

# The EBRD Legal Transition Programme

**Focus on Access to Finance**

**June 2023**



**European Bank**  
for Reconstruction and Development

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The EBRD is an international financial institution, based in London, with the mission **to promote transition to market economies in 36 economies across three continents.**

The Bank is owned by 71 countries as well as the EU and the EIB. EBRD investments are aimed at making the economies in its region competitive, well-governed, green, inclusive, resilient and integrated.

1991

EBRD established



More than 6,600  
projects to date

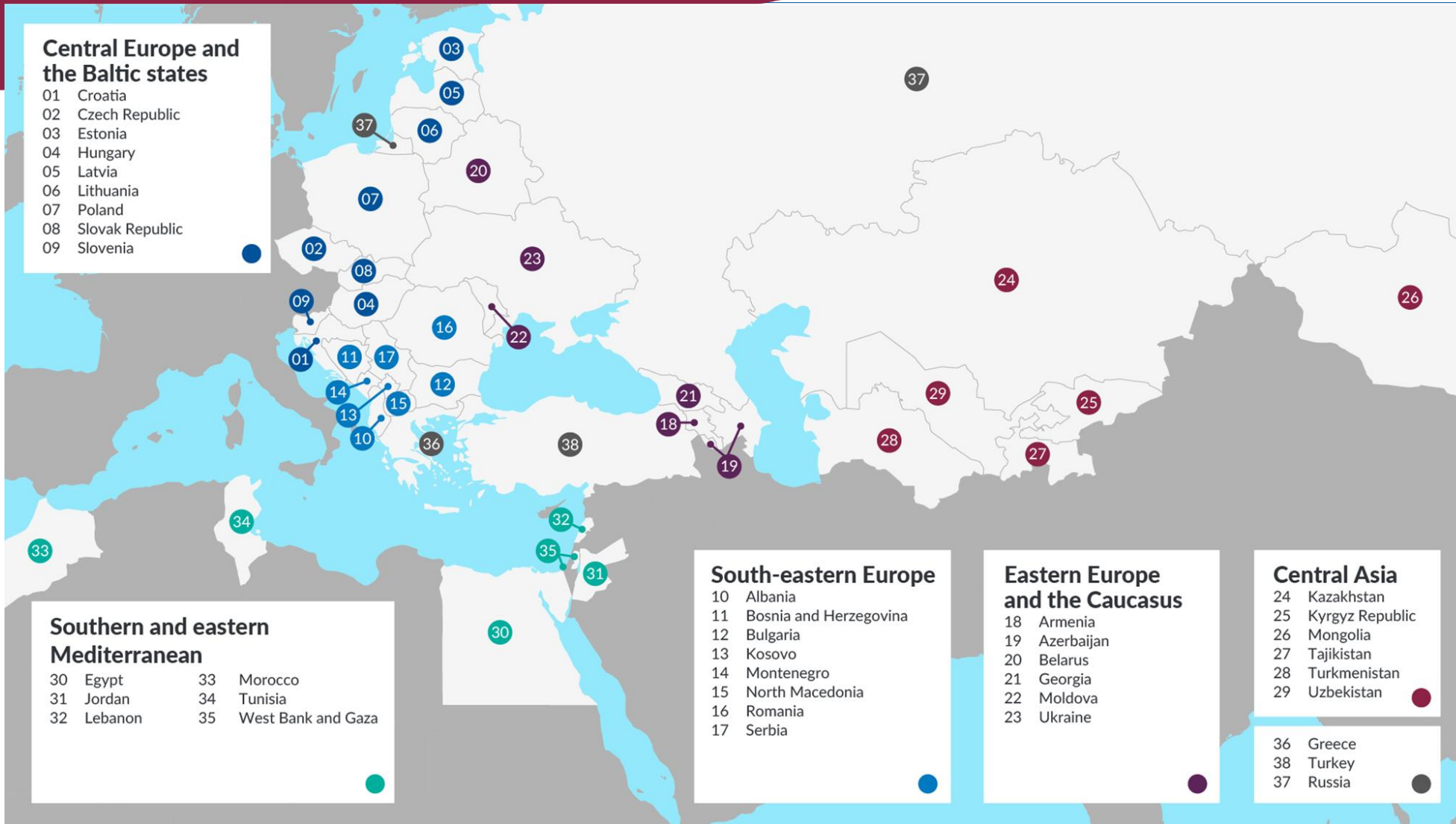


Strong local presence  
with 50 resident offices  
in 36 economies

# Where we operate



European Bank  
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# EBRD Shareholding



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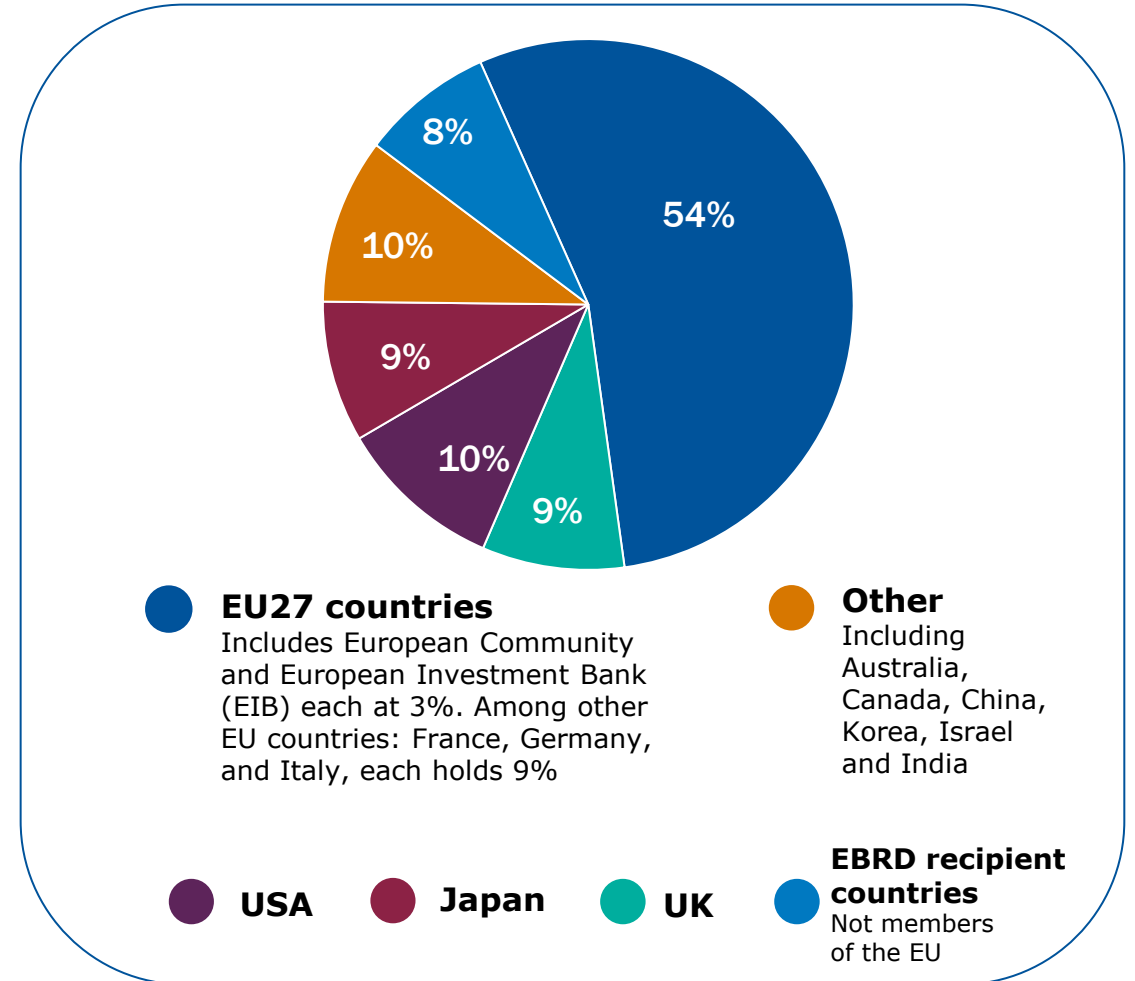
## Capital base

€30 billion

The **EBRD** shareholders have each made a capital contribution, which forms our core funding.

## Triple-A rating

from all three main rating agencies (S&P, Moody's and Fitch).



As at January 2018

# The largest investor in the region



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Net cumulative Bank investment  
€180.4 billion (since 1991)

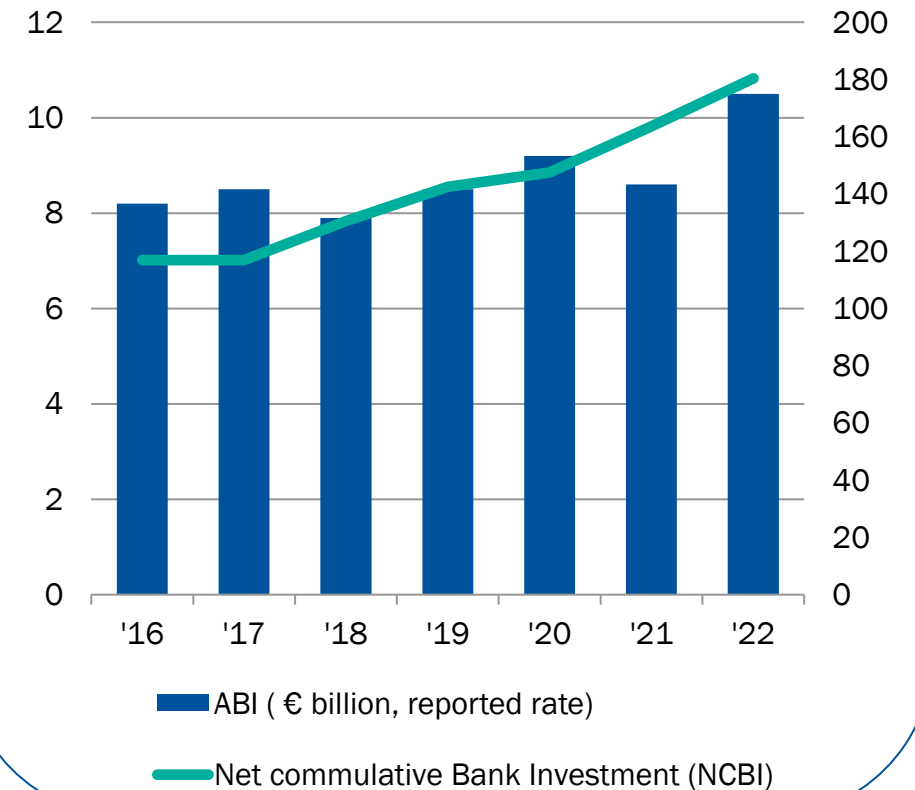
Private sector share of cumulative investment  
79%

## EBRD Top 10 investee countries in 2022 (€ Mln.)

1. Türkiye	1,634
2. Ukraine	1,460
3. Egypt	1,343

Annual Bank Investment (ABI) is the volume of commitments made by the Bank during the year. This includes: (i) new commitments (less any amount cancelled or syndicated within the year); (ii) restructured commitments; and (iii) amounts issued under the Trade Facilitation Programme (TFP) during the year and outstanding at year-end.

### Annual Bank Investment and Operations



# Legal Transition Programme

## Objective and key facts

Improve the investment climate in the Bank's countries of operations by helping create an **investor-friendly, transparent and predictable legal environment**

1995

Legal Transition Programme established



More than 500 country projects to date



Currently 16 specialised lawyers

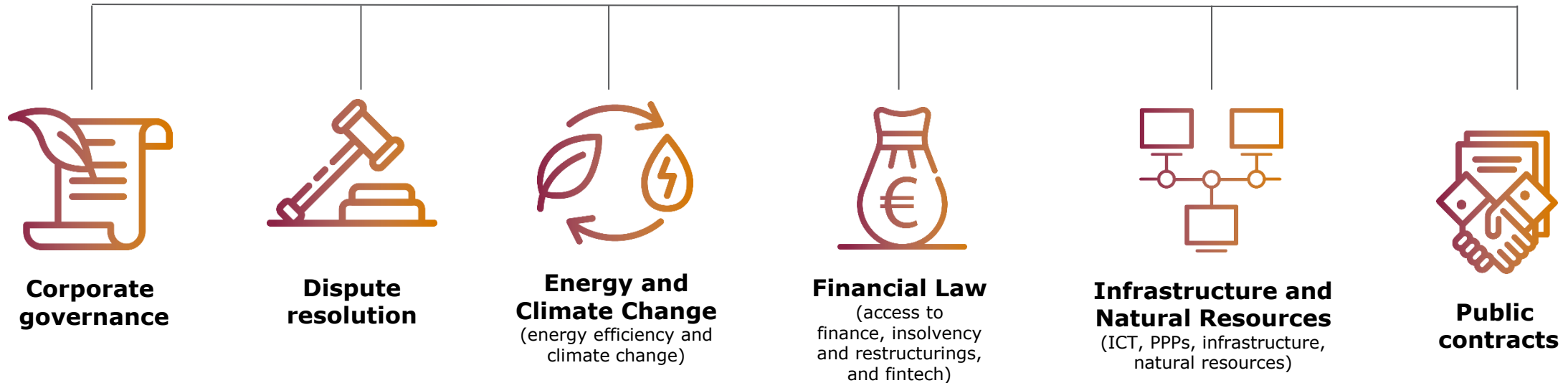


Funded by Bank budget and donors (TC)

# Legal Transition Programme

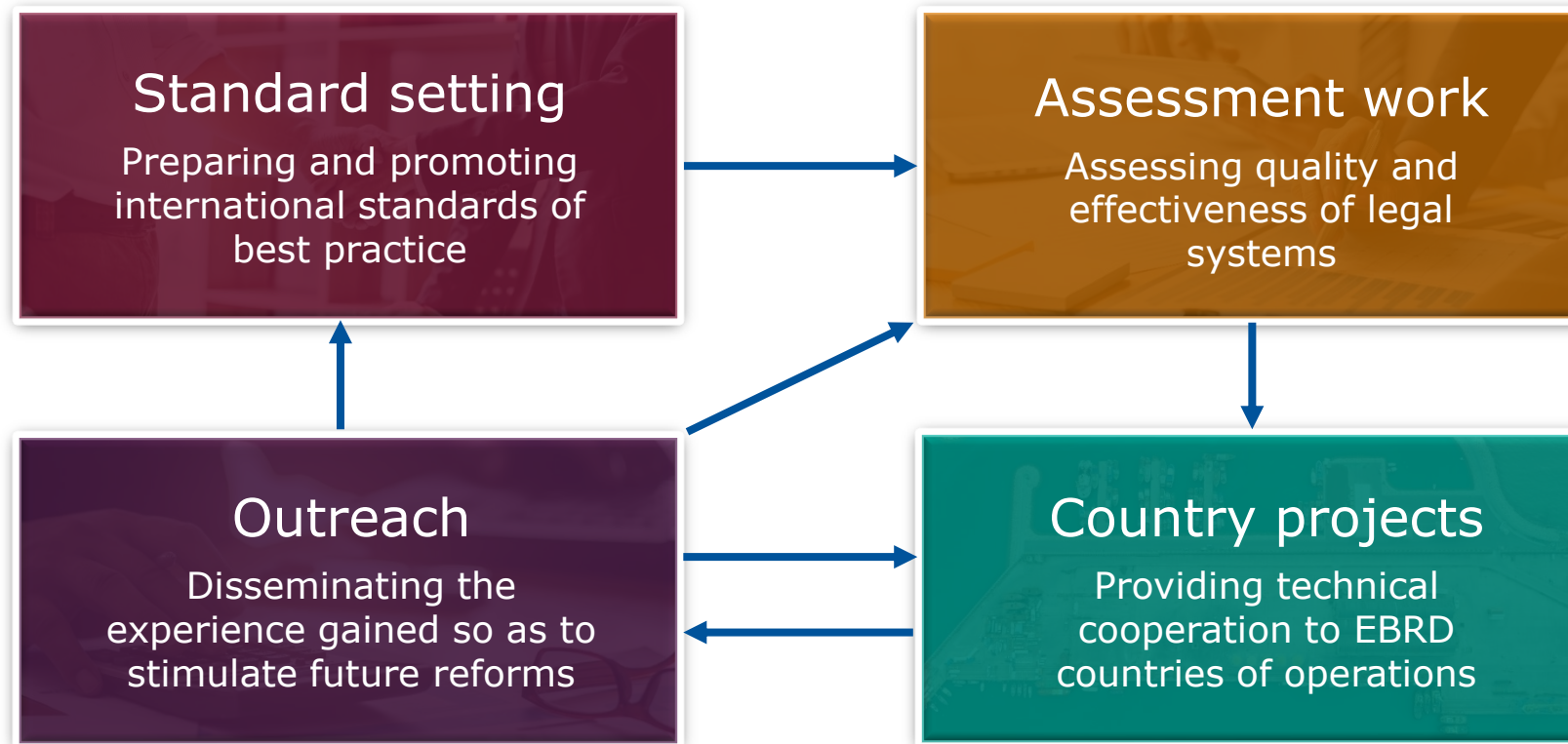
## Key focus areas

LTP supports the implementation of legal reforms in six focus areas



# 'Virtuous Circle' of Legal Reform

The LTP operates according to the “virtuous circle of legal reform”



# Access to finance focus area



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**Secured  
transactions**

# Secured transactions reforms (1/3)



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- At the first annual meeting of the EBRD held in April 1992, the Office of the General Counsel of the EBRD led a **round-table discussion on “Creditors’ Rights and Secured Transactions in Central and Eastern Europe”**. The choice of that topic indicated that the potential role of security in easing the chronic shortage of credit in the former communist countries had already been recognised.
- In 1992 none of EBRD countries of operations had any practical laws that allowed non-possessory security over movable assets, except for a few countries with laws that pre-dated the Soviet era, but these could not be described as efficient. In addition, taking collateral over immovable property was burdened either by inefficient rules or inadequate (or, in some places, inexistent) land registers (cadastres).
- **1994 EBRD Model Law on Secured Transactions** (EBRD Model Law) aimed to harmonise the approach to security rights legislation and provide guidance as to expectations of international investors and lenders in the region was presented at the third EBRD annual meeting.
- **Core principles for a secured transactions law** (1997) broadly formulate the goals and principles of a successful secured transactions reform to foster economic development.
- Between 1999-2014, the EBRD periodically published **Regional Surveys on Secured Transactions Laws** to provide information about secured transactions to help credit providers assess the potential advantages of taking security in 26 countries of operation.

# Secured transactions reforms (2/3)



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- Several countries have reformed national laws along the lines of the EBRD Model Law, e.g., Hungary (1996), Romania (1999), Serbia (2003) and Slovakia (2003).
- The EBRD assisted the Ministry of Economy of **Moldova** with the drafting of a new Pledge Law which was enacted in 1996.
- The EBRD provided comments on the Azeri pledge law. As a result, the National Bank of **Azerbaijan** revised its pledge law based on the EBRD Model Law on Secured Transactions in 1998.
- The EBRD assisted with the preparation of the new **Latvian** law on Commercial Pledges which entered into force in 1999.
- The Bank assisted **Serbia** in adopting a modern legal framework for security over movable assets and implementation (2003) that closely follows EBRD Core Principles on Secured Transactions.
- The EBRD helped adopt a comprehensive legal regime for secured transactions over moveable and immovable assets in **Slovakia** and create a computerised centralised registry for pledges over moveable.

# Secured transactions reforms (3/3)



- The EBRD advised the Ministry of Justice of **Georgia** on amendments of the legal provisions governing secured transactions law, resulting in Civil Code changes in 2005.
- The EBRD assisted the Ministry of Justice of **Hungary** with the preparation of new decrees on registration and non-judicial enforcement following amendments to the Civil Code provisions on pledges and made recommendations on the pledge registry's operation (2005).
- One of the most recent projects in **Morocco** resulted to Security over Movable Assets Law (2018). The law introduced major innovations, for instance three new methods of enforcing security over movable assets and a single registration regime for pledges.
- The ongoing project in **Ukraine** is working towards amending the legislation to allow: (i) the creation of a floating charge, (ii) the creation of a charge over assets under construction, (iii) the creation of a charge over participation interests in limited liability companies, (iv) the protection of senior creditors from junior creditors' enforcement actions against the collateral, (v) the enforcement of creditors' rights under a guarantee, and (vi) the recognition of the security trustee institute.

- Legislative and regulatory frameworks enabling factoring adopted in Croatia (2014), Montenegro (2017) and Kosovo (2019) with the support of the EBRD.
- In 2017, factoring in **Croatia** reached a level of maturity with factoring penetration rate higher than the world average (according to 2017 FCI Annual Review)
- After **Montenegro** adopted a new law on financial leasing, factoring, the purchase of claims, micro-credit and credit guarantee issues, the use of leasing and factoring in Montenegro increased to 5 per cent and 10 per cent, respectively, and are now wider recognised as relevant sources of finance (32 per cent and 12 per cent of respondents, respectively) (as of 2021).
- Following the legislative developments, the very first bank in **Kosovo** joined FCI (former Factors Chain International). The membership allows to do international factoring and/or reverse factoring either under edifactoring platform or onboard into FCIreverse platform.
- **Ongoing factoring projects** work towards developing comprehensive factoring and reverse factoring frameworks in line with the UNIDROIT Factoring Model Law.



# Crowdfunding reforms

- **2018 Report on best practices for regulating investment- and lending-based crowdfunding platforms** makes recommendations on key regulatory issued is accompanied by [videos](#) to summarise the contents. It is based on the analysis of the regulations of six jurisdictions: Austria, Dubai (DIFC), France, Germany, the UK and the US.
- Following successful completion of crowdfunding projects in Armenia, Kazakhstan and Turkiye, 4 respective laws have been adopted that paved the way to **19 licensed crowdfunding platforms** (one in Armenia, eight in Kazakhstan and ten in Turkiye).
- The platforms raised over **EUR 21 million** in the form of debt and equity (based publicly available information).
- For every EUR 1 of our donor funds spent (in completed projects), we helped raise EUR 70 financing for SMEs and start-ups.



## Thank you!

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