



European Bank
for Reconstruction and Development

EBRD's Legal Transition Programme and Corporate Governance

The Legal Transition Programme (LTP) is EBRD's initiative to contribute to the improvement of the investment climate in the EBRD's countries of operations through assisting in the creation of an investor friendly, transparent and predictable legal environment. LTP activities focus on the development of legal rules, as well as the establishment of legal institutions and culture, which enable the functioning of a vibrant market-oriented economy. One of the five focus areas of the LTP is corporate governance.

In implementing the corporate governance dimension of the LTP, a dedicated team within the EBRD's legal department:

- a) monitors and analyses the **status of legal transition** in the EBRD's countries of operation. EBRD conducts an annual Legal Indicator Survey (LIS) in the EBRD's countries of operations. The survey was designed to measure the extensiveness and effectiveness of commercial laws of those countries by gauging the perception of lawyers and other experts practising in the region. The results of the LIS are published on the EBRD's legal journal, *Law in transition*. In addition, based upon the OECD's *Principles of Corporate Governance*, EBRD has also developed a Corporate Governance Checklist and is undertaking a regional assessment project using the Checklist to gauge the status of corporate governance related laws and regulations of the EBRD's countries of operations. The results of this project will be made available on the EBRD's website.
- b) participates and contributes to **international standard setting** initiatives. Activities in this area include EBRD's participation in the Global Corporate Governance Forum sponsored by the World Bank and the OECD, OECD Corporate Governance Roundtables in Eurasia, South Eastern Europe and Russia, as well as in IOSCO's Committee on the Implementation of Objectives and Principles of Securities Regulations.
- c) develops and implements **technical assistance projects** in the EBRD's countries of operation designed to support the local authorities' efforts to promote sound corporate governance practices. Projects include:
 - *Azerbaijan* – assistance to the government in the preparation of a new Law on Joint Stock Company and a new Law on Securities;
 - *Czech Republic* – assistance to the government in institutionalising the Czech Securities Commission and strengthening regulatory framework governing the Czech capital markets;
 - *Hungary* – assistance to the government in drafting a new comprehensive Law on Securities Market and Investment Services;
 - *Russia* – assistance to the Federal Commission for the Securities Market in amending the Law on Joint Stock Companies and two other capital market related laws; and
 - *Russia* – assistance to the Federal Commission for the Securities Market in developing a Corporate Governance Code and to a non-governmental organisation in developing a corporate governance rating system.
- d) advances legal reform through various **outreach activities**, including publication of *Law in transition*. For example, the autumn 1999 issue of *Law in transition* focused on corporate governance. EBRD also collaborates and co-ordinates closely with other IFIs, international organisations (e.g., OECD) and bilateral assistance providers.

In addition, in order to help promote sound corporate governance practices through the EBRD's investment operations, EBRD is preparing a "corporate governance essentials" list. The list would be used as part of the EBRD's due diligence procedures for its banking operations.

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