EBRD AND CORPORATE GOVERNANCE REFORM
IN CENTRAL/EASTERN EUROPEAN COUNTRIES AND THE CIS

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With the mandate to assist with economic transition in the countries of central and eastern Europe and the Commonwealth of Independent States (CIS), the European Bank for Reconstruction and Development (EBRD) considers promoting sound corporate governance practices as one of the important transition impact that its operations can have. This article will first give a general overview on how the EBRD fulfils its mission in this regard. The article will then discuss the EBRD's recent efforts in gauging the status of corporate governance legislative development in the countries where it operates as a step to advance relevant reform in the region.

Fostering Good Corporate Governance Practices

Generally speaking, the EBRD is promoting good corporate governance through its banking operations and the Legal Transition Programme.

- Through banking operations

Promoting good corporate governance through banking operations is realised in three different scenarios – equity investments, loans, and corporate reorganisation/insolvency. In making equity investments, the EBRD has the policy to take minority shareholding positions. Accordingly, it is in the EBRD's interest to support arrangements that protect the interests of minority shareholders. In practice, as a minority equity-holder, the EBRD seeks to obtain comprehensive and reliable information about the operations of its investee companies. The EBRD is also concerned about the integrity and transparency of the companies' affairs. Accordingly, prior to making an investment, the EBRD regularly conducts a comprehensive due diligence investigation (including integrity checks where appropriate) and structures its transaction documents to ensure that investee companies are and will remain in compliance with applicable laws. In addition, the EBRD insists that the relevant financial statements of investee companies should be prepared in accordance with International Accounting Standards or other accounting standards of broad recognition and audited by independent auditors acceptable to the EBRD. Whenever possible, the EBRD also nominates individuals who are experienced in good corporate governance to act as board members in its investee companies.

In making loans, the EBRD seeks to implement sound corporate governance practices through proper legal documentation, in which representations, warranties and covenants provisions are tailored to serve this purpose. In corporate reorganisation/insolvency scenarios, the EBRD endeavours to promote good corporate governance by insisting on fair and equitable treatment of all financial stakeholders. Where there is no prospect of continued
financial viability of a borrower or investee-company, the EBRD supports the orderly liquidation and fair distribution of the liquidation proceeds in accordance with applicable law.

In this connection, it is worth mentioning that the EBRD published a set of guidelines called "Guidelines for Sound Business Standards and Corporate Practices" in September 1997. The guidelines are intended to address concerns of general importance for any investor or lender, and therefore discuss areas of concern to the EBRD when it evaluates investment and lending opportunities. The guidelines cover not only fundamental interests of all shareholders, but also the relationship between companies and their clients, suppliers, local communities and governments.\footnote{See EBRD, *Sound Business Standards and Corporate Practices: A Set of Guidelines* (September 1997), available at the EBRD website (http://www.ebrd.com).}

- **Through Legal Transition Programme**

As generally recognised, a stable, growing market economy rests on the foundation of a sound, effective legal system. Almost since its inception, the EBRD has provided legal technical assistance to the countries where it operates in order to assist with the development of legal rules and institutions that are essential for a vibrant market-oriented economy. Initially the assistance was provided on an *ad hoc* basis. As demand for assistance rose, a more coherent and integrated *Legal Transition Programme* (LTP) was established in 1995, of which the main objective is to improve legal environment and foster legal reform in the region. Administered by a dedicated team of specialist lawyers in the EBRD's legal department, the LTP aims to realise the aforesaid goal by, among other means\footnote{For more details about the LTP, please see the information available at http://www.ebrd.com/country/sector/law/index.htm}, providing or mobilising legal technical assistance. Unlike other international financial institutions, the LTP is primarily grant based. Accordingly, the activities of the LTP are limited to five core areas\footnote{Including capital markets and corporate governance, concessions, insolvency, secured transactions, and telecommunications regulatory reform.}, one of which is capital markets and corporate governance.

Over the years, the EBRD has endeavoured to promote good corporate governance in its so-called "countries of operations" through technical assistance projects. Assisting Russia with the development of a corporate governance code is an example. More recently, the EBRD has undertaken a Corporate Governance Sector Assessment Project (CGSAP) to gauge the status of corporate governance legislative development in the countries where the EBRD operates. The rest of the article will focus on the CGSAP, in particular, the assessment results obtained under the project in 2002 and 2003.

**Corporate Governance Sector Assessment Project (CGSAP)**

1. **Project overview**

Undertaken since 2002, the CGSAP is an important initiative of the EBRD, aimed at better understanding the legal environment in the countries where the EBRD operates. The CGSAP is an objective assessment of the countries' existing laws and regulations relative to international standards concerning corporate governance, in particular, the *Principles of Corporate Governance* issued by the Organisation for Economic Co-operation and
Development (OECD Principles). The focus of the CGSAP is on the relevant legislation adopted by countries rather than the practices of individual companies or the actual implementation by the countries of the laws and regulations promulgated.

2. **EBRD corporate governance checklist**

The planning of the CGSAP started in 2000 when the EBRD’s in-house lawyers devised a list of questions (the Checklist) in order to analyse corporate governance related legislation. The design of the Checklist was based upon the international standards relating to corporate governance, in particular, the OECD Principles. In carrying out the CGSAP, the EBRD engaged a consortium of legal consultants – Lovells CIS and Ernst & Young, who assisted the EBRD in refining the Checklist (into a revised one for carrying out assessment) and led a group of local law firms to conduct assessments in each of the countries where the EBRD operates. The relevant assessment work is funded by the Government of the United Kingdom.

3. **Country assessment reports and ratings**

Based upon the Checklist assessment results of individual countries, a rating system has been developed to show how each country assessed has progressed in the corporate governance area when its relevant legislation is compared to the OECD Principles by using the revised Checklist. Under the rating system, the countries assessed are categorised into five different levels: "Very High Compliance", "High Compliance", "Medium Compliance", "Low Compliance" and "Very Low Compliance". **Figure 1** represents the country ratings of 2002 and **Figure 2** reflects those of 2003. It is noted that four countries obtained improved ratings in 2003. All country assessment reports, information regarding the rating methodology and discussions about the assessment results for specific countries are available at the EBRD’s website.

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4 The corporate governance checklist originally developed by EBRD can be accessed at http://www.ebrd.com/country/sector/law/index.htm (then following the link to the core area of "Capital markets & Corporate governance" section).

5 Georgia, Lithuania, Kyrgyz Republic, and Serbia & Montenegro.

6 At http://www.ebrd.com/country/sector/law/index.htm (then following the link to the core area of "Capital markets & Corporate governance").
Figure 1: Corporate Governance Country Ratings Map 2002

Rating Legend
A - Very High Compliance (0)
B - High Compliance (8)
C - Medium Compliance (9)
D - Low Compliance (5)
E - Very Low Compliance (5)

Source: EBRD, Corporate Governance Sector Assessment Project, 2002 results.

Figure 2: Corporate Governance Country Ratings Map 2003

Rating Legend
A - Very High Compliance (0)
B - High Compliance (9)
C - Medium Compliance (10)
D - Low Compliance (4)
E - Very Low Compliance (4)

Source: EBRD, Corporate Governance Sector Assessment Project, 2003 results.
4. Reading assessment results in a proper context

In order to understand the findings of the CGSAP in a proper context, two comments about the project need to be highlighted.

First, as mentioned above, the CGSAP is an objective review of the existing corporate governance related laws and regulations in the EBRD’s countries of operations and is intended to show how each of those countries stands on issues highlighted by the OECD Principles. The assessment focused on the law "on the books" (i.e., the "extensiveness" of the law). Therefore, it should be noted that the practice of individual companies in a specific country and the actual implementation of the law in that country have not been taken into consideration.

Second, the revised Checklist that was used to conduct the CGSAP has its intrinsic limitations due to its structure. As mentioned above, the Checklist was developed based upon the OECD Principles. The OECD Principles is a set of abstract "principles" and represents a "common international understanding of the elements of good corporate governance regimes". In transforming these principles (or "elements") into a concrete "Checklist" of questions, a certain degree of rigidity cannot be avoided if the questions are to be kept as simple as possible and to make the size of the revised Checklist manageable and practicable. One other aspect of the revised Checklist's inherent limitations is that the answer columns are designed in a simple yes/no format. This kind of answering mode leaves no room for readers to appreciate nuances among different countries falling within the same specific (i.e., yes or no) answer group. That is, different countries whose answers to a specific question appear the same on the revised Checklist are likely to handle the issue involved differently.

To reduce potential misleading implications caused by these inherent limitations, a comment column has been added into the revised Checklist to provide explanatory information whenever appropriate. Therefore, it is important that the assessment results be read in conjunction with the comments supplied (including legal provisions cited).

5. Some general observations about the assessment results

While discussing the assessment results of individual countries assessed under the CGSAP is beyond the scope of this article, three general comments can be mentioned here.

a) As the assessment results show, while in terms of economic development EU accession countries tend to be doing better than the majority of non-accession countries, they do not universally have better corporate governance related laws in place. On the other hand, while some countries (e.g., Moldova, Armenia, etc.) may not currently be performing well in terms of economic transition and generally are not perceived as having good corporate governance practices, they do have relatively good corporate governance legislation in place. This echoes what the EBRD's Legal Indicator Surveys have shown over the years, which is that there is an implementation gap between law development and law enforcement. In the case of corporate governance, legislative reform is only a

8 For a general overview about the EBRD's Legal Indicator Surveys, please see A. Ramasastry, "What local lawyers think: A retrospective on the EBRD's Legal Indicator Surveys", Law in Transition, Autumn 2002. available at http://www.ebrd.com/country/sector/law/index.htm (then following the link to "Law in transition").
necessary, but not sufficient, condition for corporate governance development. Whether a country can actually take advantage of the laws and legal institutions that it has put in place depends upon its being able to transform the values of its law "on the books" into economic and other transition benefits through effective implementation and enforcement.

b) For an EBRD country of operations, how a country’s corporate governance system takes shape is usually affected by three factors: (1) the time at which a piece of corporate governance related legislation was adopted, (2) the legal tradition of the country (or countries) on whose similar law(s) the legislation was based, and (3) the donor agencies whose technical assistance was provided in the drafting process. In most of the transition countries where the EBRD operates, company laws were usually enacted at an earlier stage of the reform process in order to implement the country's privatisation plan, while securities market legislation usually came a little later when financial markets were created. However, since a country when developing its legal system may receive different technical assistance from different donor countries, it is likely that the country may end up enacting laws bearing resemblance to similar laws of a developed country which has a civil law tradition (e.g., Germany), while having other legislation modelled after that of a common-law country (e.g., US). Accordingly, for the countries assessed under the CGSAP, it is not uncommon to see inconsistency problems existing among different corporate governance related legislation, due to the reason that different pieces of legislation were drafted (possibly at different time) with the assistance from different donor countries of different legal tradition and systems.

Fortunately, the kind of problems mentioned above became less frequent after the 1997 East Asia financial crisis and Russia's 1998 banking crisis when a consensus was gradually reached within the international community on the need to strengthen the architecture of international financial systems by developing and promoting internationally recognised standards. The assessment results obtained by the EBRD show that countries which have enacted relevant legislation more recently are more likely to be assessed as having better regimes than countries whose legislation was promulgated years ago. This distinction can be clearly seen between the countries rated as "High Compliance" and countries in the "Very Low Compliance" category.

c) According to the 2002 and 2003 assessment results, none of the countries assessed was rated as "Very High Compliance". For countries in the "High Compliance" category, their existing laws are relatively sound in the majority of the issues highlighted by the OECD Principles. Domestic capital markets have been established, although the relevant level of development varies substantially. General reform priorities for countries in this category are to improve effective implementation and enforcement of existing legislation. The regulator should be given sufficient independence and resources to carry out its mandate; the competence of judiciary system in adjudicating corporate governance related disputes should also be enhanced. For countries rated as "Medium Compliance", they have established a body of laws dealing with almost all issues highlighted by the OECD Principles, although there remain different areas of concern where improvement is needed. Most of the countries in this category have also
established their domestic capital markets, although they remain relatively small. Reform priorities for countries in this category are also to improve effective implementation and enforcement of existing legislation, while continuing to reform their existing laws. As for countries in the "Low Compliance" category, they have laws in place to address corporate governance issues, although the quality of these laws needs to be further improved. Capital markets in most of the countries in this category are almost non-existing or at a very early stage of development. A reform priority for them is to continue to improve the quality of existing laws, including strengthening the institutional design for enforcing the laws. Also, they should make special efforts in raise the awareness of shareholders' rights and of corporate governance issues in general. Lastly, countries rated as “Very Low Compliance” generally have legislation in place providing a basic framework governing the formation, operation and liquidation of joint stock companies, but their laws are usually outdated and are deficient (or even silent) on many important corporate governance issues. Capital markets in these countries are either non-existent or still at a rudimentary stage of development. The priority for these countries is to reform their outdated laws by bringing them in line with international standards.

6. Developments in 2003

For the countries assessed under the CGSAP, 2003 was a year marked by important changes in terms of corporate governance legislative reform. Four major developments are noted below.

- **EU action plan**

For the eight EBRD countries of operations that are scheduled to join the European Union (EU) in May 2004, 2003 was the last pre-accession year to step up efforts in harmonising national legislation with the EU *acquis*, including laws and regulations having implications on corporate governance issues and practices. While the ink on those legislative changes is not yet dry and many policy issues are still being debated at the national level, in May 2003 the European Commission announced an action plan (EU Action Plan), outlining its intention to "modernise" the European regulatory framework for company law and corporate governance. The EU Action Plan is the European Commission's response to the final recommendations of the "High Level Group of Company Law Experts". This High Level Group was engaged by the European Commission in April 2002 in the aftermath of the collapse of Enron to review corporate governance issues in the European context. The High Level Group presented its final report to the European Commission in November 2002, in which a number of corporate governance and company law subjects were discussed. In

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9 Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic and Slovenia.

10 The scope of this review specifically included the role of non-executive directors and of supervisory boards, management remuneration, the responsibility of management for the preparation of financial information, auditing practices, etc. Please see press releases of the EU on 11 April 2002 (ND: MEMO/02/72) and 18 April 2002 (DN: IP/02/584) available at http://europa.eu.int/news/index_en.htm.

11 In addition to the areas mentioned in footnote 10 above, the Final Report of the High Level Group of Company Law Experts also covers the following issues: capital formation and maintenance rules, group and pyramid structures, corporate restructuring and mobility, the European private company and other European legal forms of enterprise as well as certain general themes for future development of company law in Europe. For more details about this Final Report please see information available at http://europa.eu.int/comm/internal_market/en/company/company/modern/index.htm
addition, the High Level Group recommended certain priorities for the EU in dealing with corporate governance issues in the short, medium and longer term. The European Commission was also advised to formulate an EU company law action plan.

Against the above background, on 21 May 2003 the European Commission issued a Communication outlining its Action Plan. In a related press release the European Commission recognised that new initiatives "are needed for the following reasons: the damaging impact of recent financial scandals, the growing trend of European companies to operate cross-border [within the EU], the continuing integration of European capital markets, the rapid development of new information and communication technologies" and the forthcoming EU enlargement in May 2004. In this Communication the European Commission highlights two key policy objectives which should be worked towards through future interventions at the EU level in the area of company law. These two objectives are: (1) to strengthen shareholder rights and third party protection, with a proper distinction between categories of companies, and (2) to foster efficiency and competitiveness of business, with special attention to some specific cross-border issues. In the EU Action Plan, the various interventions which appear necessary to achieve a modern European company law regulatory framework are prioritised over the short, medium and long term. In connection with each intervention proposed, the EU Action Plan indicates which type of regulatory instrument should be used and approximate timetable.

Two comments can be made in relation to the recent EU developments as described above. First, as noted above, while EU accession countries might be performing better in terms of economic transition, EU accession countries do not always have better "laws on the books" than other non-accession countries whose relevant legislation was also assessed under the CGSAP. One explanation could be that the EU accession process itself focuses on the harmonisation of national laws with the EU acquis and accordingly better corporate governance regimes can be considered as a side effect of harmonisation (but not as a goal for EU accession purposes). The fact that the European Commission has decided to take a more direct and organised approach in tackling corporate governance issues within the EU supports this explanation.

The second comment is on the seemingly endless harmonisation process for EU accession. Over the years, a dilemma constantly facing accession countries is that while they are endeavouring to establish a so-called "EU compatible" regulatory framework at the national level, the relevant EU norms themselves are not standing still and the global economic environment in which the countries are trying to thrive is also changing very fast. Take capital markets as an example. Since EU capital markets are evolving rapidly thanks to technological advancement and the introduction of the Euro, by the time the candidate accession countries adopt relevant EU standards the landscape in the European capital markets may have altered substantially. Therefore, throughout the accession process it is not

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12 See id.
14 Which will be aimed either at modernising existing EU company law instruments or at completing the EU framework with a limited number of new, tailored instruments.
15 See the information available at http://europa.eu.int/comm/internal_market/en/company/company/modern/index.htm
16 As some analysts have observed, "fulfilling EU membership requirements will not do much to improve corporate governance regulatory standards because EU directives on company law are generally vague, reflecting the varying standards and practices of existing member states." Please see SG Emerging Markets Equity Research, "Standards of Corporate Governance”, London (February 2000), Page 2.
uncommon to see a country amending a piece of legislation adopted only the previous year. For the countries who are set to join the EU in 2004 the level of the harmonisation anxiety arising from the announcement of the EU Action Plan may not be so high. However, for Bulgaria and Romania, who also aspire to EU membership but for whom a firm entry date has yet to be determined, the Action Plan could mean that the Parliaments of these two countries would be required to put in more efforts in the legislative process than the other ten before being permitted to join the EU.

- **Revision of OECD’s Principles of Corporate Governance**

Another important development at international level in 2003 is that OECD was also actively undergoing a review and consultation process with the aim of revising its *Principles of Corporate Governance*. Also against the backdrop of Enron's collapse, the OECD Council Meeting at Ministerial Level in 2002 decided to survey developments in OECD countries and to re-assess the OECD Principles in light of developments in this field. Since then, and throughout 2003, the OECD Steering Group on Corporate Governance\(^{17}\) entrusted with this review has "undertaken very comprehensive consultations"\(^{18}\). The end result of these consultations was the issue of a draft text of the revised OECD Principles\(^{19}\) in January 2004 calling for public comments. According to the OECD, a final revised version is expected to be presented at this year Council Meeting at Ministerial Level scheduled for 13-14 May 2004.

Among the important revisions introduced to the new draft OECD Principles, four areas are worth noting. First, the responsibilities that institutional investors should have in fostering good corporate governance are elaborated upon. According to the OECD's draft, "institutional investors acting in a fiduciary duty should disclose their overall corporate governance and voting policies with respect to their investments."\(^{20}\) "The voting record of such investors should also be disclosed to the market on an annual basis."\(^{21}\) In addition, institutional investors "should also disclose how they manage material conflict of interest that may affect the exercise of key ownership rights regarding their investments."\(^{22}\) Second, the need for an effective and efficient framework dealing with corporate insolvency and for adequate enforcement of creditor rights is emphasised.\(^{23}\) Third, recommendations concerning auditing and financial disclosure issues and the responsibilities of relevant participants are clarified in more detail. Fourth, for the first time the obligations of external market professionals (e.g., brokers, rating agencies and analysts, etc.) who play an important part in decisions made by investors are discussed. According to the OECD's draft, those who provide analysis or advice which has implications on investors' decisions should "disclose

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\(^{17}\) The Steering Group on Corporate Governance comprises representatives not only from OECD countries but also from the World Bank, the Bank for International Settlements and the International Monetary Fund as observers to the Group. Representatives from the Financial Stability Forum, the Basel Committee on Banking Supervision and the International Organization of Securities Commissions are also invited as ad hoc observers. Please see OECD, "Draft Revised OECD Principles of Corporate Governance" (12 January 2004), available at http://www.oecd.org/dataoecd/19/29/23888981.pdf

\(^{18}\) See OECD, "OECD Invites Comment on Draft Revision of its Corporate Governance Principles" (13 January 2004), available at OECD's website.

\(^{19}\) Available at http://www.oecd.org/dataoecd/19/29/23888981.pdf

\(^{20}\) See id., at Section I. F.

\(^{21}\) Id.

\(^{22}\) Id.

\(^{23}\) See id., at Section III. F.
any material conflict of interest that might compromise the integrity of their analysis or advice. They should also establish and disclose procedures for managing such conflicts.”

- Development of national corporate governance codes

Over the last decade, along with the growing concern of countries in regulating corporate governance issues, a number of states have adopted a corporate governance code at the national level with the aim of better protecting the interests of investors. As recognised in the EU Action Plan, "[f]orty or so corporate governance codes relevant to the [EU] have been adopted over the last decade, at national or international level, …” Indeed, in 2001, the EU commissioned a comparative study to "further the understanding of commonalities and differences in corporate governance practices among EU Member States through an analysis of corporate governance codes and -- to a limited extent -- relevant elements of the underlying legal framework”.

While, in line with the conclusion of the above mentioned High Level Group of Company Law Experts, the European Commission is of the view that there is no need for an EU corporate governance code, interest in developing a code by individual countries at the national level either within or outside the EU is not abating.

Tables 1 and 2 show which countries in the region where the EBRD operates have, as of the end of 2003, adopted or are considering adopting a voluntary code of corporate governance. In this connection, two trends can be observed: one is that listed companies are the focus of the codes adopted; another is that in the case where the application of a relevant code has been made "mandatory" (for listed companies, for example), a "comply-or-explain" mechanism is usually utilised as the enforcement method.

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<th>Country</th>
<th>Title</th>
<th>Promulgation Institution(s)</th>
<th>Date</th>
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<tr>
<td>Czech Republic</td>
<td>Corporate Governance Code</td>
<td>Czech Securities Commission</td>
<td>February 2001</td>
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<tr>
<td>Kazakhstan</td>
<td>Corporate Governance Code</td>
<td>University of International Business (Almaty), Center of International Private Enterprise</td>
<td>October 2001</td>
</tr>
<tr>
<td>Poland</td>
<td>Corporate Governance Code for Polish Listed Companies</td>
<td>Gdańsk Institute for Market Economics</td>
<td>June 2002</td>
</tr>
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24 See id, at Section IV. F.
25 See footnote 13 above, Page 10.
27 See id., Page 14.
28 That is, either follow the rules or explain (usually in the annual report) why the relevant rules have not been complied with.
30 Available at http://www.uib.kz/corpgov/eng/kky_e.html.
<table>
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<tr>
<th>Country</th>
<th>Institution(s) Involved</th>
<th>Date</th>
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<td>Romania</td>
<td>Corporate Governance Code (business associations)</td>
<td>March 2000</td>
</tr>
<tr>
<td>Russia</td>
<td>Code of Corporate Conduct</td>
<td>April 2002</td>
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<td>Slovak Republic</td>
<td>Corporate Governance Code</td>
<td>September 2003</td>
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<tr>
<td>Ukraine</td>
<td>Ukrainian Corporate Governance Principles</td>
<td>December 2003</td>
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Table 2: Countries Where a Corporate Governance Code is Being Drafted (as of the end of 2003)

- **Enhancing financial reporting rules**

During 2003, it was clearly observed that a common effort by the countries assessed to improve legal and regulatory framework concerning financial reporting was being made. At least four countries\(^{36}\) enacted new accounting and/or auditing laws and two\(^{37}\) amended their existing legislation, all aimed at bringing national legislation in line with International Financial Reporting Standards.\(^{38}\) One explanation could be that this area of reform was considered the last step in completing the establishment of a sound regulatory environment for the financial sector. Another explanation could again be linked to the collapse of Enron and others in 2001 and 2002, where accounting practices have been identified as a key factor contributing to those events.

**What's Next**

Through the CGSAP, the EBRD is hoping to encourage, influence and provide guidance to governments, policy makers and all those involved in existing and future development of corporate governance related legal reforms in the region. Building on the results of the CGSAP in 2002 and 2003, the EBRD is considering undertaking two new initiatives through its LTP in order to continue its efforts to monitor corporate governance developments in the

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34 Available at http://www.ecgi.de/codes/country_documents/slovakia/corp_gov_code.pdf.
35 Available at http://www2.ifc.org/ukraine/ucdp/materials/CGPrinciples%2020_2003_final_e.pdf.
36 Armenia, Estonia, Serbia & Montenegro, and Slovakia.
37 Latvia and Kazakhstan
countries where it operates. One is to revise the Checklist that has been used for the CGSAP, taking into consideration the OECD's revised Principles. The revision work will also consider lessons learned from the assessments conducted in the last two years. The aim of this initiative is to make the Checklist up-to-date and more useful in gauging country's progress in establishing a sound corporate governance legal environment. Another new initiative is to undertake a different kind of assessment project, the focus of which will be on how the relevant laws and regulations "on the books" are being implemented and enforced in practice by the country in question. The aim of this initiative is to determine the status of corporate governance practices in the countries where the EBRD operates.39 Hopefully, together with the CGSAP, these new initiatives will further facilitate corporate governance related reform in the countries of central and eastern Europe and the CIS.

39 For an example of this kind of new assessment initiative in the secured transactions area, please see EBRD, *Transition Report 2003* (London 2003), Annex 2.2.