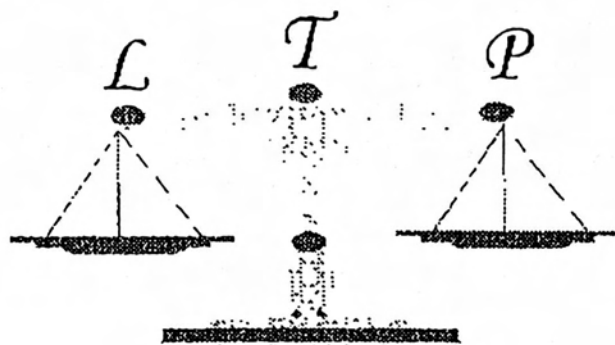




THE LEGAL TRANSITION PROGRAMME



OFFICE OF THE GENERAL COUNSEL



ATTRACTING INVESTMENT

- What attracts investors and lenders to invest in transition economies
 - economic factors
 - political stability
 - political support
 - legal and regulatory environment



Legal and Regulatory Environment

General Business Legislation

- Property rights and rights of ownership
- Adequate security - creation; registration; enforcement
- Contract enforceability
- International Commercial Arbitration
- Corporate law
- Insolvency law
- Environmental law
- Labour law



Legal and Regulatory Environment Judicial Support

- Independence of judiciary
- Professional qualification and education
- Adequate enforcement mechanisms



MISSION

- Assist the Bank's countries of operations to develop a legal environment which supports entrepreneurial initiative and assists the transition towards open market-oriented economies



OBJECTIVES

- an improved investment climate
- an increase in the number and size of bankable transactions for the Bank and other investors
- enhanced respect for the Rule of Law in economic development
- an acceleration of the transition process



METHODOLOGY

- Law reform initiatives must be supported by country - sponsoring Ministry
- Legal Transition Team must be additional - co-ordination with other IFI's and bilaterals
- Consistent with country strategy
- Linked to prospective Bank investment - investment-related law reform
- Legislation must be effective - importance of training



WHAT HAS BEEN ACHIEVED?

- Since the establishment of the Legal Transition Programme on 1 August 1995, the LTT is now actively involved in approximately 28 projects in 17 countries
- Eight projects underway involve providing advice on the adoption of modern pledge laws based on the Bank's Model Law on Secured Transactions (funded by JECF)



WHAT HAS BEEN ACHIEVED?

- Three projects involve reform of bankruptcy laws: Russia, Azerbaijan and Kyrgyzstan
- Six projects involve reform of the legal and/or regulatory framework for the delivery of telecommunications services (the LTT is assisting telecommunications team)



LEGAL TRANSITION IMPACT

- Hungary: Secured Transactions
- Poland: Performance Guarantee Law
- Russia: Corporate Governance
- Albania: Petroleum Legislation and Standard Contracts
- Romania: Concession Ordinance



WHAT LIES AHEAD?

- Promote reform of pledge laws
- Provide assistance with the development of central registries
- Assist countries with the reform of bankruptcy laws
- Provide assistance on the development of workable concession laws



WHAT LIES AHEAD?

- Provide guidance on the establishment of corporate governance principles
- Provide assistance in the development of capital markets
- Provide assistance in other areas in support of specific Bank investment opportunities which face legal bottlenecks



1995 TRANSITION REPORT

**THE CONTRIBUTION OF LAW TO
FOSTERING INVESTMENT**



OBJECTIVES OF CHAPTER 6

- To examine how conducive the law is to fostering investment
 - legal rules relative to international standards
 - effectiveness of laws affecting investment
- To present the results of original research
- To assign specific country grades



LEGAL RULES RELATIVE TO INTERNATIONAL STANDARDS

- Optimal investments laws?
- The sources of generally accepted standards on investment
 - Rule of law
 - Economic rights as human rights
 - Prescriptive attempts at the international level
 - (e.g., writings of jurists, arbitral awards, ICJ decisions, bilateral treaties, multilateral instruments, World Bank Guidelines, regional standards)