economic governance has been a key pillar of the EBRD's mission to build well-functioning, open market economies, with corporate governance one of the Bank's first "transition indicators". Experience of state-owned enterprise privatisation efforts in the early 1990s revealed the importance of governance reforms to reduce the risk of rent-seeking, leading to the Bank's early incorporation of corporate governance considerations into equity investments. The crucial role of sound governance at the corporate, sectoral and national levels was detailed in the Bank's *Transition Reports* for 2013 (on institutions),[5] 2019-20 (on governance),[6] 2020-21 (on state-owned enterprises)[7] and 2024-25 (on industrial policy),[8] leading to greater focus on economic governance in the Bank's SCF 2021-25[9] and its becoming a strategic theme for the Bank in the SCF 2026-30.[10]

1.16. The Bank's approach to economic governance has evolved based on its own experience and evaluations, learning with other international organisations, and the changing nature of the challenges across its countries of operation. The resulting lessons learned form the basis for the Economic Governance Strategy approach, including:

a. The importance of linking policy work and investments: Policy engagement can help create the conditions for new or larger investments by improving the enabling environment, while investments (both debt and equity) can be leveraged to bring about and accelerate meaningful reforms. By working on policy initiatives in the sectors in which the EBRD invests, the Bank's policy efforts are grounded in operational realities and its investments deliver more strategic and scalable impact. Where appropriate, incorporating reform commitments into investment operations can help support and sustain policy change. Conversely, the Bank's

5 See EBRD (2013).
6 See EBRD (2019).
7 See EBRD (2020a).
8 See EBRD (2024a).
9 See EBRD (2020b).
10 See EBRD (2025).

investments in a sector give it the leverage to work with governments to pursue broader, systemic reforms at the national or sectoral level.[11]

b. **Stakeholder engagement and client or country ownership**: Successful governance initiatives at national or sectoral level depend on political will, as well as the active participation of key stakeholders, while at firm level, successful improvements in corporate governance require strong commitment to changing ownership and governance structures and internal culture. Building consensus and fostering collaboration among stakeholders is crucial for the EBRD to promote reform, as is its ability to demonstrate how better corporate governance will benefit the company in the long run.[12]

c. **Corporate governance, including in the private sector, is a building block for effective economic governance,** as the combination of strong governance standards at corporate level and good regulation can boost investor confidence and enhance economic activity, as well as improving the management and performance of state-owned enterprises. The Bank works with many corporate clients that provide demonstration effects by showing how improved economic governance enhances performance and resilience. These engagements with clients committed to economic governance reforms can have a multiplier effect, encouraging broader sectoral and market reforms.[13]

d. **Strong local presence:** The Bank's local presence is key. It enables the building of trust with local counterparts, an understanding of the specificities of the business environment and political economy, and the identification of achievable reform opportunities.[14]

e. **Long-term commitment**: Governance improvements take time to achieve, whether at the firm, sectoral or national level. Starting with low-risk, achievable reforms helps to build momentum and trust. Repeat transactions with reform-minded clients and state-owned enterprises and banks can promote deeper change by splitting more ambitious reform programmes into more achievable, discrete tasks, while following a clear sector reform roadmap.[15]

f. **Monitoring, evaluation and learning**: Establishing robust monitoring and evaluation frameworks is essential in order to measure the impact of governance initiatives, to apply mid-course corrections and to strengthen accountability.[16]

Box 2: Economic governance reforms in capital and financial markets

A robust legal and regulatory framework is essential to ensure well-functioning markets and attract investment. The EBRD supports national authorities in drafting and implementing financial sector laws that strengthen investor protection and create transparent, efficient markets.

This includes developing covered bond and securitisation frameworks aligned with EU law across central and eastern Europe, Georgia and Morocco. Work is also ongoing in Ukraine, and the Bank is supporting derivatives market reforms in the Western Balkans, eastern Europe, Central Asia and North Africa. The Bank also assists EU candidate countries, such as Moldova, North Macedonia and Ukraine, in aligning their capital markets legislation with the EU acquis.

Well-functioning capital markets support sound economic governance by improving transparency and efficient capital allocation. The EBRD helps the economies in which it operates to expand access to markets and strengthen regulatory and institutional capacity, working with regulators and exchanges to address structural gaps, upgrade listing and disclosure standards, and enhance investor protection.

The Bank also provides hands-on support to issuers – companies, municipalities and financial institutions – seeking to raise capital through initial public offerings (IPOs), bonds and structured finance solutions. Examples include

11 See EBRD (2024b).
12 See World Bank (2015) and IMF (2022).
13 See EBRD (2024b).
14 See World Bank (2014) and OECD and UNDP (2016).
15 See EBRD (2024b) and OECD (2018).
16 See EBRD (2024b) and OECD (2024b).

supporting a market-maker framework and improved investor relations practices in Egypt, as well as promoting interoperable market infrastructure in central Europe, Ukraine, North Macedonia and Mongolia.

In the banking sector, following the global financial crisis and EU reforms, the EBRD is assisting the central banks of Ukraine, Albania and Moldova in advancing the alignment of their regulatory and supervisory frameworks with EU standards and strengthening sectoral resilience.

Box 3: Economic governance support for small and medium-sized enterprises

SMEs account for a large share of value creation and employment in many economies, contributing significantly to value chains and as innovators. By adopting strong corporate governance, they enhance their own performance and inspire peers through demonstration effects.

SMEs can be important advocates for better economic institutions, even though they often face greater challenges than larger firms due to limited resources and access. By supporting SMEs and their channels for advocacy with public authorities, the Bank can foster momentum for improvements in the business environment. Likewise, by working with governments to improve rules, policies and institutions that help SMEs thrive, the Bank promotes broader private-sector development.

By supporting SMEs and SME ecosystems with its full range of instruments, the Bank can contribute effectively to an economy-wide transition towards sound economic governance. This is realised across the three pillars of the EBRD's SME Approach:

a. Wide outreach: combining targeted intermediate financing through partner financial institutions and industrial buyers (for supply chain financing) with business advisory services promoting sound corporate governance and standards for SME end beneficiaries.

b. Nurturing champions: focusing on high-potential, fast-growing firms, either startups (Star Venture Programme) or small/mid-sized firms with the potential to become national or regional champions (Blue Ribbon Programme), each contributing to wider market dynamism through market entry, innovation and competition.

c. Supporting the ecosystem: Most governments deploy a range of support measures, often with a subsidy element, that aim to enhance SMEs' access to finance, innovation and internationalisation, as well as their operational and managerial capacity.

Box 4: Building sound economic governance in the renewable energy market – the case of the Renewable Energy Market Accelerator (REMA)

The Bank's work on renewable energy auctions started in 2018 with the publication of the Joint EBRD and Energy Community Secretariat Policy Guidelines on "Competitive Selection and Support for Renewable Energy", prepared in collaboration with the International Renewable Energy Agency (IRENA).[§] Shortly afterwards, the Bank embarked on a number of assignments to support policymakers in designing and implementing renewable energy auctions in diverse markets such as Albania and Uzbekistan. These auctions set price benchmarks and delivered "first-of-a-kind" auction design. The policy support has since expanded in terms of geographical coverage, technological scope, form of incentive scheme and magnitude.

The Renewable Energy Market Accelerator has evolved into a comprehensive policy support initiative that is creating expandable, replicable frameworks tailored to specific country contexts with a view to mobilising private clean energy finance at scale. The Bank works with policymakers on wider electricity sector reform, multi-year renewable investment plans, the design and implementation of tailored renewable energy auctions to foster competition, and alternative mechanisms to attract investment in renewables. These include long-term bilateral contracts between generators and consumers, and incentives for energy storage. Capacity building for authorities on competitive procurement is a key part of the approach, helping to ensure that policymakers in the Bank's countries of operation are equipped with the experience and expertise to deliver future auctions.

To date, REMA has leveraged more than 14 GW of renewable capacity and more than €21 billion in expected investment.

§ See EBRD and Energy Community Secretariat (2018).

2.
High-level objectives for 2030

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The EBRD's high-level Economic Governance objectives for 2030

2.1. **The overarching aim of the Economic Governance Strategy is to deepen the Bank's impact by focusing on long-term, systemic change**, ensuring that governance reforms are transformative and sustainable across both the public and private sectors. Accordingly, during the SCF 2026-30 period, the EBRD will focus on strengthening its ambition in terms of supporting critical economic governance reforms advancing the transition of its countries of operation towards dynamic, open and competitive market economies.

2.2. To guide its operations and respond to specific country and sectoral challenges, the strategy establishes **three high-level objectives**. These objectives will be pursued in all sectors and focus on the key actors that shape and are shaped by sound economic governance and that serve as the Bank's main channels for supporting reform and delivering impact:

1. **well-governed institutions** that create and enable a policy environment conducive to economic growth and investment
2. **well-managed public-sector enterprises and financial institutions** that efficiently fulfil their public mandates in the context of competitive markets
3. **well-managed and innovative private enterprises and financial institutions** that compete effectively domestically and internationally.

2.3. Delivery against the high-level objectives is supported by a broad set of economic governance interventions. These interventions are grouped under the following themes, which are applied across the Bank's operational sectors:

- **legal and regulatory reforms to improve the investment environment** – supporting legal and regulatory reforms, higher-quality economic governance and the development of investment models
- **improvements in market structure and regulation to strengthen private-sector participation** – introducing competitive market structures and strengthening regulatory institutions
- **enhanced state capacity for reform design and delivery** – improving the capacity of state institutions to design and implement reforms and policies
- **effective and accountable state ownership of enterprises and financial institutions** – supporting the adoption of modern frameworks for robust and accountable ownership and management of state-owned firms and financial institutions
- **modern corporate governance standards and commercialisation, including privatisation where appropriate** – promoting and introducing modern corporate governance standards and practices in the economy, including through commercialisation of state-owned enterprises and financial institutions and, where feasible and supported by countries of operation, their privatisation

Figure 1: High-level objectives and reform delivery themes to achieve systemic impact across sectors

2.4. The relationship between the objectives and the operational themes is illustrated in Figure 1. This section provides more detail on the activities the Bank can deploy in each of the thematic areas to achieve the high-level objectives:

High-level objective 1: Well-governed institutions that create and enable a policy environment conducive to economic growth and investment

Theme: Legal and regulatory reforms to improve the investment environment

Interventions:

a. **Advance sound and innovative investment and financial models** – such as public-private partnerships (PPPs), a regulated asset base and contracts for difference – that enable the transparent and efficient mobilisation of private capital, while ensuring value for money and accountability in public service delivery. This includes developing models to support new forms of technology and financial products, including through the use of blended finance.

b. **Support procurement reform and higher integrity standards** to promote competition, transparency and value for money, including through the adoption of inclusive procurement practices and digitalisation.

c. **Promote local-currency and capital-market development to mobilise domestic and foreign private capital** through targeted legal and regulatory reforms, enhanced supervisory capacity and robust investment frameworks to attract domestic and foreign capital, and support the efficient allocation of savings to productive investments by strengthening both supply and demand dynamics and improving capital market infrastructure.

d. **Strengthen corporate governance codes, insolvency frameworks, and financial-sector legal frameworks**, enhancing market integrity, investor confidence, and private-sector resilience, including through the alignment of national frameworks with international standards and improved mechanisms for market entry/exit and long-term financing.

Theme: Improvements in market structure and regulation to strengthen private-sector participation

Interventions:

a. **Promote reforms that establish competitive and contestable, rules-based markets**. This includes assisting governments in defining market structures and target models for key sectors and companies, unbundling vertically integrated sectors to enable competition, and supporting alignment with the EU acquis (where relevant) and broader international frameworks.

b. **Enhance the capacity and independence of sector regulators** to implement and manage governance models and market designs that support effective service delivery and create space for private-sector participation (for example, by reducing barriers to entry and the effective management of monopoly sectors, advancing the management of tariff frameworks, and addressing wider market and coordination failures).

Theme: Enhanced state capacity for reform design and delivery

Interventions:

a. **Support public institutions in designing and implementing policies** – including promoting best practices in economic policy – in the areas of sectoral development and industrial policy, competition and state aid. This entails supporting policies that are transparent, market compatible and fiscally sustainable, as well as strengthening the capacity, capability and accountability of public-sector institutions.

b. **Strengthen public-private dialogue and recourse mechanisms to build confidence and improve the investment climate.** This includes enhancing platforms for structured dialogue to identify reform bottlenecks, facilitate joint problem-solving and promote investment-climate improvements tailored to private-sector needs, as well as creating or strengthening business recourse mechanisms to provide firms and investors with effective channels for addressing grievances.

c. **Provide systematic support to broaden digital access, digitalise business-related public services and strengthen the governance of emerging digital technologies**, including regulatory improvements and cybersecurity frameworks.

Theme: Effective and accountable state ownership of enterprises and financial institutions

Intervention:

Support state institutions in the effective governance and management of state-owned enterprises and financial institutions. This entails the clarification of mandates and policy objectives through the development and implementation of effective state ownership policies, reporting and monitoring frameworks, and transparent public service contract/obligation compensation mechanisms.

High-level objective 2: Well-managed public-sector enterprises and financial institutions that efficiently fulfil their public mandate in the context of competitive markets

Theme: Modern corporate governance standards and commercialisation, including privatisation where appropriate

Interventions:

a. **Promote stronger governance structures and oversight of state-owned enterprises, state-owned banks and related institutions** by fostering accountability, transparency and adherence to international governance standards. This includes strengthening boards and management systems; reducing undue political interference; improving prudential frameworks and procurement practices; enforcing compliance mechanisms and embedding a culture of integrity to reduce corruption risks and political interference; and enhancing cyber-resilience.

b. **Support commercialisation and, where feasible and supported by countries of operation, the privatisation of state-owned enterprises (including municipal and regional companies) and state-owned banks**. This includes developing target models for the reform of state-owned enterprises, including unbundling, improving operational efficiency and creditworthiness, improving asset management practices and strengthening standards in services.

c. **Support the alignment of state-owned banks with global financial standards**, improving the management of non-performing loans to attract long-term market financing.

High-level objective 3: Well-managed and innovative private enterprises and financial institutions that compete effectively domestically and internationally

Theme: Modern corporate governance standards and commercialisation, including privatisation where appropriate

Interventions:

a. **Support private-sector firms in strengthening corporate governance structures and practices** to foster enterprise growth, improve transparency, enhance risk control, facilitate access to capital markets and improve cyber-resilience.

b. **Promote the adoption of modern business and production standards** to enable firms to access high-value markets, both domestically and internationally (such as the International Organization for Standardization (ISO), the Global Reporting Initiative, Good Agricultural Practices and Blue Dot).

c. **Leverage equity investments as a strategic instrument** to promote the adoption of sound management systems, transparent reporting and effective risk controls with a view to enhancing firms' resilience, operational efficiency and ability to attract additional sources of capital.

d. **Strengthen governance in privately owned financial institutions** by supporting improvements that align regulatory and supervisory frameworks and practices with international standards (such as the Basel Accords, the standards set by the International Association of Insurance Supervisors or the Digital Operational Resilience Act) and enhance board oversight, credit allocation, risk management, audit and disclosure frameworks.

Box 5: An enhanced value proposition for EBRD clients and policy partners

Value proposition – governments and public institutions:

- **improved capacity and capability to design and implement effective policies** and policy reforms to foster competitive markets, promote international trade and attract investment
- **strengthened state capacity to attract investment**, design and prioritise projects, manage public-sector procurement processes and oversee implementation of complex investment projects
- **enhanced mechanisms to respond to private-sector needs and build investor trust** through support for public-private dialogue and business recourse mechanisms
- **more efficient capital allocation, public expenditure and support for private-sector growth**, through better-developed and regulated financial infrastructure and regulatory frameworks, investor protection, targeting of externalities, and deeper and more mature local capital markets
- **support for economic regulators**, especially in highly regulated sectors, to promote open access to infrastructure, greater consumer advocacy and a better investment climate for private-sector investors, and to ensure the protection of critical infrastructure

- **more effective and efficient provision of public services and infrastructure**.

Value proposition – public-sector clients:

- **improved capacity of state-owned enterprises, cities and municipalities to deliver quality services to citizens and businesses** while reducing fiscal pressures on governments: (i) more clearly defined mandates and corporate governance rules that distinguish between public, commercial and non-core activities; (ii) greater capacity and capability to manage investment, modernise operations, be more resilient to external threats, such as cyber-attacks, and better recover costs of service through enhanced public service contracts and tariff setting; and (iii) more commercially oriented, transparent and accountable operations, including stable and transparent financial frameworks, increased access to commercial financing and PPPs
- **improved institutional performance and greater resilience of state-owned banks and public financial institutions**, enabling them to attract long-term market financing through: (i) alignment with global financial standards; (ii) better processes and systems, and reduced political interference in credit allocation decisions; and (iii) more robust financial oversight thanks to enhanced prudential frameworks.

Value proposition – private-sector clients:

- **enhanced ability for corporates to compete and grow** through: (i) expanded market access, both domestically and through integration into global markets; (ii) a lower cost of capital and greater ability to attract financing and investments, including through local currency and capital markets, as well as foreign direct investment; (iii) opportunities to innovate with more legal predictability and transparency; and (iv) reduced informality and corruption
- **enhanced resilience, greater profitability and more robust financial oversight** of partner financial institutions through improved prudential frameworks and better credit allocation with more regulatory clarity and transparency, in turn enhancing capital-market access and bolstering investor confidence.

Importantly, these value propositions are closely interlinked, with enhanced public institutions and state-owned enterprises ultimately creating a level playing field for private-sector actors, as well as allowing for the better allocation of public resources.

Box 6: Economic governance in telecoms and digitalisation: the modernisation of Tunisie Telecom

In 2025, the EBRD extended a €190 million loan to Tunisie Telecom, launching a comprehensive corporate modernisation programme. This initiative aims to strengthen the operator’s strategic and operational capabilities, focusing on optimising real-estate and operational assets and supporting digital transformation.

The programme includes the introduction of a wholesale market framework for infrastructure sharing, regulatory support for the national telecom regulator and capacity building. Targeted corporate-level improvements include the development of a digitalisation strategy, better asset management and the optimisation of state-owned infrastructure.

These efforts are expected to increase competition and private-sector participation through new wholesale access rules, strengthened regulatory capacity and improved operational efficiency. The innovative financing structure, linking interest rates to reform outcomes, will further incentivise progress.

Measurement of success

2.5. **This inaugural Economic Governance Strategy marks an important milestone in the EBRD’s approach to economic governance**, bringing together a diverse set of engagements and activities under a unified strategic umbrella.

2.6. In light of the breadth of the Bank’s economic governance activities and the nature of economic governance reforms, the strategy recognises that a single scorecard metric would not capture the full scope of transaction-based impact, reform advocacy and broader governance reforms not directly linked to individual transactions.

2.7. **Accordingly, the Bank will employ a combination of reporting and targets to monitor and provide a comprehensive overview of its progress on the implementation of this strategy**. Building on existing reporting systems, the framework will combine numerical and narrative reporting, with a clear focus on systemic change. (See Table 1 for an overview across the public and private sectors and Chapter 3 for details of the reporting methodology.)

2.8. For the purposes of providing a clear signal and incentives as regards the strategic importance of economic governance and building on the Bank's transition impact measurement system, an initial corporate scorecard target will be established for 2026 at the start of the strategy period (see Box 7 for details). This target will focus on state-sector operations,[17] with a goal of having 65 per cent of such operations contributing to economic governance objectives. This approach reflects the SCF 2026-30, which states that during the strategy period, the Bank will strive to maximise the impact of its public-sector investments with the aim of identifying reform opportunities for all public-sector clients or for each sector in which they operate.[18]

2.9. **During the first year of operation, the scorecard target and the underlying methodology will be reviewed, building on lessons learned.** This will also include alignment with the ongoing update to the Bank's transition impact measurement system, which enables a more systematic approach to linking broader sector and upstream policy work with investments. On the basis of the review process, an appropriate scorecard measure will be proposed to the Board of Directors for the remaining strategy period in autumn 2026.

2.10. Monitoring and reporting based on the strategy's Performance Monitoring Framework (PMF) will be captured in the Bank's annual *Impact Report* and Quarterly Board updates. In addition to the metrics and indicators set out in the PMF, reporting will feature impact stories on past or ongoing policy work, capacity building and activities to promote reform. These impact stories will provide analytical insights into the challenges encountered and solutions developed during implementation, helping to inform future engagement.

Table 1: Embedding monitoring and reporting of strategy results in the Bank's established systems

Performance Monitoring Framework	*Impact Report* (annual)	Quarterly Board updates	Corporate scorecard
Covers the full breadth of the Bank's activities • Comprehensive metrics on advisory and policy interventions covering various economic governance areas – indicating the outputs, outcomes and market-level effects (see the PMF for details)	Covers the full breadth of the Bank's activities • Aggregated quantitative indicators on the outcomes/market effects of activities (policy, advisory and investment operations) contributing to economic governance objectives • Case studies and narratives demonstrating the systemic impact of policy reform activities	Cover the full breadth of the Bank's activities • Progress on the corporate scorecard metric • Relevant quantitative metrics on advisory and policy interventions for the particular quarter (a subset of the PMF)	Focus on state-sector operations[19] • Share of state-sector investment operations contributing to economic governance objectives

17 In accordance with Article 11.3 (iii) (a) to (c) of the Agreement Establishing the EBRD, the state sector includes national and local governments, their agencies, and enterprises owned or controlled by any of them. For the purposes of the scorecard target, the definition of the state sector also includes a state-owned enterprise that is implementing a programme to achieve private ownership and control, but does not include loans to a state-owned financial intermediary for on-lending to the private sector. See EBRD (1990).

18 See EBRD (2025a).

19 The focus, scope and specific indicators are subject to refinement during the implementation of the strategy as part of the review of the scorecard methodology and updates to the Bank's transition impact measurement system.

Box 7: The corporate scorecard indicator for economic governance

The methodology for constructing the corporate scorecard for economic governance relies on the Bank's existing system for transition impact monitoring (see Chapter 3 for details).

The Bank's framework for transition impact monitoring draws on the Compendium of Indicators, which is a set of standardised performance monitoring indicators used to record and monitor progress across the Bank's investment operations. As part of the Bank's standard operational procedure, the impact of all investment operations (and related advisory and policy engagements) is monitored and assessed using these standardised performance monitoring indicators.

A subset of these indicators is used to capture progress in the area of economic governance. These indicators span a range of economic governance areas, including improvements in the legal and regulatory environment, market structure and private-sector participation, capacity building for public and regulatory institutions, public-sector governance capacity, and corporate governance standards and practices.

The initial scorecard target covers public-sector operations. However, the selected indicators are applicable and relevant across both (i) private and state-sector operations and (ii) the sustainable infrastructure, corporate and financial institution sectors.

If an investment is assessed as contributing to at least one element of economic governance, it is counted as contributing towards the Bank's economic governance scorecard target.

Links to other 2030 priorities and enablers

2.11. **The EBRD's strategic focus for 2026-30 seeks to build on the synergies between its three SCF priorities to enhance the overall impact of its activities**. Green transition, economic governance, human capital and equality of opportunity for all, digitalisation and private-sector mobilisation are not isolated themes – they are interconnected catalysts for transition.

2.12. **Ukraine will remain at the top of the Bank's operational priorities, with advancing economic governance forming a key pillar of the Bank's engagement in the country**, given the critical importance of reforms to strengthen the country's ongoing resilience in times of war, as well as its progress along the EU integration path. The Ukrainian government is developing a structured approach to implementing large-scale reconstruction, closely linked to the **EU accession process**. This anchor provides clear guidance and strong incentives for aligning institutions, policies and standards with the EU acquis. The Bank will continue to support Ukraine's EU integration process through technical assistance and policy support aimed at achieving institutional changes that enhance competitiveness and resilience. This includes improvements in the **rule of law, regulatory transparency and administrative capacity, including through the flagship Ukraine Reform and Recovery Architecture programme**.

In addition, the EBRD plays a key role alongside other international financial institutions/donors **supporting Ukraine's reform of state-owned enterprises**. The anticipated extensive rebuilding of transport and energy infrastructure must be complemented by comprehensive **reform of infrastructure sector regulation**. This includes removing barriers to private-sector entry, strengthening independence of sector regulators, introducing market-based tariffs and public service obligations, and enhancing the performance of strategic SOEs and natural monopolies. As strategic infrastructure SOEs will continue to receive major international reconstruction funding, corporate governance reforms are critical to instil investor trust and reduce fiscal risks. The government also intends to focus on implementing the reform of Ukraine's legal framework for **PPPs**, and the EBRD stands ready to support the government with implementation.

The EBRD will also focus on supporting **Ukraine's capital and financial market development** to crowd in private investment and de-risk foreign investment. The capital market has the potential to mobilise additional reconstruction financing if the regulatory framework is aligned with EU standards and suitable capital market infrastructure is established. Building on more than a decade of support for capital market reform, the EBRD aims to further assist Ukrainian authorities with the development of Ukraine's capital market infrastructure and alignment with EU standards.

2.13. **Effective economic governance underpins market systems, regulatory environments, and public and private institutions with sustainability objectives**. Reforms at national, sectoral and firm level are all critical to accelerating the green transition and supporting human capital development. Digitalisation plays a pivotal role in increasing transparency and improving governance, and its benefits span all strategic themes. Mobilising private capital is essential in order to deliver on the Bank's ambitious goals. Policy reform activities remain critical to attracting investment through improved legal and regulatory environments.

2.14. **Sound economic governance will be critical to achieving the Bank's green transition ambition, particularly when it comes to market-enabling activities in cross-sectoral engagements**. Concretely, *based on country and client demand*, the Bank will focus on:

- national-level green transition governance, in line with the Bank's mandate to support market transition. The Bank will support the development of policy and strategic frameworks anchored in economic priorities that foster resilience and competitiveness through detailed policy instrument design and subsequent implementation support.
- public-sector governance to create an enabling environment for private capital mobilisation and facilitate delivery that incorporates green considerations
- firm-level governance to enhance capacity, transparency and competitiveness.

2.15. **Equally, economic governance and the SCF theme of strengthened human capital and equality of opportunity for all can be mutually reinforcing drivers of competitiveness, resilience and inclusive growth**. Institutions that are transparent, predictable and resistant to corruption create a business environment where all economic actors can access economic opportunity, including jobs, entrepreneurship and finance, as well as services. This is consistent with the objectives set out in the Bank's Equality of Opportunity Strategy and its Strategy for the Promotion of Gender Equality. In line with these, the Economic Governance Strategy focuses on strengthening anti-corruption frameworks, competitive procurement and policy clarity, supporting human capital and equality of opportunity objectives to reduce structural barriers. Moreover, sector regulatory and market-supervision reforms help manage the labour-market impacts of digitalisation and decarbonisation, enabling a just and skills-ready transition. Consequently, the EBRD will seek to:

- build client-level capabilities through inclusive economic governance reforms and transition plans
- promote economic governance frameworks to embed inclusive priorities as part of public service provisions
- strengthen public-sector capabilities, ensuring that institutions are more representative, inclusive and effective.

2.16. **Digitalisation creates transformative potential for economic governance** by enhancing transparency, reducing opportunities for corruption, improving user access, lowering administrative costs and broadening market participation. The Bank will:

- support national artificial intelligence (AI) strategies, intellectual property policies and data governance frameworks
- encourage conducive regulatory environments that promote digital transformation and cybersecurity (facilitating transactions through ad hoc, targeted engagement with the relevant authorities)
- enhance governance and transparency through e-government services promoting business, including the digitalisation of procurement, licensing and business-oriented public service delivery
- assist with the modernisation and institutional transformation of state-owned enterprises and private-sector clients by supporting their digital transformation, strengthening their cyber positions and promoting alignment with international cybersecurity standards
- preserve the sanctity of information by strengthening digital governance practices.

2.17. **Promoting sound economic governance aimed at creating and safeguarding competitive markets is fundamental to creating the conditions for mobilising private financial flows**. Mobilising private capital at scale fundamentally depends on investor confidence and market credibility, underpinned by good governance. Specifically, the Bank will seek to further enhance the mobilisation of domestic and foreign private capital through the following economic governance interventions:

- improving the transparency, accountability and operational performance of both public- and private-sector borrowers
- supporting legal and regulatory reforms in capital markets, competition policy, contract enforcement and corporate governance reforms to broaden the investor base, support innovative financing and facilitate access to capital markets, including green and sustainability-linked instruments
- supporting state-owned enterprise and utility reform to create commercially viable entities capable of attracting equity partners supporting PPPs.

Box 8: Transforming economic governance in Uzbekistan's energy sector

The Bank's engagement in Uzbekistan's energy sector began with foundational reforms in 2018, supporting the government's efforts to modernise sectoral governance and create a transparent, competitive market. Early assignments focused on unbundling the state utility, establishing an independent regulator and drafting new electricity legislation. These reforms laid the groundwork for the introduction of competitive renewable energy auctions, with the Bank providing technical assistance and backstopping the first wind and solar tenders.

Building on this foundation, the Bank's support expanded to include the development of multi-year renewable investment plans, grid modernisation and the design of market-based incentive schemes. Capacity building for local authorities and the creation of robust regulatory frameworks ensured that Uzbekistan was equipped to attract private investment at scale.

Since 2022, these efforts have translated into tangible results: more than 3 GW of renewable generation capacity financed by the EBRD as at mid-2025, often in partnership with other international financial institutions and commercial lenders, alongside major upgrades to transmission infrastructure and the integration of battery storage. The adoption of a new electricity law in 2024 further strengthened the sector's regulatory environment, supporting continued investment and market growth.

Uzbekistan's experience demonstrates how sequenced policy reforms, anchored in strong governance and market design, can unlock significant private and public investment, accelerating the country's transition to clean, competitive energy, improved energy security and access to reliable and affordable energy for citizens and firms.

3.
2030 delivery

3. 2030 delivery

Theory of change for the Economic Governance Strategy 2026-30

3.1. **Building on the EBRD's long experience, this strategy will guide the adoption of a distinct multi-layered approach that embeds economic governance in meaningful market transformation**.

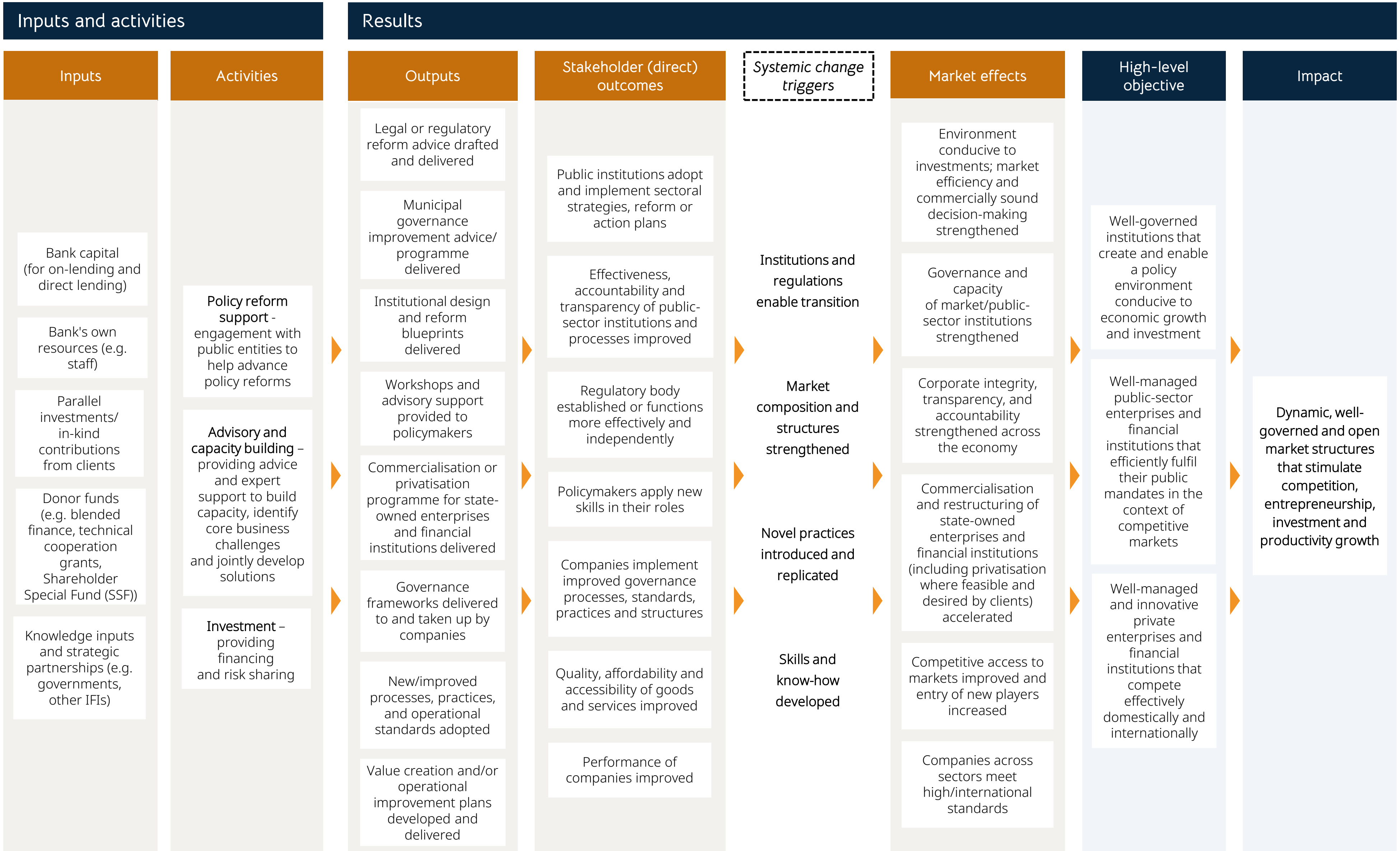
3.2. **Accordingly, the Bank will leverage its full suite of investments and policy operations to promote systemic change across businesses, public enterprises and state institutions**. In particular, the Bank will adopt a more comprehensive and systematic approach, recognising that successful sustainable economic governance requires long-term commitment and consistency.

3.3. **To ensure coherence across this multi-layered approach, the delivery of this strategy is anchored in a detailed theory of change (see Figure 2),** which complements those presented in the Bank's individual sector strategies by providing a unifying narrative for the Bank's economic governance inputs, outputs and intended impact across all of its operations.

3.4. **By combining a clear set of inputs (capital, staff expertise, partnerships and donor financing), the Bank's distinct approach to economic governance draws on synergies** between (i) investment, (ii) advisory services and capacity building, and (iii) policy reform support to achieve transition impact.

3.5. The outputs of the Bank's economic governance-related activities lead to outcomes at client level, while also generating broader effects at the market level, with the potential for far-reaching systemic impact across sectors and institutions. These outcomes can be measured using indicators tailored to different governance objectives, including the implementation of improved governance practices at client level – supporting corporate integrity and transparency – and indicators related to sectoral and national-level policy commitments. Over time, these outcomes reinforce and amplify each other, contributing to sustained market transformation

Figure 2: Theory of change for the Economic Governance Strategy 2026-30



Delivery mechanisms to maximise impact

3.6. **The scale and scope of economic governance reform opportunities will depend on the congruence of a number of factors**, in particular: (i) scope for EBRD investment, (ii) clients' and counterparts' appetite for reform and engagement with the Bank, (iii) relevance of the Bank's expertise, (iv) partnerships with other reform-minded organisations, (v) availability of internal and external resources, and (vi) a supportive, enabling environment.

3.7. **The Bank will be agile in its approach, adapt to dynamic local contexts and leverage its relationships with clients and governments**, as well as its extensive local presence, to design interventions tailored to local contexts. By working in close partnership with reform-minded clients and adopting a longer-term, relationship-based approach, the Bank will endeavour to ensure that its economic governance interventions deliver value to clients and governments. The approach will be based on an analysis of long-term policy reform priorities in a sector or country and set out how successive engagements will contribute to these reform priorities, building on progress made to date, with a view to achieving future reform objectives. Such an approach will also help to build lasting institutional capacity and local ownership, so reform is sustained even after the Bank concludes its activities.

3.8. **This approach leverages core EBRD processes** by embedding economic governance considerations into country diagnostics, sector analyses and client assessments to systematically identify governance gaps. Future **country strategies** will explicitly reference economic governance as one of the SCF thematic priorities, incorporating relevant objectives and expected activities. This emphasis strengthens the link between country diagnostics, strategic objectives and operational engagement. Building on changes already made in recent country strategies, this will frame economic governance more clearly as a core element of the Bank's country engagement where appropriate, supporting a consistent articulation of the Bank's economic governance priorities at country level and providing a clearer basis for dialogue and engagement with key public- and private-sector stakeholders, including supporting countries' translation and delivery of reform commitments agreed with international organisations and, where relevant, the European Union. At an operational level, country strategies and policy compacts will inform transaction-level engagements – articulated in Economic Governance Action Plans – as well as input to the Sector Reform Roadmaps, when developed (see below).

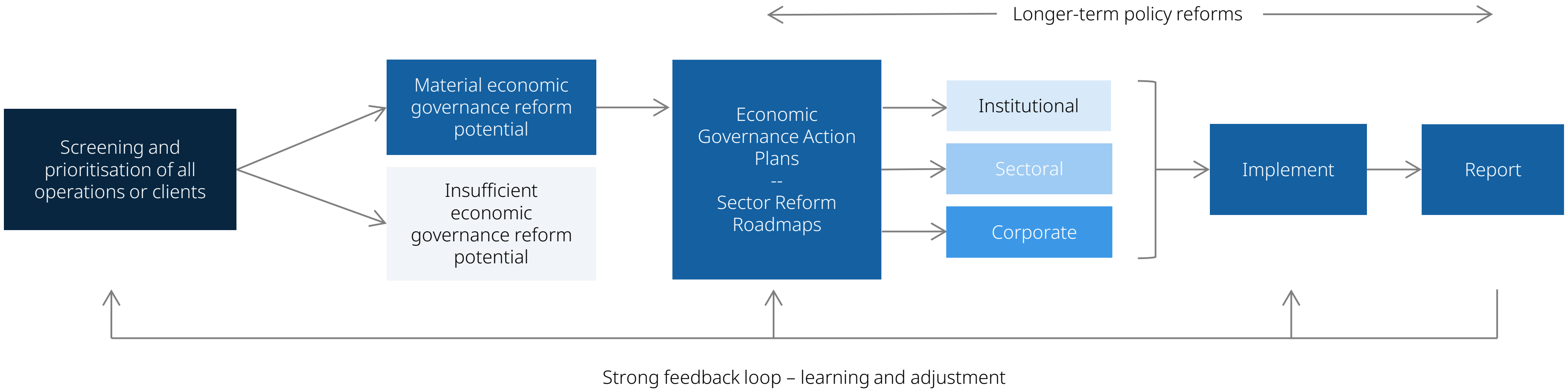
3.9. **The strategy will be operationalised through the introduction of a new systemic and intentional approach where interventions will be prioritised on the basis of their potential to deliver meaningful impact**. The Bank already assesses all projects to ensure that sound banking principles are adhered to, that additionality of financial and non-financial impact is achieved, and that operations result in measurable transition impact. In addition, the Bank will now:

- **screen and prioritise all new investment proposals and/or clients to identify areas where the EBRD has a mandate and the operational leverage to support economic governance reforms**. This process will consider sectoral, client and investment characteristics, including size, political economy and counterparts' current and previous policy work (including work led by other international financial institutions). It will also consider relevance of EBRD expertise, availability of resources, potential for leverage (market openness, regulation, tariffs and presence of public service contracts/obligations), and reform commitments to international organisations and, where relevant, the European Union. The Bank will prioritise interventions with clients that demonstrate commitment to reform. The screening process will complement the Bank's existing systems for assessing operations for sound banking, additionality and transition impact, bearing in mind the Bank's products and expertise, the need for willing clients, and close partnerships with other multilateral development banks, the EU, governments and other stakeholders.
- **develop Economic Governance Action Plans** translating identified reform potential into coherent, **project-specific** engagements, consolidating economic governance commitments made with clients across transition qualities to establish a comprehensive reform narrative. The EGAPs will be reflected in the Board's project documentation for projects where reform potential has been identified.
- **develop Sector Reform Roadmaps in priority sectors**. These roadmaps will be dynamic management tools providing tailored guidance involving support for multi-stage reform engagements that accompany clients and authorities through successive phases of reform over a longer time horizon, with the aim of achieving

sustained, economy-wide impact. Sectoral Reform Roadmaps will be initiated in sectors where the Bank pursues a series of long-term engagements to achieve systemic impact, especially in complex markets, sectors with reform-minded clients where the Bank can leverage longer-term relationships, or where there are opportunities for cross-border cooperation and integration.

Figure 3: Focused screening of all investment operations and/or clients for viable engagements in the area of economic governance will guide strategic sector policy work for deeper impact

All EBRD operations or clients will be screened for economic governance potential and, where meaningful and viable opportunities are identified, the Bank will design and deliver context-specific engagements with transformative potential, linked to longer-term policy reform agendas.



Enhanced screening and prioritisation process

The Bank will screen and prioritise all operations or clients for the potential for meaningful and viable economic governance reform.

This process will be based on the congruence between several factors, including: (i) transaction characteristics; (ii) client characteristics; (iii) potential for leverage (market openness, regulation, tariffs, public service contract presence, commitments to international organisations, including the EU, as appropriate); (iv) relevance of EBRD expertise/mandate; (v) partnerships with reform-minded actors; (vi) resource availability; (vii) an enabling environment, including regulatory and governance quality; and (viii) delivered/ongoing policy work.

This will be guided by inputs from the Vice Presidency, Policy and Partnerships, Banking, and relevant sector and country strategies

Economic Governance Action Plans and Sector Reform Roadmaps

Economic Governance Action Plans will be developed where the Bank identifies economic governance reform potential at the project level. They will articulate specific objectives and activities responding to gaps and reform opportunities at institutional, sectoral and corporate level, building on relevant existing Bank products including Corporate Development Plans (CDP). Succinct economic governance action plan narratives will be included in Board documents.

Sector Reform Roadmaps will be developed for key sectors as a dynamic management tool detailing long-term policy reform pathways over several projects, while ensuring coordination with other MDBs and donors, reflecting lessons learned, and objectives in the Bank's country and sector strategies. Delivery will combine financing, technical cooperation and sustained policy dialogue across private and public clients.

Implementation

Activities to address economic governance challenges will leverage the Bank's partnerships with reform-minded clients and other development actors, particularly MDBs, and utilise the full suite of Bank instruments, and develop new ones over time.

Reporting – Feedback – Learning

- Broader policy initiatives will be reported in the annual *Impact Report* and Board updates, while investment and client engagement will be captured by the Monarch/TOMS system.
- This information will also feed into feedback and learning processes.

Partnerships

3.10. **The Bank does not act alone; it is part of a broader international system committed to shared goals. Consequently, it can only accelerate transition impact and strengthen economic governance by collaborating effectively with others**. Accordingly, to deliver these interventions, the EBRD will draw on strong and strategic partnerships, as well as its power to convene stakeholders across the private sector, international financial institutions, bilateral donors, governments, civil society, and research and academic institutions. By working with multilateral institutions, donors, operating partners and civil society, the EBRD ensures that its reform-focused interventions are well targeted and correctly designed, draw on complementary expertise and resources, and avoid duplication of effort.

3.11. **Donor partnerships are essential to achieve the goals of this strategy**, enabling the promotion of best practice in priority sectors; addressing political economy or affordability barriers; compensating for shortfalls in institutional capacity; aligning interventions with international priorities and commitments; and increasing the scalability and impact of EBRD interventions. The EBRD deploys donor funds in a variety of ways, to enable investments to take place, to provide technical assistance to clients, and to enhance transition impact in the economies where it operates. A growing number of EBRD shareholders, including some of its investee economies, have also become bilateral donors to the Bank, in recognition of the impact the Bank can have with external support.

3.12. **The EBRD also works closely with other multilateral institutions** (including the European Commission, the World Bank Group, the International Monetary Fund, the European Investment Bank, the Asian Development Bank, the African Development Bank, the Organisation for Economic Co-operation and Development (OECD) and the United Nations) that share its objectives of promoting macroeconomic stability, regulatory reform and institution-building – all core components of the Bank's economic governance agenda. Through coordinated policy engagement, joint analytical work and participation in country reform platforms, the EBRD builds on international best practices and aligns its support with that of its partners to provide coherent, mutually reinforcing policy advice to governments and avoid duplication of effort. In particular, the Bank's operating model combining policy reform with technical assistance and investments complements the policy lending and budget support provided by other IFIs to advance economic governance reforms at the national, sector and client levels (see Annex 4 for more details).

3.13. **Civil-society organisations are key partners for the EBRD**, helping to promote the Bank's investment, policy dialogue and advisory activities in the economies where it operates, and establishing accountability and public support for Bank activities. The EBRD engages actively with civil society organisations at both the local and international level through information exchange, dialogue, consultation, collaboration and partnership, as outlined in its Approach to Civil Society Engagement for 2024-29.[20]

Implementation enablers and challenges

3.14. Implementation of the Economic Governance Strategy relies on a set of key internal and external enablers.

3.15. **Internal enablers**

- **Efficient systems and processes**: Streamlined internal processes, improved internal systems for capturing, monitoring and reporting policy work, effective collaboration and alignment across SCF priorities are all necessary to enhance efficiency and impact.
- **Appropriate resourcing** commensurate with the Bank's increased ambition levels. This includes resources for new staffing positions, reflecting the need to scale up sectoral and policy expertise to meet the ambitions of the strategy. Additional resources will also be required for the training and upskilling of staff, both at EBRD headquarters and in the Bank's regions, to design and deliver effective reform engagement.
- **Incentive mechanisms**: Operational delivery will be supported by performance targets, recognition and visibility instruments that encourage proactive engagement and sustained reform efforts.

20 See EBRD (2024c).

3.16. External enablers

- **Client commitment and political readiness for reform**. Reform success at corporate level hinges on clients' assessment of added value, along with their willingness and ability to implement changes that may be difficult, costly or politically sensitive. At sectoral and economy level, reform-oriented governments can create windows of opportunity, while sustained advocacy and deep engagement can foster behavioural shifts and build reform appetite over time.
- **Donor funding**. Policy advice, technical assistance and capacity-building activities are heavily reliant on donor funding. This dependence is particularly acute in the case of economic governance, because of the complex, sustained engagement required at national, sector and corporate level.

Performance and impact monitoring system

3.17. **To monitor progress on the implementation of the strategy, well-established Bank systems are employed.**

3.18. The EBRD's overall impact management framework comprises a cycle of planning, design, monitoring, reporting and learning that encompasses Bank activities, countries of operation, themes, sectors and the institution as a whole. The Bank's corporate mandate, strategic directions and medium-term priorities drive its impact management through the SCF.

3.19. **Impact metrics** are aligned with the strategic directions outlined in the SCF. The medium-term priorities and strategic directions set out in the SCF are **updated every five years**. The latter are translated into concrete actions in an **annual Strategy Implementation Plan (SIP),** which sets short-term objectives accordingly. The SIP outlines the **Bank's corporate scorecard** target for the coming year, including targets for the transition impact of new projects and the portfolio, as well as investment targets for strategic objectives. It also sets goals for operational and financial performance**. A new corporate scorecard target is established under the Economic Governance Strategy**, with a focus on state-sector operations (see Chapter 2 and Box 7 for details).

3.20. **The EBRD cascades targets set out in its corporate scorecard down to relevant teams** to ensure the Bank remains focused on its mission of achieving transition impact. Country, sector and thematic results frameworks are aligned with corporate priorities, informing assessment and results matrices for EBRD investments, policy dialogue and advisory services. Results of specific investment, policy dialogue and advisory projects are recorded and monitored using standardised monitoring metrics that are drawn from the Bank's Compendium of Indicators, covering outputs, direct outcomes and higher-level market effects, to the extent possible.

3.21. **The EBRD manages impact through a robust system of checks and balances over the entire lifecycle of an investment (and beyond), including ex ante assessment, monitoring during the project's active phase, and post-completion evaluation**. The process has been streamlined with the development of a single IT ecosystem called Monarch, through which the entire project assessment and monitoring process is conducted. Monarch aims to make the transition impact assessment clearer, more objective and transparent.

3.22. **To support efficient monitoring and delivery of the Economic Governance Strategy, with a strong focus on outcomes and results, a Performance Monitoring Framework (see Table 2) has been developed**. The PMF provides a comprehensive framework that connects the Bank's activities in the realm of economic governance to metrics of progress and achievement of the strategy's objectives, reflecting the strategy's theory of change (see Figure 2) and the Bank's overall impact management framework.

3.23. **The PMF includes a broad suite of output, outcome and impact indicators.** At the output level, the PMF draws on the Bank's Compendium of Indicators and covers activities related to investment operations as well as standalone technical cooperation projects. These activities range from the adoption of modern business and corporate governance standards by Bank clients and enterprise restructuring to regulatory and policy reform support. The PMF also includes higher-level (sectoral and economy-wide) metrics that help to monitor the progress of the Bank's investee economies in the area of economic governance and are used to continuously assess the context of EBRD interventions.

Table 2: Performance Monitoring Framework for Economic Governance Strategy

Tracking indicators			Context indicators
Outputs	Stakeholder outcomes	Market effects	High-level objectives
• Number of policy reform proposals and strategy, law and regulatory changes delivered or drafted • Number of stakeholders trained or supported through capacity building (in the domain of economic governance) • Number of e-government and similar initiatives to digitise government services for businesses implemented • Number of state-owned enterprises and financial institutions undertaking operational and financial restructuring programmes • Number of clients introducing corporate governance improvements • Number of clients introducing improvements to climate corporate practices • Number of new or improved public contractual arrangements and cooperation models introduced (public service contracts, PPPs or equivalent) • Number of clients introducing new or significantly updated standards and practices (on procurement, integrity and anti-corruption, management quality and other relevant matters)	• Number of policy reform proposals and strategy, legal and regulatory changes adopted • Number of stakeholders benefiting from improved public services for businesses • Number of state-owned enterprises and financial institutions with improved operational and financial performance • Number of clients implementing improved corporate governance practices • Number of clients implementing improvements to climate corporate governance and climate business practices • Number of clients implementing new or significantly improved standards and practices (on procurement, integrity and anti-corruption, management quality and other relevant matters)	• Indicators of the quality of sectoral governance (Resource Governance Index, OECD Indicators on the Governance of Sector Regulators, OECD Foreign Direct Investment Regulatory Restrictiveness Index, the EBRD Financial Market Development Index (legal and regulatory frameworks component) and other applicable) • Improved credit ratings of state-owned enterprises and financial institutions in a country and/or evidence of sectoral or macroeconomic impact of improved performance of state-owned enterprises and financial institutions • EBRD corporate governance assessments for countries of operation, or similar • Assessment of the prevalence of Task Force on Climate-related Financial Disclosures (TCFD) recommended disclosures and/or alignment with the Science-Based targets initiative (SBTi) • Assessment of prevalence of international product and other relevant standards in sectors/economy • Assessment of management practices based on Enterprise Surveys or similar sources	• World Governance Indicators (on government effectiveness, regulatory quality and other relevant dimensions) • World Bank Business Ready (B-READY) Index • E-Government Survey (UNDESA) and similar assessments • BTI Transformation Index (Economic Transformation and Governance Index) • Transparency International Corruption Perceptions Index • Degree of complexity/diversification of economy/exports; measures of economy-wide competitiveness

Supplementary material

Annex 1: Economic governance diagnostic

Introduction

1. **This diagnostic summarises the current state of economic governance in the economies and sectors where the Bank operates** using internal diagnostics, published indices and academic research. After outlining key concepts, it examines differences in and progress on governance across regions and sectors, concluding with challenges associated with data access and measurement.

Conceptual foundations

2. **Governance refers to the set of formal and informal rules that influence the behaviour of economic and political participants.** Key academic literature identifies inclusive institutions,[21] state capacity[22] and the rule of law[23] as factors associated with economic outcomes.

3. **Economic governance specifically concerns the interaction between state structures and market actors.** For the EBRD, this includes the frameworks, policies and institutions regulating corporate conduct, sectoral oversight and public administration. Effective economic governance is characterised by predictability, transparency, accountability and the ability to design and implement reforms. As a component of governance aimed at supporting adaptive and robust economies, central aspects of economic governance include:

   - **adherence to the rule of law** to establish consistent contract enforcement and property rights protection, contributing to trust and confidence in transactions
   - **a stable investment environment** supported by independent legal systems and clear regulation provides the conditions necessary for domestic and international investment in long-term ventures
   - **market contestability**, identified by minimal entry and exit barriers to the marketplace, supports competition between market entities, which can result in operational improvements, greater efficiency and advantages for consumers
   - **mechanisms for fair competition** to address anti-competitive behaviours (such as cartels or monopolies) and promote inclusive economic growth by maintaining equal opportunities among market entities
   - **transparency and accountability**, helping limit corruption in both the public and private sectors and aligning economic activities with broad societal interests
   - **incentives for innovation and value creation** to reward public and private-sector organisations for productive contributions to economic development, as opposed to gains based on political affiliation or unproductive rent-seeking.

The benefits of economic governance at macro level

4. **Economic theory and empirical evidence converge on the point that governance reforms yield tangible dividends.** Academic literature emphasises that institutional quality is a more important driver of sustained growth than natural resources or geography.[24] A well-governed economy reduces transaction costs, enhances trust and stimulates productive investment. Conversely, weak economic governance creates uncertainty, fosters informality and corruption, and undermines competitiveness.

5. **Quantitative evidence illustrates the scale of the potential gains from governance reforms.** Closing half the gap in institutional quality between the EBRD regions and the G7 average could increase per capita income growth by around 0.9 percentage point annually. Similarly, a 1 standard deviation reduction in informal payments is associated with a 1.4 percentage point rise in annual sales growth. These estimates highlight the measurable economic payoff of governance improvements.[25]

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21 See Acemoglu and Robinson (2012).

22 See Fukuyama (2014).

23 See North (1990).

24 See Acemoglu, Johnson and Robinson (2001), Rodrik, Subramanian and Trebbi (2004), Hall and Jones (1999) and EBRD (2019).

25 See EBRD (2019).

6. **The literature consistently demonstrates that robust governance produces measurable benefits across various dimensions of economic performance**. In the financial sector, well-governed banks are more effective at credit allocation, mitigate the accumulation of non-performing loans and support the creation of deeper, more resilient capital markets and enhanced financial stability, thereby fostering conditions conducive to long-term growth.[26]

7. **Governance quality also plays a critical role in attracting and retaining investment**. Transparent, predictable and stable institutional frameworks reduce risks for investors and incentivise long-term capital commitments. Empirical studies indicate that countries with stronger governance frameworks consistently secure higher and more sustainable inflows of foreign direct investment.[27]

8. **Reducing corruption and reinforcing contract enforcement amplify these benefits**. By minimising distortions and strengthening the rule of law, governance reforms enhance incentive structures throughout the public and private sectors. Research provides compelling evidence that lower corruption levels and more robust judicial systems are associated with faster and more sustainable economic growth – an observation corroborated by EBRD analysis.[28]

9. **Governance reforms contribute to greater resilience**. Impartial institutions cultivate social trust, which improves crisis response capabilities and underpins inclusive growth. Research demonstrates that societies with fair and predictable institutions are better positioned to absorb shocks and ensure broadly shared economic progress.[29]

Variations across EBRD investee economies

10. **Governance gaps remain significant across the EBRD regions, with economic governance indices strongly linked to both economic and general governance levels.** Less developed regions and economies, such as sub-Saharan Africa (SSA), the southern and eastern Mediterranean (SEMED), central Asia and Mongolia, tend to have the largest gaps, while more developed ones, such as Türkiye and central Europe and the Baltic states (CEB), have smaller gaps than OECD benchmarks. This trend aligns with the findings presented in Table A.1.1.

26 See Basel Committee on Banking Supervision (2021).

27 See Bailey (2018), Busse and Hefeker (2007), Globerman and Shapiro (2003) and Khan et al. (2024).

28 See EBRD (2019), Knack and Keefer (1995) and Mauro (1995).

29 See Teorell and Rothstein (2009).

Table A.1.1: Economic governance gaps in the EBRD regions

	Governance[30]	Perception of corruption[31]	Competition[32]	SOE governance framework[33]	Agriculture[34]	Digital[35]	Financial markets[36]	Mining[37]
Sub-Saharan Africa								
Central Asia and Mongolia								
Southern and eastern Mediterranean								
Ukraine and Moldova								
Türkiye and Caucasus								
South-eastern Europe								
Central Europe and Baltics								
EBRD								
Emerging economies								
OECD								

Note: Colours indicate the size of gaps relative to the frontier or OECD comparators in the specific (economic) governance indicator, using simple unweighted regional averages. Shades of red indicate larger gaps, while shades of green indicate smaller gaps. White indicates an absence of data.

30 Measured by the EBRD's ATQ score for "well governed" (2024). See EBRD (2024a).

31 Measured by Transparency International's Corruption Perception Index (2024). See Transparency International (2024).

32 Measured by the Bertelsmann Transformation Index's Organization of the Market and Competition subindex (2024, excluding the banking sector). See Bertelsmann Stiftung (n.d.).

33 Measured by the World Bank's state-owned enterprise corporate governance index (2015-18). See World Bank (2020).

34 Measured by the World Bank's Enabling the Business of Agriculture index (2019). See World Bank (n.d.b).

35 Measured by the International Telecommunication Union's ICT Regulatory Tracker, gen5.digital (2024). See International Telecommunication Union (2024).

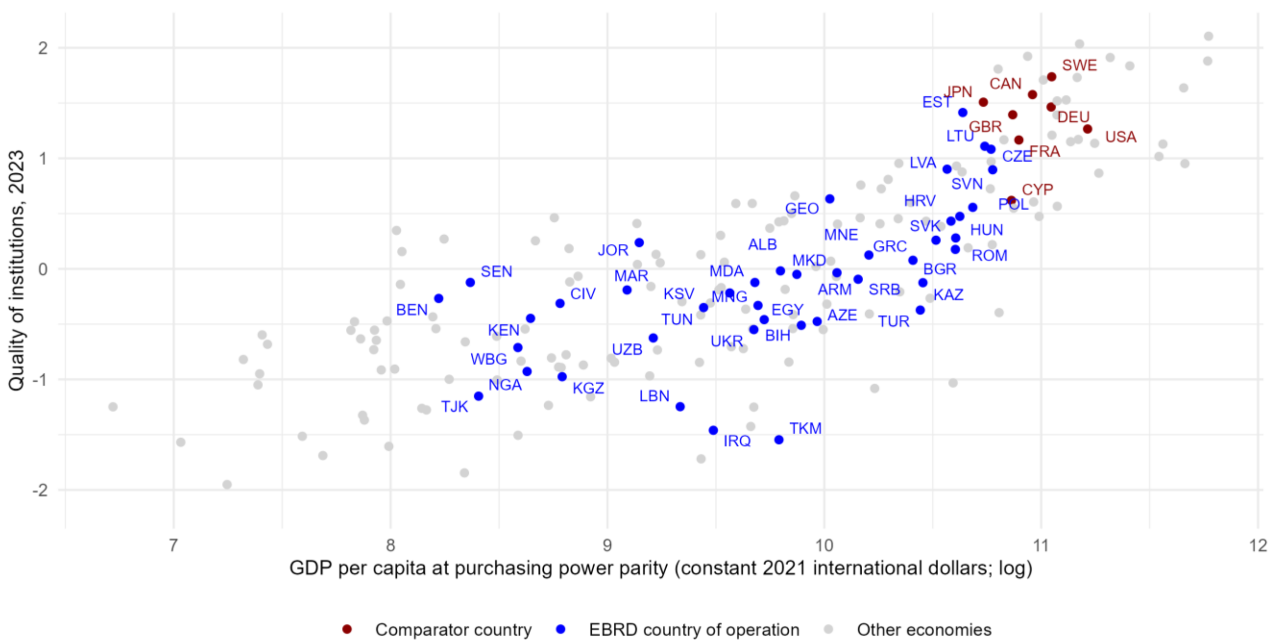
36 Measured by the EBRD Financial Market Development Index's Legal and Regulatory subindex (2023). See EBRD (2025d).

37 Measured by the Natural Resource Governance Institute's Resource Governance Index (2021). See Natural Resource Governance Institute (n.d.).

11. Whereas economic governance gaps exist in all EBRD investee economies, they vary widely across the Bank's regions, reflecting differences in level of development, institutional capacity and reform progress.

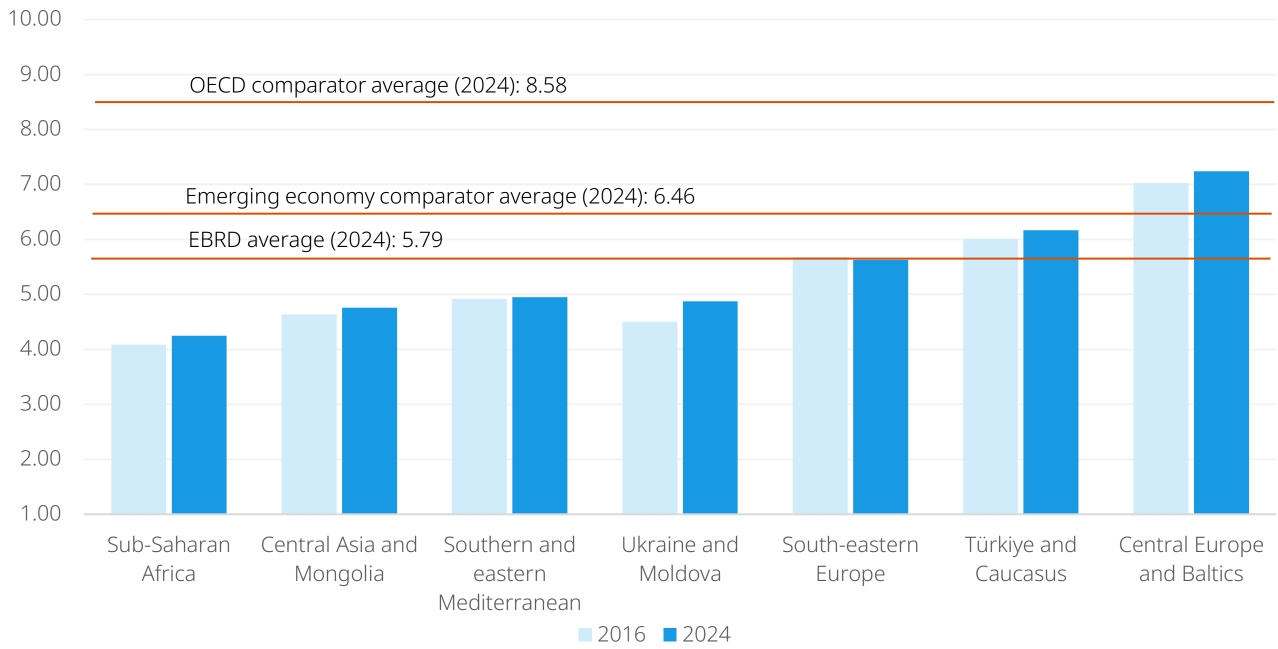
12. Figure A.1.1 illustrates variations in governance levels across the regions, mapped against gross domestic product (GDP) per capita, while Figure A.1.2 shows developments over time.

Figure A.1.1: Economic development and governance indices are generally closely related



Source: World Bank (n.d.a) (2024 update) and EBRD calculations. Note: The quality of institutions is captured by a simple average of the Worldwide Governance Indicators (WGI) for control of corruption, government effectiveness, regulatory quality and the rule of law.

Figure A.1.2: Governance has improved over time in most EBRD investee economies: assessment of transition qualities (ATQ) scores for "well governed" in 2016 and 2022



Source: EBRD.
Note: Scores are on a scale of 1 to 10, where 10 represents a synthetic frontier corresponding to the standards of a sustainable market economy.

12.1. Sub-Saharan Africa: SSA has the lowest per capita GDP in the EBRD regions – around half the level of the SEMED region – and the second-largest governance gaps after Iraq. Nonetheless, it performs comparatively well on competition, digitalisation and mining governance, often surpassing Central Asia and SEMED. The relative strength of digital governance reflects the rapid spread of mobile technologies. Overall progress since 2016 has been modest, though improvements are evident in financial-market regulation and mining.

12.2. Central Asia and Mongolia: The region's governance performance is broadly comparable to that of SSA, despite having an average income level nearly three times higher. Regional disparities are significant: Tajikistan ranks below all SSA countries in per capita GDP terms, while Kazakhstan's income is 10 times higher. Weaknesses are concentrated in the area of corruption and financial-market governance, while the region unexpectedly scores lower than SSA on digital and financial market governance. Apart from progress on mining governance, little improvement has been recorded since 2016.

12.3. Southern and eastern Mediterranean: SEMED's governance scores resemble those of SSA and Central Asia, with particularly large gaps in the perception of corruption and financial-market governance. The region performs below both of the latter on mining governance and, between 2016 and 2024, showed no meaningful improvement.

12.4. Ukraine and Moldova: Ukraine and Moldova have higher governance scores than Central Asia and Mongolia and the SEMED region. At the same time, those countries continue to demonstrate weaknesses in several areas, including corruption and financial market governance. The governance of state-owned enterprises and state-owned banks requires significant further improvement, particularly in Ukraine.

12.5. South-eastern Europe (SEE): SEE outperforms SSA, Central Asia and SEMED in all governance areas, with notable strengths in competition and agricultural governance. This reflects the influence of EU membership and candidacy, which requires approximation to the EU acquis. Between 2016 and 2024, however, progress was minimal and some backsliding occurred on competition governance. This was mainly due to the weakening of competition enforcement in the Western Balkans relative to advanced economies.

12.6. Türkiye and Caucasus: The Türkiye and Caucasus region boasts relatively high governance scores overall but underperforms on the perception of corruption, competition and SOE governance (with the latter being based on assessments for Azerbaijan and Georgia).

12.7. Central Europe and the Baltic states (CEB): CEB countries demonstrate the strongest governance performance in the EBRD regions, with particularly high scores for competition, food and agribusiness, and financial markets. However, governance gaps persist as regards "well governed" ATQ scores and the perception of corruption compared with OECD benchmarks. Since 2016, progress has plateaued, with no visible improvements recorded.

13. In summary, the governance quality broadly correlates to economic development across the EBRD regions. CEB is approaching advanced standards, Türkiye and Caucasus and SEE are showing gradual convergence, while Central Asia and Mongolia, SEMED and SSA have significant gaps and slower reform momentum, particularly when it comes to corruption and financial governance.

Variations across sectors

14. While governance challenges are often assessed at national level, important differences also emerge across the sectors in which the EBRD operates. Sectoral governance is harder to measure, as dedicated indicators are scarce and often cover only a limited set of economies and time periods. Nevertheless, available evidence highlights substantial disparities in the quality of governance across sectors.

14.1. Agribusiness: Agricultural governance varies widely, with top performers in the EBRD regions approaching advanced-economy benchmarks, while others remain well below. The World Bank's Enabling the Business of Agriculture survey provides the most systematic assessment, examining regulatory frameworks in areas such as seeds, fertilisers, machinery, water, plant health, livestock, food trade and finance.[38] The latest available data

38 See World Bank (n.d.b).

(for 2019) show large differences across regions: CEB and SEE perform close to or above OECD comparators, while Iraq, SSA, SEMED and Central Asia lag significantly. The strong performance in CEB and SEE reflects EU acquis alignment, while weaker regions face persistent structural barriers to integration and modernisation.

14.2. Digital services: Digitalisation can strengthen governance by increasing transparency, efficiency and accountability in public administration and service delivery. However, effective digital governance requires robust institutions to ensure data security, protect citizens' rights and prevent market distortions. Performance varies considerably: SSA shows relatively strong digital governance outcomes thanks to the rapid adoption of mobile technologies; in other regions (like Central Asia and Mongolia, as well as SEMED), underdeveloped legal frameworks, governance gaps and weak enforcement limit the benefits of digitalisation.[39]

14.3. Mining: Resource governance demonstrates mixed outcomes. Some countries, such as Azerbaijan, through fiscal rules governing its State Oil Fund, have strengthened transparency and fiscal discipline. SEMED, in contrast, performs poorly on mining governance, with regression recorded between 2016 and 2024. Overall, resource-rich economies that adopted clear fiscal and regulatory frameworks have achieved greater stability and accountability, while those without reforms continue to face high risks of mismanagement and rent-seeking.[40]

14.4. Financial sector: Financial-market governance is a central determinant of economic resilience and stability. Türkiye performs relatively strongly, reflecting regulatory alignment with international standards, but Central Asia and SEMED lag significantly, particularly on supervision, transparency and risk management. Weaknesses in these areas constrain credit allocation, undermine market confidence and limit financial deepening. Some progress has been observed in SSA, where financial regulatory frameworks have strengthened gradually, but large gaps remain compared with regional leaders.[41]

15. Taken together, these sectoral variations confirm that governance quality is not uniform, even within the same economy: sectors linked to EU integration (such as food and agribusiness and finance in CEB and SEE) show the strongest performance, while extractives, finance and digital governance remain weak in SEMED, Central Asia and SSA. This underlines the importance of sector-specific diagnostics and tailored reforms to complement country-level approaches.

Data and measurement challenges

16. The measurement of governance remains a complex and often-debated endeavour. Robust evaluation of economic governance has emerged as an essential facet of empirical research within development economics and political economy. Recognising its significant influence on economic outcomes, extensive efforts have been made to develop reliable and comparable indicators to encapsulate its multifaceted character.

17. The most prominent and frequently referenced indicators in this domain are the World Bank's Worldwide Governance Indicators. This comprehensive framework comprises six composite measures: voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption. The indicators are derived from more than 30 data sources, including expert assessments and survey evidence. The Worldwide Governance Indicators have become the prevailing benchmark in empirical studies that examine relationships between governance quality, economic growth, institutional performance and development outcomes.[42]

18. Several other indices also offer valuable perspectives on specific dimensions of economic governance. The OECD's Product Market Regulation indicators assess regulatory barriers and levels of competition in various sectors, predominantly in high-income economies. Although coverage is limited to 12 high-income EBRD economies, insights drawn from these indicators can apply to lower-income contexts, providing transferable lessons.[43] The Bertelsmann Transformation Index adopts a broader approach, evaluating governance in relation to democratic development

39 See International Telecommunication Union (2024).

40 See Natural Resource Governance Institute (n.d.).

41 See EBRD (2025d).

42 See Kaufmann, Kraay and Mastruzzi (2011) and World Bank (n.d.a).

43 See OECD (n.d.).

and economic transformation across both developing and transition countries.[44] Region-specific tools, such as the Ibrahim Index of African Governance (IIAG), focus on aspects such as public service delivery, rule of law and transparency within Africa. These diverse instruments facilitate nuanced analysis of governance across differing political and economic settings, despite certain limitations, such as the restricted cross-regional comparability of the IIAG.[45]

19. The EBRD conducts its own assessment of "transition gaps" between the economies in which it operates using six transition qualities – competitive, well governed, green, inclusive, resilient and integrated – measured by its ATQ composite indicator.[46] This methodology evaluates each quality and its components relative to both peer economies within the EBRD regions and selected developed economies, benchmarking against a defined frontier or theoretical optimum. Economic governance is principally captured through the "well governed" quality, encompassing both corporate- and national-level governance indicators. Corporate-level metrics reflect standards of corporate governance, while national-level indicators pertain to the broader business environment, including rule of law and institutional effectiveness. In addition, elements related to governance are incorporated into the "competitive" and "resilient" qualities, which assess the calibre of policies and institutional frameworks.

44 See Bertelsmann Stiftung (n.d.).

45 See Mo Ibrahim Foundation (n.d.).

46 See EBRD (2024a).

Annex 2: Strategy delivery across sector groups

20. **Strategic interventions will combine the Bank's instruments – investment, policy engagement, blended finance and other advisory services – to strengthen economic governance across the sectors in which the Bank operates (corporate, financial institutions and sustainable infrastructure).**

21. Calibrated to the needs of individual economies and clients, these products will be delivered flexibly at corporate (private-sector companies, financial institutions and banks, state-owned enterprises and banks), sectoral (municipalities, sector regulators, public-sector banks and financial institutions) and state (ministries, government agencies and cities) level, either as part of or in support of the Bank's investment transactions.

The sustainable infrastructure sector

22. **In the sustainable infrastructure sector, the EBRD will provide investment-enabling policy, advisory and capacity-building support to clients to help transactions become bankable and lay the groundwork for project implementation.** This will include project preparation support and feasibility studies for investment, as well as project prioritisation assistance for clients that lack the internal capacity or expertise to do this themselves. The Bank will also support its investee economies in preparing potential PPPs for the delivery of infrastructure projects, such as competitive tender processes for renewable energy facilities.

23. **Investments in the infrastructure sector will be accompanied by a comprehensive policy reform package aimed at maximising the systemic potential of EBRD operations by enabling private-sector investment**. The Bank has a number of internal policy frameworks that consolidate its policy tools, for example, on systemic players and state-owned enterprises, regulation and market structure, corporate and climate governance, and anticorruption. Using these frameworks, the Bank will provide advisory, capacity-building and technical support to help institutions and businesses promote high levels of economic governance, for example, through improved market structure and regulation, improved corporate governance, business processes and overall competitiveness.

24. **Technical support will be provided to clients and other key stakeholders – including sector regulators, government ministries and agencies – to help strengthen the governance of the sector in which they operate**. This will include the development of regulatory frameworks and tariff methodologies to ensure and maintain cost recovery in utility provision (such as electricity and water), in turn enabling investment and asset maintenance. The development and enhancement of public service contracts, public service obligations and service-level agreements. These interventions will be promoted and deployed primarily as a mechanism for commercialising infrastructure services and for promoting the transition from direct to competitive award processes. Support and capacity building for sector regulators, as the key economic governance institutions within sectors, will also be provided.

25. **Broader national and sectoral policy dialogue, advisory support and capacity building will help create the necessary policy space for infrastructure investment to take place and projects to be successfully implemented.** This will be done in partnership with line ministries or regulatory bodies, to establish appropriate market structures and investment models to help mobilise the private sector, raise business standards and strengthen the regulatory and legislative environment. This includes supporting the introduction of new investment models and technologies; the optimal and efficient use of public funds in infrastructure sectors (for example, through public service contracts/obligations for social support and by piloting new investments); accessible and transparent public procurement systems and processes that provide value for money; contract terms and conditions in line with international standards; and legislation enabling PPPs to facilitate investment in and the financing of sustainable infrastructure. The Bank will provide institutional capacity building where needed to achieve this, in addition to supporting public-private dialogue to identify and address necessary sector reforms and promoting recourse mechanisms for private-sector businesses working with state entities.

The corporate sector

26. **In the corporate sector, the EBRD will support market building** – either prior to transactions or in the context of investment – by conducting regulatory assessments and market diagnostics to identify regulatory gaps that need to be addressed or by identifying market opportunities to be realised, both domestically and for export markets.

27. **Where appropriate, the Bank will link its investments with advisory and technical support to help clients strengthen their business processes, improve production standards and enhance corporate governance**. This might include the provision of corporate development advice on export standards, as well as advisory support on internal governance structures and business performance. Where equity investments are made in a company, the Bank will support the development of value-creation plans to increase the impact of its investment, as well as the development and implementation of governance frameworks for bond issuances, including for green and sustainability investments. In the context of state-owned enterprises, the Bank will support the development and implementation of corporate governance action plans (CGAPs), financial and operational performance improvement plans (FOPIPs), operational restructuring and improvements to procurement processes to maximise quality and value for money.

28. **In addition, the EBRD will enhance the wider policy environment for businesses** by working with governments to provide technical advice and capacity support for the design and implementation of effective industrial policies and sector development strategies, as well as PPPs in relevant sectors. The Bank will also support high-level public-private dialogue (through Investment Councils, where relevant) to identify and help resolve regulatory and legislative constraints on the private sector and investors, and by supporting business recourse mechanisms, such as business ombudsmen.

The financial institutions sector

29. **In the financial institutions sector, pre-transactional advisory and capacity-building support will include working with banks and financial institutions to strengthen sectoral governance**, such as compliance with international anti-money laundering and countering the financing of terrorism (AML/CFT) requirements. Support will also be provided to strengthen and reform banks' crisis management and deposit insurance frameworks and, where relevant, to align these with EU reforms aimed at increasing depositor protection in case of bank failure, harmonising resolution practices across member states, and bringing a broader range of small and medium-sized banks under the resolution framework. Advisory support will also be provided for the resolution of non-performing loans and to financial regulators to help to open up capital markets for the issuance of covered bonds and other financial instruments.

30. **Where appropriate, the Bank will complement its dept and equity investments in its financial institution clients with advisory and capacity support, adopting a longer-term, relationship-based approach at client level**. This will range from advice and implementation support on institutional transformation and restructuring to improve internal governance mechanisms and strengthen business operations, to supporting the development of new financial products, including fintech, potentially spanning multiple transactions. The Bank will also support equity clients in expanding and developing their businesses, including building institutional capacity by investing in fund managers with strong value-creation capabilities and/or a track record of financing new product development or expanding businesses into new markets.

31. **Upstream policy engagement will include support for national banks, governments, market operators, intermediaries, issuers and investors in the development of financial markets, including local-currency and capital markets**, through legislative, regulatory, policy and market infrastructure reforms, as well as advice on the strategic development of the financial sector (bank and non-bank) and capital markets. Technical support will include enhancing firm-level governance and confidence in local currencies through fair pricing, transparency and market liquidity; governance of trade finance mechanisms, including compliance with AML/CFT and sanctions compliance; and systematically addressing Financial Action Task Force deficiencies.

Cross-cutting interventions

32. **Many economic governance interventions cut across sectors**, for example, policy dialogue, advisory and capacity-building support that seeks to strengthen the investment climate in a country; the provision of institutional support

to governments and regulatory bodies or agencies to improve the quality of policymaking and implementation; the digitalisation of government services for businesses; or financial-market or private-equity ecosystem development. In this respect, the Bank will support governments in defining economy-wide state ownership policies for their public enterprises that include the overall governance of the sector in question. Pre-transactional advisory and capacity-building support will include the provision of targeted reform support teams to ministries to support investment project preparation, or policy and regulatory framework support for digital transformation, such as the Information and Communications Technology (ICT) Regulator Cybersecurity Support Programme. Transaction-linked advisory and capacity-building support will include the implementation of digital solutions to improve the operational efficiency of public enterprises, or policy reform and project implementation support for line ministries through the provision of short-term policy expertise and project implementation units.

Annex 3: Examples of EBRD economic governance interventions

The EBRD is actively engaged in addressing governance challenges through targeted interventions that deliver concrete, measurable results across the economies in which it operates. The case studies presented below illustrate the Bank's diverse approach, spanning work with the Bank's main sectors: sustainable infrastructure; corporate; and financial institutions.

Figure A.3.1: Case study – sequencing of reforms and leveraging of investment in Uzbekistan's energy sector

	2018-19	2020-21	2021-23	2023-now
Reform context	Political opening, leading to re-engagement with Uzbek authorities to activate reforms/investments	**COVID and associated electricity crisis** As part of the solidarity package, provided liquidity support to subsidiaries of JSC Thermal Power Plants and supported **tariff reforms**, with recommendations on the tariff methodology for JSC Thermal Power Plants, including an affordability analysis	Unbundling completed and regulator set up; government plans ambitious scale-up of power generation capacity, including renewables	Rising electricity demand and generation (goal of developing 25 GW of renewable energy capacity from 2023 to 2030) create a need for demand-side measures and flexible generation to balance energy and the integration of renewable generation in future
Reform objectives	**Foundational governance/sector reforms** to lay the foundation for investments in the energy sector.		Setting up the regulatory and institutional framework **to attract private investment in renewables**, along with capacity support	**Broader electricity market reforms to support competitive markets**, support a gradual transition to wholesale and retail electricity markets; enhance grid capacity to integrate renewables; promote regional interconnection
Governance-related policy activities	**Corporate governance improvements** of Uzbekenergo – SOE conglomerate Developing a **roadmap for attracting investment** in the power sector via corporate and structural reform *Phase 1:* support the **unbundling of Uzbekenergo** and the **establishment of an independent energy sector regulator** *Phase 2*: new electricity sector law		*Support preparation and implementation* of **300 MW of wind auctions** Developing a well-functioning market system for renewables via the **implementation of the competitive tendering** of wind capacity Backstopping the obligations of JSC National Electric Grid acting as an off-taker for the first tendered wind power project	Development of draft law of the Republic of Uzbekistan "On Electricity" Supporting the functioning of the newly established **Agency for the Development and Regulation of the Energy Market** Development of the draft law **"On Regulation of the Energy Market"** Development and approval of the procedure for **licensing the activities of the participants of the electricity market** – linked to the electricity law Enhance regional interconnection **– trading rules and cross-border capacity**
Associated investment activities	New **grid transmission** (Navoi)/ **substation** (Muruntau) and **power generation** (Talimarjan) projects		In 2022 memorandum of understanding signed to scale up the Bank's support to **more than 2 GW of wind**	Financing **new transmission infrastructure**, implemented by the National Electricity Grid of Uzbekistan (NEGU); introducing **storage components in auctions** supported by the Bank's existing transmission and substation projects; **new solar PV and BESS projects** – Tashkent, Sazagan, Guzar etc.; regional electricity integration project – Kambarata 1 HPP
Results	*Feb 2019* – **creation of the Ministry of Energy**; *March 2019* – **unbundling of Uzbekenergo** achieved into Thermal Power Plants JSC, National Electric Grid of Uzbekistan JSC, and Regional Electric Power Networks JSC		More than **3 GW of renewable generation capacity** financed by the EBRD as of mid-2025	**A new version of the law "On Electric Power Industry" was adopted in August 2024**, outlining measures to regulate relations in the electric power industry and create a competitive electricity market Grid investment/storage projects have helped to **reduce network losses, increase efficiency in the network and reduce CO_2 emissions.**

Figure A.3.2: Case study – sustainable infrastructure – EBRD's Renewable Energy Market Accelerator (REMA)

Overview

The EBRD's Renewable Energy Market Accelerator (REMA) helps governments overcome barriers to scaling up investments in clean energy by putting in place the right frameworks to unlock private finance at scale. Designing and implementing auctions is a core part of REMA's creation of competition and transparent awards that lower costs for consumers and increase investor confidence. The EBRD's systemic approach ensures that the benefits go far beyond a single auction, covering support for regulatory frameworks for energy storage and other market models, such as private-to-private contracts between generators and consumers.

Project	Economic governance components	Emerging outcomes and impact
• The EBRD supports renewable scale-up and electricity markets integration, as well as sector reform in 16 countries under the REMA initiative. • Support entails a review of the enabling framework for renewables, as well as implementation support for investments, from the design of competitive processes to selection, award and financial close. The approach is tailored to the specific market context of each country for scalable and replicable processes. • The Bank provides capacity building for authorities on competitive procurement processes and bankable risk allocations. • Subject to winning bidder interest, the EBRD can offer financing, and partial risk guarantees.	Electricity market reform and renewables investment targets designed with the client, attracting the private sector Development and revision of primary and secondary legislation for market-based incentives and transparent procurement processes for systemic change Well-designed auctions fostering greater competition and lowering costs Establishment of bankable contractual frameworks based on international standards, supporting investor confidence and minimising the risk of non-delivery	• More than 14.2 GW in green energy leveraged. • Over €21 billion of expected investment. • Beyond mobilising private finance, the auctions supported by REMA create price benchmarks for renewable energy projects. In Albania, REMA supported an auction that achieved the lowest price in the Western Balkans for solar photovoltaic (PV) energy (€24.89/MWh), for 140 MW of capacity. • Similarly, in Uzbekistan, REMA supported an auction that achieved the lowest onshore wind power price in Central Asia (US$ 25.6/MWh, or €23.2/MWh) for 100 MW of capacity.

Figure A.3.3: Case study – sustainable infrastructure – high-speed Belgrade-Niš rail line in Serbia

Overview

To accompany the Bank's co-financing of the Serbia Rail High Speed Line (€550 million) with the European Investment Bank, the EBRD developed a comprehensive reform support package to boost the project's transition impact, including: (1) support for sectoral reforms and regulatory capacity building at the Rail Directorate and Ministry level; (2) a corporate governance action plan; and (3) a corporate development programme at company level. The project was Board approved in November 2024.

Project	Economic governance components	Emerging outcomes and impact
• One of largest projects in EBRD history, requiring a substantial reform agenda • Builds on the success of the Belgrade to Novi-Sad line that came into operation in 2022 • Will upgrade 230 km of tracks, doubling the line to increase capacity and almost double speeds (up to 200 km/h) • Part of the European Corridor and potential TEN-T network extension for the Western Balkans, a key link to enable cross-European rail from Budapest to Belgrade and beyond • The EBRD has related investments in passenger (Serbia Voz) and cargo (Serbia Cargo) rail, as well as the historically vertically integrated railway company, unbundled in 2015 • Total technical cooperation budget of around €1 million for the "well governed" component	Need to support the opening of the rail market, building on major upgrades in capacity and alignment with EU rules Benchmarking the Serbian Rail Directorate against peers, OECD guidelines Reform of the sector regulator, building on the EBRD's long-term sectoral engagement Corporate governance action plan Corporate development action plan	• Improved local and regional connectivity to support interoperability and regional integration/market opening • Evolution of the Rail Directorate into an independent economic regulator (separated from the Ministry of Transport, enhanced capacity) • Capacity building for the Rail Directorate and support for specific regulatory functions (management of public service companies) • Improved corporate governance for Serbia Rail Infrastructure (SRI), benchmarking against OECD guidance • Improved financial and operational performance for SRI (commercial revenues, asset management, ISO standards)

Figure A.3.4: Case study – financial institutions – support for development of covered bond markets in CEB and SEE

Overview

The EBRD has supported the development of covered bond legal and regulatory reforms in **eight CEB and SEE countries**, namely Bulgaria, Croatia, Estonia, Latvia, Lithuania, Poland, Romania and the Slovak Republic. The Bank has supported the creation of a **pan-Baltic framework** to deepen regional capital markets. The EBRD's policy efforts have enabled the achievement of major milestones, including **Luminor's first pan-Baltic covered bond** and **Poland's first green covered bond**.

Project	Economic governance components	Emerging outcomes and impact
• Supporting ministries of finance and central banks with the development of **legal and regulatory frameworks** for covered bonds, aligned with EU law and international best practice • Introducing **robust financial safety systems** with **dual protection for investors** stemming from recourse to both (1) the balance sheets of reliable issuers and (2) a segregated pool of bankruptcy-remote asset collateral • Providing **capacity building** to ministries of finance and central banks to ensure transparent public supervision of covered bonds • Providing **long-term financing** to issuing banks and providing investors **with high-quality and highly rated securities**	Rule-based legal and regulatory framework for a new secured funding instrument, aligned with EU standards Public supervisory function to enforce rules, protect investors and build market trust Strengthened institutional capacity in banks and regulators to manage complex capital market instruments	• Stronger **market integrity** and **investor protection** through clear rules and effective public supervision • **Enhanced financial stability** and **market confidence** by reducing funding risks and aligning national frameworks with EU standards • **Sustained market development** as banks and regulators apply the new frameworks, enabling larger, safer long-term funding flows • By end 2025, the Bank had invested over €1 billion in covered bonds across the CEB and SEE regions

Figure A.3.5: Case study – financial institutions – EU regulatory and supervisory alignment in Albania, Moldova and Ukraine

Overview

The EBRD is supporting the **Bank of Albania (BoA),** the **National Bank of Moldova (NBM)** and the **National Bank of Ukraine (NBU**) in implementing **supervisory and regulatory reforms** to enhance their **readiness for equivalence assessment** by the **European Banking Authority**. The projects will strengthen the resilience of the local banking sectors and level the playing field for all banks.

Project	Economic governance components	Emerging outcomes and impact
• Supporting central banks in non-EU countries in the EBRD regions in aligning their regulatory and supervisory frameworks for credit institutions with EU standards by addressing identified gaps • Enhancing governance and institutional capacity in non-EU countries in the EBRD regions by developing supervisory and regulatory reforms to strengthen financial stability through improved banking supervision and regulation • Delivering expert guidance across all or selected areas of the equivalence assessment, namely, the supervisory framework, own funds, credit risk, market risk, operational risk, liquidity, capital buffers and macroprudential tools, and other regulatory requirements	Enhanced supervisory and regulatory frameworks Standardised supervision review and evaluation process (SREP) Robust prudential reporting practices Improved institutional capacity, including for risk-based supervision Greater transparency and disclosure requirements	• SREP: formalised risk-based supervision with independent quality control function • Prudential reporting: enhanced reporting infrastructure and analytical capacity • Risk frameworks: standardised risk evaluation and advanced risk management capacity • Disclosure requirements: enhanced internal mechanisms to monitor compliance with disclosure standards

Figure A.3.6: Case study – corporate – modernisation of Tunisie Telecom in Tunisia

Overview

The EBRD signed a €190 million loan agreement with Tunisia's incumbent telecom operator, Tunisia Telecom. Alongside the investment, the Bank will launch a corporate modernisation programme aimed at strengthening the operator's strategic and operational capabilities. The programme will focus on optimising Tunisia Telecom's real-estate and operational asset management, as well as enhancing the company's product offering and digitalisation. Moreover, the Bank will provide training and capacity building to the national telecommunications regulator. These initiatives are designed to elevate Tunisia Telecom's performance while fostering competitiveness and innovation in the national telecoms sector.

Project	Economic governance components	Emerging outcomes and impact
• **Investment**: In 2025, EBRD signed an up to €190 million loan agreement with Tunisie Telecom, the majority state-owned national telecoms operator, of which €50 million has been deployed and operationalized to date. The operation will support the company's critical telecoms and digital infrastructure. • **Corporate reform**: As part of the investment and with EBRD support, Tunisie Telecom has committed to carrying out a comprehensive programme of corporate modernisation, including digital and strategic transformation. These initiatives aim to improve Tunisie Telecom's asset management, including through the introduction of infrastructure-sharing business models. Moreover, the EBRD will provide technical assistance to the national regulator, INT, to enable greater broadband connectivity and overall sector growth, including through the digitalisation of services and support for implementing remedies to address competition failures.	Introduction of a wholesale market framework for infrastructure sharing and leasing Support to the national TMT regulator: Significant Market Power (SMP) designation and establishment of a digital dispute resolution system Development of a national digitalisation strategy and roadmap, fostering sector modernisation and alignment with international good practice Development of B2B activities and new business models, enabling diversification of revenue streams and improved operational efficiency Optimisation of public asset management frameworks, including real estate monetisation and improved governance of state-owned infrastructure	• Increased competition and private participation through the introduction of a wholesale access and infrastructure-sharing framework on Tunisie Telecom's fibre network • Strengthened regulatory capacity and independence, with the national telecom regulator adopting SMP designation and dispute resolution systems, improving oversight of dominant operators • Enhanced strategic direction and digitalisation of the sector through the implementation of a national digitalisation roadmap aligned with international best practice • Improved commercial and operational performance of Tunisia Telecom, including more efficient asset utilisation and diversification of revenue sources • Closer alignment with market benchmarks, with improved financial indicators (such as EBITDA and revenue per employee) and stronger governance of public assets

Figure A.3.7: Case study – corporate – advancing corporate governance at Anglesey Food in Uzbekistan

Overview

In 2020, the EBRD made an equity investment of US$ 40 million in Anglesey Food LLC, a leading omni-channel grocery retail chain in Uzbekistan operating under the Korzinka brand. As part of the investment, the Bank supported Korzinka in a substantial overhaul of its corporate governance practices and standards. The company has made significant progress on enhancing its governance practices, successfully attracting an additional US$ 110 million in equity investments from new investors in 2025.

Project	Economic governance components	Emerging outcomes and impact
• **Investment**: In 2020, the EBRD made an equity investment of US$ 40 million in Anglesey Food LLC, a leading omni-channel grocery retail chain in Uzbekistan operating under the Korzinka brand, with over 170 stores (as of 2025) and a growing e-commerce proposition. • **Corporate reform**: As part of the investment and with EBRD support, Anglesey Food carried out a substantial overhaul of its corporate governance standards and practices. The company developed and implemented necessary governance policies and board bylaws (previously non-existent), established an independent supervisory board (with majority independent members) and key board committees, established an internal audit function, implemented international financial reporting standards and strengthened internal control systems to manage business risks, as well as a value creation plan.	Improved corporate governance practices and standards Improved structure and functioning of the supervisory board Improved transparency and disclosure Stronger control of environmental standards and processes Minority shareholder protection system supported	• The company continues to implement its ambitious growth programme and, as a sign of growing trust in the company's governance and management, Anglesey Food successfully attracted an additional US$ 110 million in equity investments from two major investment funds in 2025.

Figure A.3.8: Case study – corporate – improving Serbia's innovation ecosystem

Overview

TC project accompanying a sovereign loan of up to €100 million in favour of the Government of Serbia for the purpose of financing the construction/expansion of science and technology parks (STPs) in Serbia (located in Belgrade, Novi Sad, Niš and Čačak, including the one to be created in Kruševac). In the area of economic governance, the technical assistance consists of three components targeting an improved performance measurement framework to evaluate policy outcomes, the development of STP strategies and financial projections and a review of the framework for subsidy provision, and the creation of an STP network.

<table>
<tr><th>Project</th><th>Economic governance components</th><th>Emerging outcomes and impact</th></tr>
<tr><td rowspan="4">Investment: Up to €100 million sovereign loan to finance the expansion of existing and development of new STPs. These will be equipped with the technology needed for R&D and will offer co-working spaces and offices as well as services to support the growth of nascent and innovative businesses. Offices will be primarily leased to SMEs, entrepreneurs and startups that focus on innovation and the development of technology.
Technical assistance: The project is accompanied by a technical assistance programme implemented in collaboration with the Ministry of Science, Technological Development and Innovation and STP management companies to support the development of STPs and alignment with best international practice.</td><td>Alignment of operations and standards with international best practice</td><td rowspan="4">Enhanced monitoring of policy outcomes and impact of use of public funds, improved evaluability of public policy.
Greater coherence in terms of innovation policy implementation.
Capacity building for STP management in terms of strategic and financial planning, which helps to develop a stronger profile and financial independence.
Enhanced availability of high-quality space with access to relevant services and networks for R&D and start-ups, supporting collaboration and innovation creation.</td></tr>
<tr><td>Improved alignment with national and regional policy objectives</td></tr>
<tr><td>More targeted monitoring of policy outcomes</td></tr>
<tr><td>Enhanced framework for subsidy allocation</td></tr>
</table>

Figure A.3.9: Case study – strengthening institutional capacity and accelerating EU accession in Ukraine and Moldova

Overview

The EBRD provides comprehensive reform assistance to the governments of Ukraine and Moldova through the Ukraine Recovery and Reform Architecture (URA) and the Reform Support Team Programme in Moldova (RST). These initiatives aim to accelerate the implementation of key sectoral reforms, advance both countries' regulatory alignment with the EU acquis on their path to EU membership and contribute to shaping and facilitating policy reforms led by the EBRD alongside its transactions. Sectoral teams of local experts are embedded in key ministries and public agencies to support stronger institutions and greater economic resilience, more efficient public investment management and faster progress toward EU integration.

Project	Economic governance components	Emerging outcomes and impact
• **URA** supports the delivery of socioeconomic recovery, critical policy reforms, the EU integration of Ukraine and the coordination of transparent and effective use of financing for reconstruction. With 300-plus experts working in eight host institutions and 30-plus reform streams, URA experts contribute to policy reforms in infrastructure, transport, energy, state-owned enterprises and banks, tax and customs reforms, public investment management, green transition, agriculture, vocational education and training, public administration reform, and so on. • **RST Moldova** has embedded local specialists and young talent (60-plus experts) in 10 key ministries to accelerate EU approximation by strengthening sector reform capacity and fostering the long-term retention of experts within government institutions. The experts also support the shaping and facilitation of policy reforms led by the EBRD alongside its sectoral investments.	Legislative development for EU alignment and sectoral reforms – reduces legal and operational risks, helps identify investment opportunities and increases bankability of projects in key sectors (such as transport, energy and state-owned enterprises) Expert support for EU acquis screening and negotiations – accelerates EU integration, enhancing institutional credibility and investor confidence Improved national and sectoral policymaking quality – strengthens governance and project preparation capacity, fostering a stable environment for lending and investment Coordination of international financial flows for investment and recovery – optimises resource blending and strategic alignment, expands investment packages and enhances financial leverage Knowledge transfer to beneficiary institutions – builds local capacity for project development and management, increases absorption of funds, ensures long-term policy continuity to sustain investor confidence	• Enhanced capacity for designing, implementing, and monitoring economic governance policies • Support for EBRD-led reforms linked to transactions (such as an e-mobility strategy in Moldova, state-owned bank governance improvements in Ukraine) • Improved accountability in decision-making and greater regulatory alignment with the EU acquis, fostering predictability for businesses • More efficient and transparent allocation of public and international investment funds, bolstering economic resilience to external shocks

Figure A.3.10: Case study – digital trade enablers in Moldova

Recognising the rapid advancement of the digital economy and the growth of e-commerce, the EBRD has implemented a technical cooperation project in coordination with the United Nations Conference on Trade and Development (UNCTAD), which implements digital trade solutions, to support reforms that accelerate integration into the global trading system. These efforts focus on enhancing the efficiency of customs and border control procedures, thereby reducing trade costs and corruption risks. The digitalisation of customs procedures exemplifies integrated development, combining the EBRD's policy engagement with investment. The Bank complements digital initiatives by financing projects that modernise logistics infrastructure, strengthening physical trade flows.

<table>
<tr><th>Project</th><th>Economic governance components</th><th>Emerging outcomes and impact</th></tr>
<tr><td>The project supported the Moldovan Customs Service in transitioning to fully electronic customs procedures, enhancing the country's competitiveness in regional and global markets and its alignment with the EU-Moldova Association Agreement.</td><td>Enhancement of trade facilitation by improving customs clearance efficiency, risk management and compliance with international trade regulations</td><td rowspan="4">By introducing pre-arrival digital processing and expanding the use of Electronic Advance Data (EAD), Moldova has modernised customs operations and strengthened trade governance. In 2025, 94.8 per cent of postal items arrived with EAD from their origin, streamlining procedures, cutting clearance times and accelerating goods movement – all key drivers of trade and eCommerce growth. The integration of the trader portal and customs decision management system, built on the same open-source platform as the new computerised transit system and linked with ASYCUDAWorld and the Customs Service risk management system, created a unified digital environment for managing authorisations, declarations and transit operations.
This transformation strengthens economic governance by enhancing transparency, reducing compliance costs and increasing predictability. It positions Moldova as a competitive regional hub for trade, logistics and e-commerce, attracting investment.</td></tr>
<tr><td rowspan="3">The project leveraged the Automated System for Customs Data (ASYCUDA) used in over 100 countries to speed up customs clearance, strengthen risk management and facilitate cross-border trade and e-commerce. Key initiatives include:
electronic issuance of certificates of preferential origin to streamline export documentation
digital pre-arrival processing for postal and express consignments
modernisation and capacity strengthening of the Moldovan Customs Service to improve operational efficiency and transparency.</td><td>EU alignment: Support provided for the new Customs Code, in line with the legislative changes that came into effect 1 August 2024; volume of electronic manifests and airwaybills submitted by express couriers increased</td></tr>
<tr><td>Enhanced interoperability: cooperation between customs and non-customs authorities, data integrity and information exchange, improved enforcement of prohibitions and restrictions</td></tr>
<tr><td>Better risk management: providing Customs and other partner competent authorities with access to real-time data to support a more informed risk assessment for better targeting and more effective decisions on which shipments to inspect</td></tr>
</table>

Annex 4: MDB approaches to economic governance

	Economic governance focus areas	Strategic initiatives related to economic governance	Examples of economic governance initiatives
World Bank (IBRD, IDA and MIGA)	Public-sector effectiveness and investment climate reform	Economic governance seen as cross-cutting enabler for development and resilience	• Governance Global Practice • GovTech and Public Sector Innovation • WBG Hybrid PPP Initiative
IMF	Global financial stability and macroeconomic resilience	Framework for Enhanced Engagement on Governance Issues aims to improve fiscal governance; FI oversight; central bank governance; market regulation; rule of law; and AML/CFT	• Programme conditionality supporting governance measures • Governance diagnostic reports • Fiscal Transparency Code
IFC	Mobilisation of private capital, and market creation, including capital market development	IFC 3.0 strategy: proactive market creation, private capital mobilisation and systemic risk reduction. Economic governance seen as a lever for investment confidence and institutional resilience	• Corporate Governance Program • Capital Markets Education Program • Capital Markets Program (J-CAP) • Corporate finance and PPP transaction advisory services
EIB	Public-sector governance (particularly in procurement); support for private sector-enabling environment; capital market development	Economic governance as an enabler for regulatory convergence and institutional capacity building for market integration. Mandate focuses on procurement transparency, rule of law and capital market deepening	• Capital Markets Union Support through EIB Advisory Services • Digitalisation and Procurement Reform • Green Bond Leadership Programme
ADB	Public-sector management reform; government service delivery; and public-sector capacity support and capital market development	Cross-cutting operational priority under Strategy 2030. Mandate focused on public financial management, debt sustainability, legal and regulatory reform, anti-corruption, and capital and financial market development	• Governance and Anti-Corruption Action Plan (GACAP II) • Digital Governance and public-sector digitalisation initiative • Office of Market Development and PPPs • Asia Pacific Tax Hub
AfDB	Fiscal discipline, debt transparency, anti-corruption,	Strategy for Economic Governance in Africa (SEGA) positions governance as a foundation for structural transformation and competitiveness	• Capital Markets Development Trust Fund (CMDTF) • African Beneficial Ownership Transparency Network (AfBOTN) • Africa Investment Forum

	Economic governance focus areas	Strategic initiatives related to economic governance	Examples of economic governance initiatives
	SOE governance and capital market development		
IDB	Fiscal management, transparency, PPP frameworks, and regulatory reform, with strong emphasis on digital governance and social inclusion; capital market development	Governance treated as a pillar for institutional capacity and market credibility under IDBImpact+ Strategy (2024-2030)	• Institutions for Development Sector • IDB Invest Capital Markets Programme • Financial Innovation Lab • Corporate Governance Development Framework

Annex 5: Key economic governance products implemented across EBRD sectors

EBRD sectors	Corporate	Financial institutions	Sustainable infrastructure	Cross-sectoral
Policy dialogue, advisory and capacity-building support	• **Advice on industrial policy design and sectoral strategies** (with a focus on corporate sectors and SMEs) • **Regulatory assessment, market diagnostics and investment mapping** (with a focus on corporate sectors) • **Regulatory reforms** (for example, new regulatory frameworks and institutional strengthening for technology, media and telecoms, mining and other sectors)	• **Financial market development** (including local currency and capital markets) through support for national banks, governments, market operators, intermediaries, issuers and investors; includes the development of legal, regulatory, policy and market infrastructure reforms, as well as strategies for the financial sector (bank and non-bank) and capital markets • **Financial market development** Enhancing firm-level governance and confidence in local currencies through fair pricing, transparency and improved market liquidity • **Trade finance governance** AML/CFT/sanctions compliance and more systemically addressing Financial Action Task Force deficiencies by working with regulators	• **Support for the development of state ownership policies** for the rationalisation of state ownership, and improved management of the state-owned enterprise portfolio • **Sectoral reforms** supporting the development of competitive market structures and regulatory frameworks • **Regulatory reforms and capacity building** for economic regulation (for example, in tariff setting) • **Adoption and enhancement of public service contracts** and the promotion of competitive tendering • **Public procurement reforms**, such as support for the introduction of Chartered Institute of Procurement and Supply and International Federation of Consulting Engineers contracts • **Support for market-oriented standards and methodologies** Promotion of internationally recognised contract terms and conditions; development of comprehensive contract dispute resolution systems	• **Business and investment climate institutional support for governments** (for example, public-private dialogue to identify reform needs; recourse mechanisms for businesses; regulatory framework development in the areas of access to finance and insolvency, and institutional capacity building) • **Financial market development** by: (i) reforming laws, regulations and policies; (ii) strengthening capital-market operators to enhance efficiency, enforcement and transparency; (iii) implementing long-term market development strategies; and (iv) promoting regional integration and harmonisation, operating across levels of government • **Private equity ecosystem development**, including by setting governance standards in equity funds, as well as engaging in policy dialogue and technical assistance activities such as regulatory/legislative framework improvements and capacity building for fund managers and investors • **Digital transformation** and cybersecurity support for public- and private-sector clients across sectors, as well as regulatory support (ICT Regulator Cybersecurity Programme) • **Green transition support at country and sector level** (for example, governance elements of low-carbon and climate resilient pathways; and market mechanisms) • **Development and implementation of state ownership policies** • **Digitalisation of government services for businesses** (for example, trade and customs services)

EBRD sectors	Corporate	Financial institutions	Sustainable infrastructure	Cross-sectoral
Pre-transactional advisory and capacity-building support	• **PPP development support** (for example, in telecoms) • **Enhancing procurement** to meet international best practices (value for money, sustainability and resilience)	• **Trade finance governance** (for example, AML/CFT/sanctions compliance; work with regulators to more systemically address Financial Action Task Force deficiencies) • **Reform of deposit insurance frameworks** • **Non-performing loan prevention and resolution**	• **Pre-feasibility studies** (for example, to support the assessment of client capacity and, where required, assist in investment preparation) • **Client and project development and due diligence** – for example, with regard to integrity, corporate governance and creditworthiness which may raise key economic governance issues • **PPP development support** (for example, competitive tenders to procure infrastructure across the infrastructure sector, including energy, transport, municipal services and renewable energy auctions and tender process support)	• Direct capacity support for governments by deploying **targeted reform support teams** • **Supporting policies and regulatory frameworks related to digital transformation**/encouraging investments in digitalisation and cybersecurity (such as the ICT Regulator Cybersecurity Support Programme) • **Improving corporate financial reporting, disclosure and transparency** • Prior to securities issuance, **supporting firm-level governance and operational improvements to the standards required by international investors** • **Supporting policies and regulatory frameworks related to green transition**
Transaction-linked advisory and capacity-building support	• **Corporate advice** (for example, on business standards) • **Corporate transformation support** (corporate governance improvement, procurement improvements, operational and financial restructuring, and green transition)	• **Equity impact enhancements** (value-creation plans, investing in fund managers with strong value-creation capabilities and/or a track record of financing new product development and/or expansion into new markets) • **Financial institution transformation and restructuring support** • **Financial product development support**	• **Corporate transformation support** (for example, by developing target models, corporate development plans and corporate governance action plans, including for state-owned enterprises) • **Municipal governance, including Green City Action Plans** (when they include an economic governance component, such as a tariff review or public service contract) • **Integrated sectoral and regulatory support with corporate transformation support**	• Direct capacity support for governments by deploying **targeted reform support teams** • **Support for the digitalisation of public services** for businesses and/or operational efficiencies • **State-Owned Enterprise Management Assistance Reform and Transformation (SMART) policy framework**

EBRD sectors	Corporate	Financial institutions	Sustainable infrastructure	Cross-sectoral
	• **Equity impact enhancements** (value-creation plans and corporate governance action plans) • **Developing and implementing governance frameworks for bond issuances,** including post-issuance monitoring, verification and reporting and covering green and sustainable investments	• **Capital market support programmes** enabling the issuance of securities on local markets • **Green transition planning** based on client demand, in line with market trends, regulatory requirements and investor expectations		

Abbreviations and acronyms

AI	artificial intelligence
AML	anti-money laundering
ATQ	assessment of transition qualities
CEB	central Europe and the Baltic states
CFT	countering the financing of terrorism
EBRD	European Bank for Reconstruction and Development
EEC	eastern Europe and the Caucasus
ESG	environmental, social and governance
EU	European Union
GDP	gross domestic product
G20	Group of 20 industrialised nations
ICT	information and communications technology
IIAG	Ibrahim Index of African Governance
ISO	International Organization for Standardization
OECD	Organisation for Economic Co-operation and Development
PMF	Performance Monitoring Framework
PPP	public-private partnership
SCF	Strategic and Capital Framework
SEE	south-eastern Europe
SEMED	southern and eastern Mediterranean
SIG	Sustainable Infrastructure Group
SMEs	small and medium-sized enterprises
SREP	Supervisory Review and Evaluation Process
SSA	sub-Saharan Africa
UNCTAD	United Nations Conference on Trade and Development

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