

Presentation of the White Paper on Corporate Governance in Russia

15 April 2002 - Moscow, Russian Federation

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It is an honour to open this official launch of the White Paper on Corporate Governance in Russia. This document results from the hard work invested over the past three years by the people in this room – participants in the Russian Corporate Governance Roundtable. Your dedication to improving the corporate governance framework and practices in Russia has produced an important and strategic reference for reform.

As most of you know, during the last decade, policy makers, regulators and market participants around the world have increasingly emphasised the need to develop good corporate governance. Empirical evidence demonstrates that good corporate governance facilitates access to capital, improves investor confidence and contributes to corporate competitiveness.

Through the joint efforts of numerous officials, professional associations, technical experts, academics, and businessmen, Russia has demonstrated a real commitment to participate in this global effort to improve corporate governance. Laws have been adopted or amended to provide for better protection against abuses. Policy-makers, investors and the public at large have become alert to the issues and have pressed for change. Some of the largest corporations that have previously been accused of abuses seem to be changing their practices for the better.

These efforts and the present commitment to improve corporate governance in Russia are fully recognised in the White Paper. From the OECD side, I would like to believe that the Roundtable, since its start in 1999, has played an important role in building this momentum and establishing a coalition for reform.

This comes at an important time, when investments are becoming more and more global and the world is closely watching whether the impetus developed in Russia will be sustained. That means whether the obstacles between theory and practice, between the promise of law and the rule of law, can be overcome. In this regard, the White Paper identifies five key challenges:

1. Intensify implementation and enforcement

The legal and regulatory framework must more effectively implement and enforce existing laws and regulations relating to companies and securities markets. Effective implementation and enforcement require vigorous investigation of possible wrongdoing as well as sanctions sufficiently sure and severe to deter abuses. In particular, the inequitable treatment of shareholders, asset stripping by managers or controlling shareholders, and violations of disclosure requirements need to be addressed. Progress in these areas will not only require action by the government, but leadership from stock exchanges, business associations, professional organisations and individual companies.

2. Ensure clarity and coherence

The respective competencies of regulatory bodies and institutions must be delineated in order to enhance coherence among various legal and regulatory provisions.

3. Facilitate the development of a corporate governance culture in the private sector

The legal and regulatory framework should be streamlined as much as possible. Lawmakers must always seek a balance between the benefits of a rule, the administrative burdens and the compliance costs it imposes upon enterprises.

4. Support and enhance the development of training programmes

The training of judges, government officials as well as managers, board members, accountants and auditors must become a priority for governmental bodies, professional associations, and individual companies. This training is particularly important in order to raise the general awareness of good corporate governance, keep up with any changes in the laws, facilitate the transition to international financial reporting standards, and develop professional boards.

5. Ensure continuing support and review of progress

In launching the White Paper, Russia now enters a new and exciting phase in its legal and economic development. The OECD has been pleased to assist Russian officials, professional bodies, technical experts, academics and businessmen in developing the White Paper. While the

OECD may have been privileged to hold the pen in this process, the impetus and the ideas behind the White Paper have been your own.

The OECD remains a trustworthy and committed partner in helping to drive the work of the Roundtable forward. We will continue to make available our unique ability to facilitate multinational and multidisciplinary policy dialogue where Russian officials can exchange experiences with their colleagues from OECD countries. Along the same lines, as we pursue co-operation among OECD Member countries, follow-up work in the form of both self-assessments and workshops on specific issues may serve as a useful tool to support Russian efforts in this field. In fact, in co-operation with our Russian partners, we are already taking steps to begin this next and perhaps most important phase of work.

To conclude, I would once again like to underline that the organisation of the Russian Corporate Governance Roundtable and the development of this White Paper are the result of a co-operative effort. I would like to express my sincere gratitude to the World Bank Group, other international partners and to all Russian institutions supporting this work, particularly our co-hosts: the Federal Commission for the Securities Market, the Supreme Arbitrazh Court and the Ministry of Economic Development and Trade. I would also like to thank all private sector participants, labour union representatives, representatives of civil society, professional associations and other interested parties from across Russia and OECD countries. I also thank our partners at the Global Corporate Governance Forum and the United States Agency for International Development for their financial support for this important work. Finally, I am grateful to my colleagues in the OECD Secretariat for their energy and their commitment.

Now I have the privilege to introduce our Russian friends, first of all my co-chairman Mr. Maslov, Deputy Minister of Economic Development and Trade. Thank you for taking the time out of your very busy schedule to be here with us today, and to share with us how seriously the Russian government is taking corporate governance improvement.