



The 2006 South East Europe Roundtable Meeting on Corporate Governance

Istanbul, Turkey
17 February, 2006



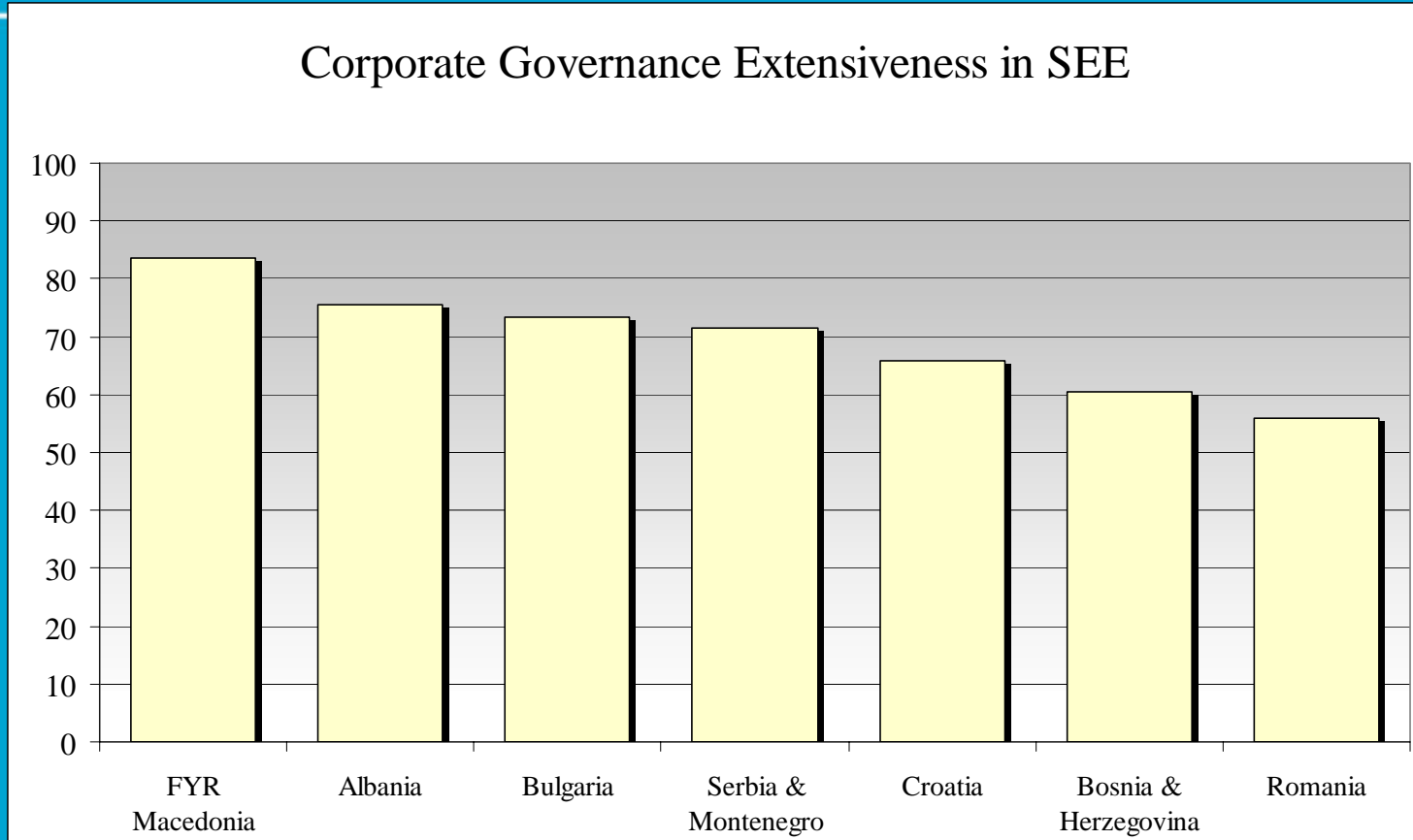
Corporate Governance: Effectiveness of Disclosure and Redress in South-eastern Europe

Gian Piero Cigna
Counsel, EBRD

Istanbul, 17 February 2005



Starting Point: EBRD Corporate Governance Legislation (laws on the books) Assessment (2004)



Source: EBRD 2004 – Benchmark: OECD Principles

<http://www.ebrd.com/country/sector/law/corpgov/assess/index.htm>



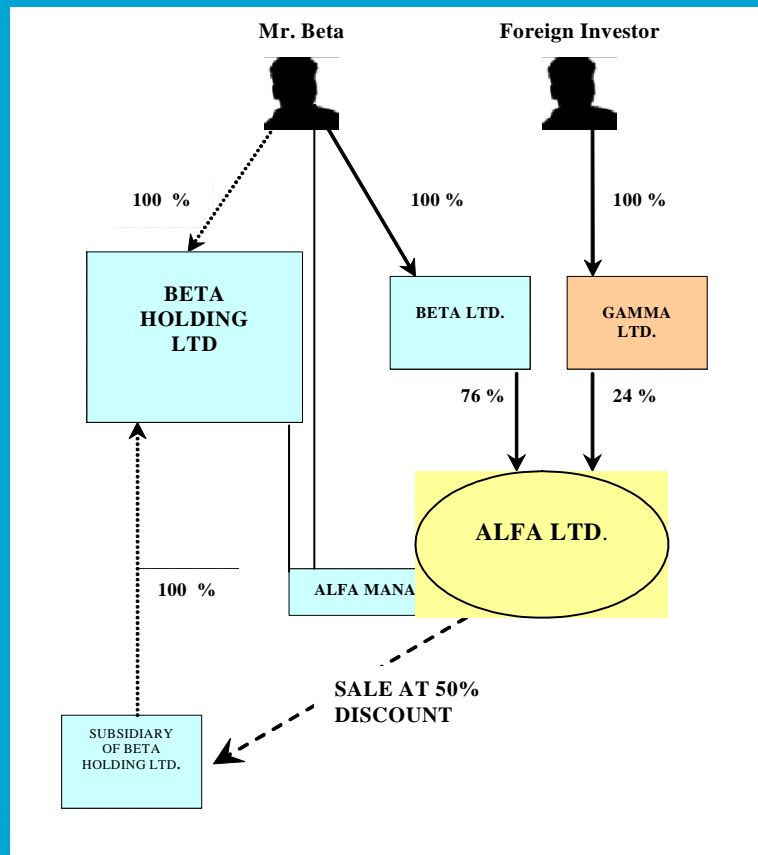
2005: Measuring Effectiveness

- **Benchmark: OECD Principles**
- **Instrument: Case study**
- **Criteria: 5 variables:**
 - Institutional environment
 - Complexity
 - Speed
 - Enforceability

in measuring disclosure and redress



Case study: Related Party Transaction



Alfa, Gamma and Beta are three local joint stock companies.

Beta – controlling shareholder - 76% stake in Alfa.

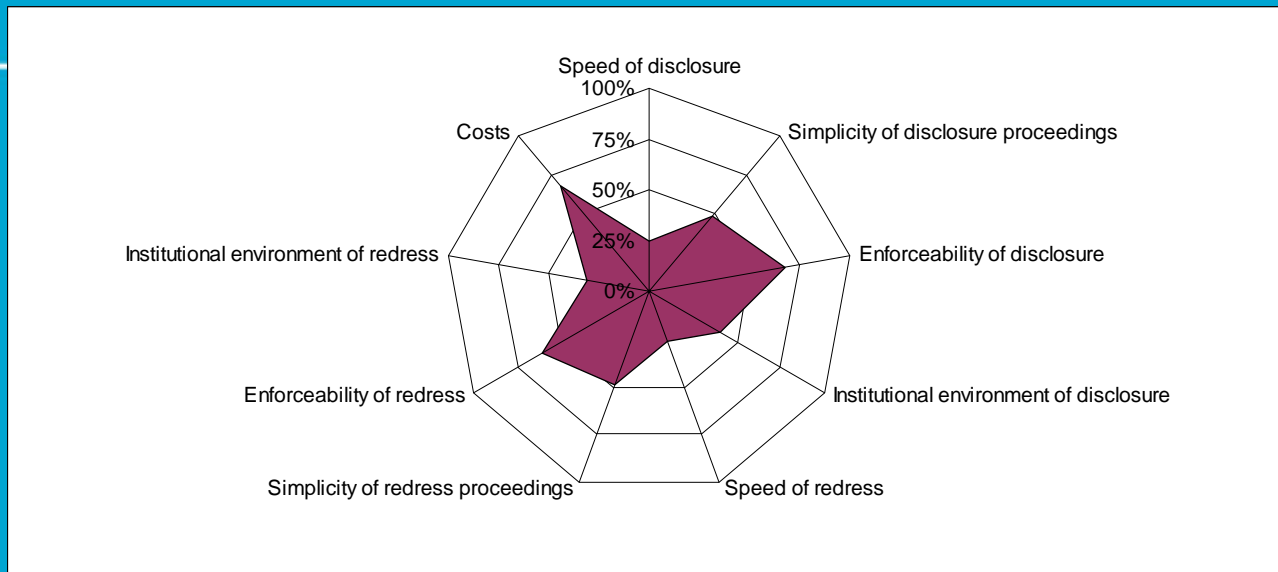
Gamma – minority shareholder - owns a 24% stake in Alfa

Alfa's board of directors is all appointed by Beta.

What Gamma can do in order to find out whether the related party transaction was concluded?

What Gamma can do to obtain redress?

Albania



The extremity of each axis represents an ideal score: the fuller the 'web', the better the corporate governance framework.

Strengths:

Several course of actions and good laws on the books

Low legal costs

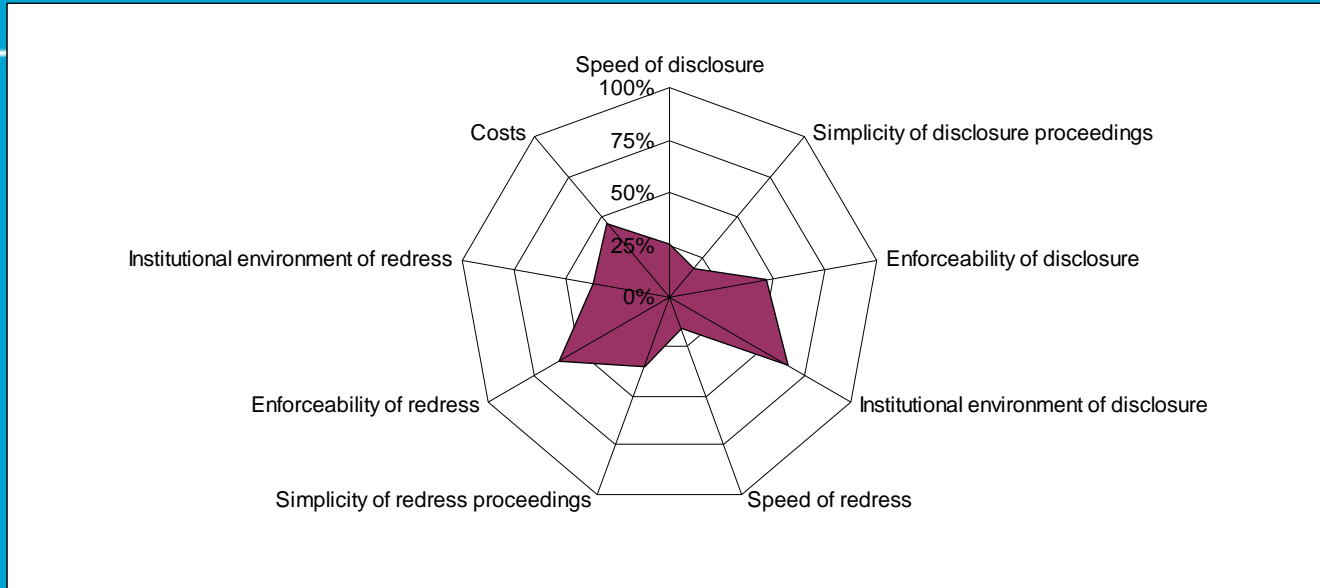
Problems:

Weak Institutional Environment

Time for disclosure (> 8 months) and redress (> 2 years) and it is reported to be easy to delay the proceedings

High administrative fees

Bosnia and Herzegovina



The extremity of each axis represents an ideal score: the fuller the 'web', the better the corporate governance framework.

Strengths:

Company books deemed reliable

Good auditing practice

Impartiality of courts

Problems:

Time for disclosure (> 3 years) and redress (> 2 years)

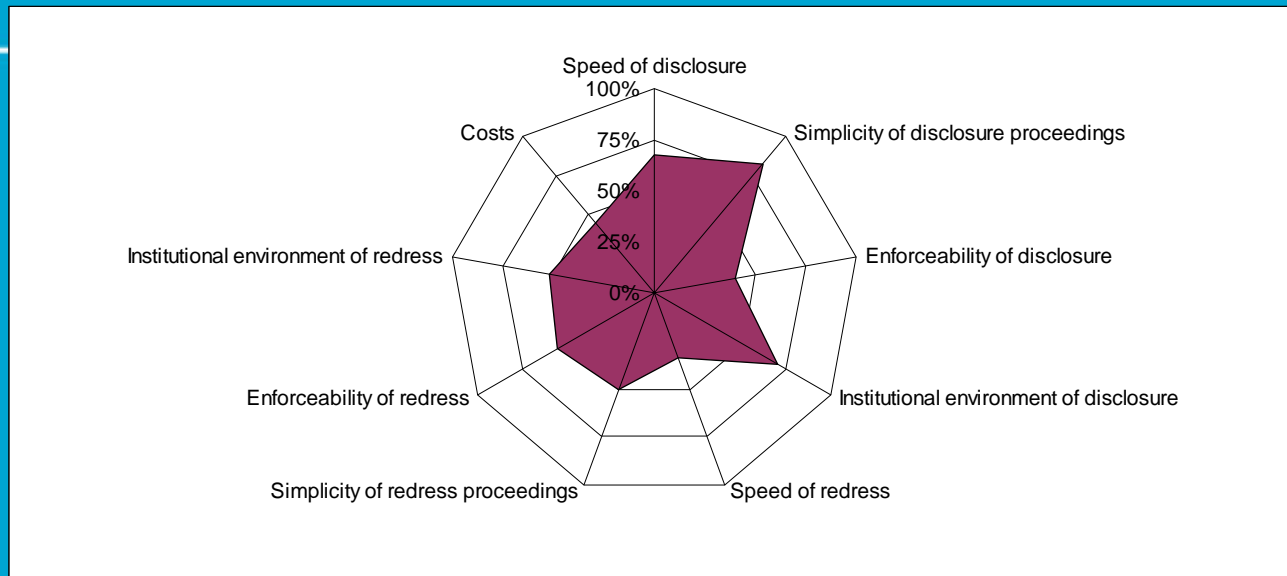
Complexity of proceedings

Difficult enforcement in disclosure actions

Limited course of actions (redress)



Bulgaria



The extremity of each axis represents an ideal score: the fuller the 'web', the better the corporate governance framework.

Strengths:

Good timing for redress

Relative simplicity of proceedings

Reliability of company books

Problems:

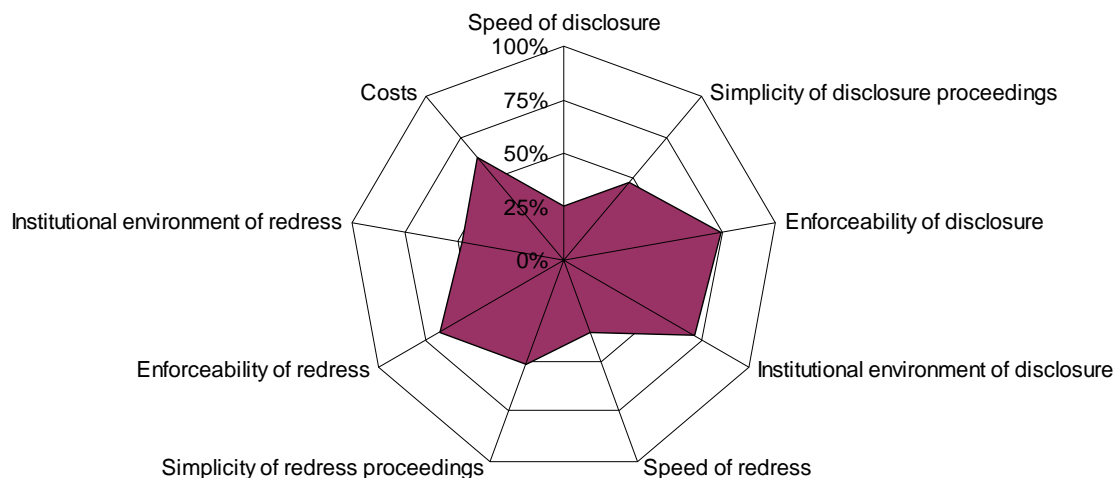
Difficult enforcement in disclosure actions

Time for redress (up to 3 years) and it is reported to be easy to delay the proceedings

High administrative fees for starting a legal action (10-15% of the damage)



Croatia



The extremity of each axis represents an ideal score: the fuller the 'web', the better the corporate governance framework.

Strengths:

Company books deemed reliable

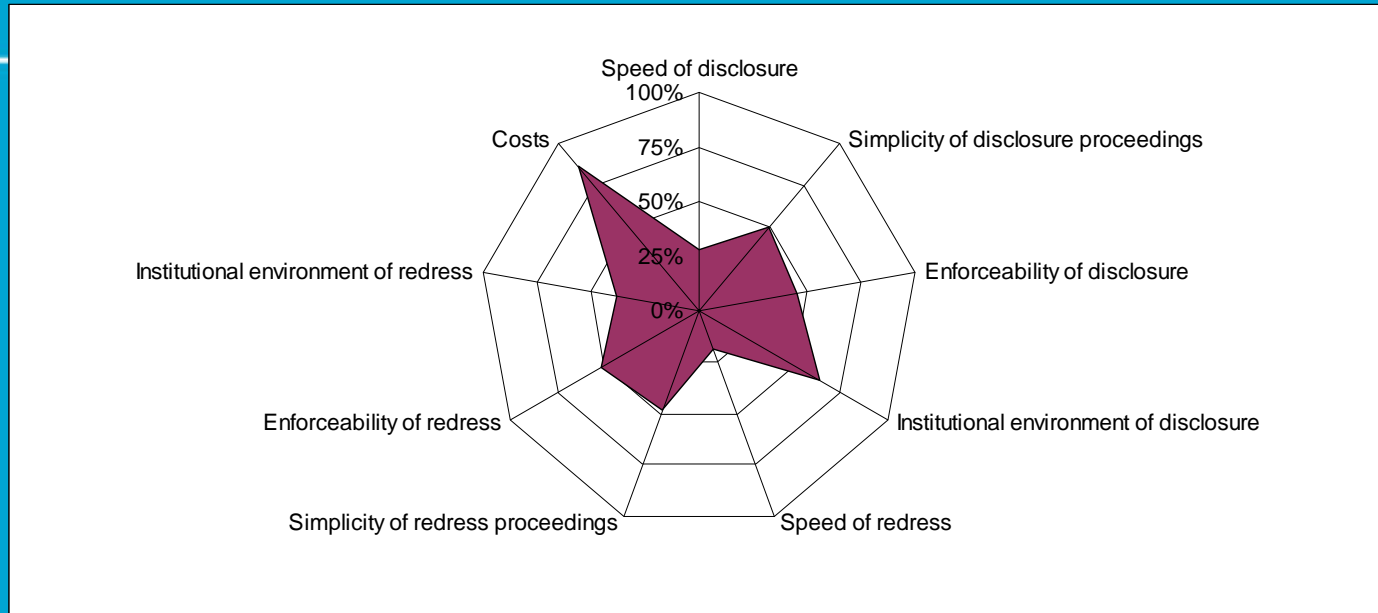
Impartiality of courts

Problems:

Time for disclosure (> 2 years) and redress (> 5 years)

Complexity of proceedings

FYR Macedonia



The extremity of each axis represents an ideal score: the fuller the 'web', the better the corporate governance framework.

Strengths:

Several course of actions and good laws on the books

Low legal costs

Problems:

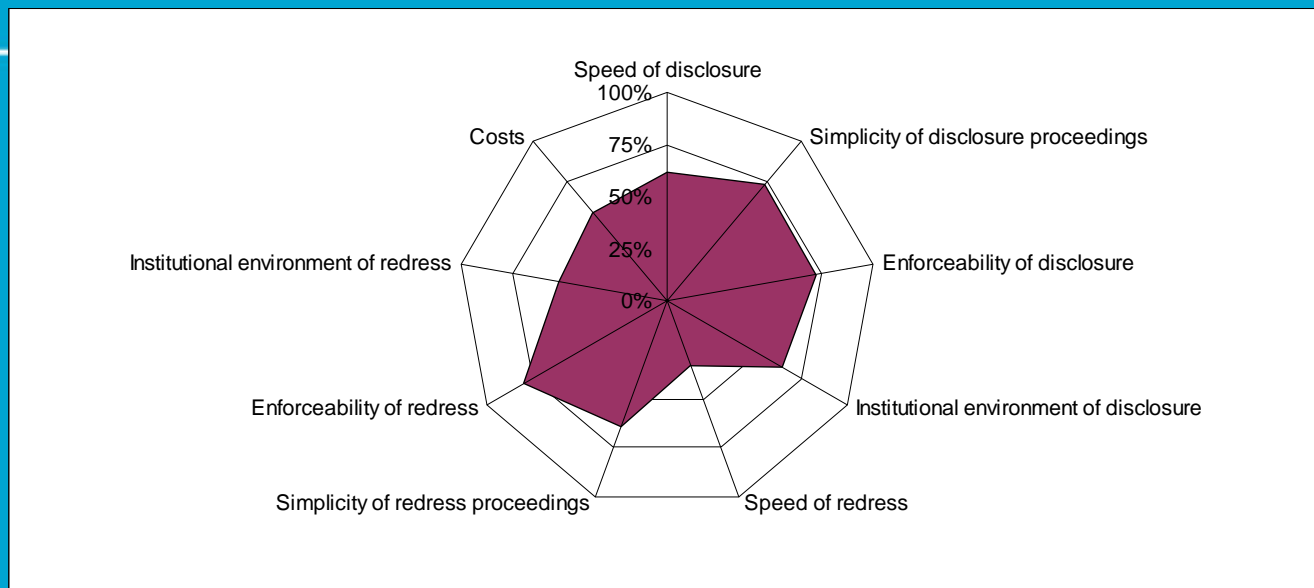
Time for disclosure (> 1 year) and redress (up to 4 years) and it is reported to be easy to delay the proceedings.

Complexity and enforceability of proceedings

Weak Institutional Environment



Romania



The extremity of each axis represents an ideal score: the fuller the 'web', the better the corporate governance framework.

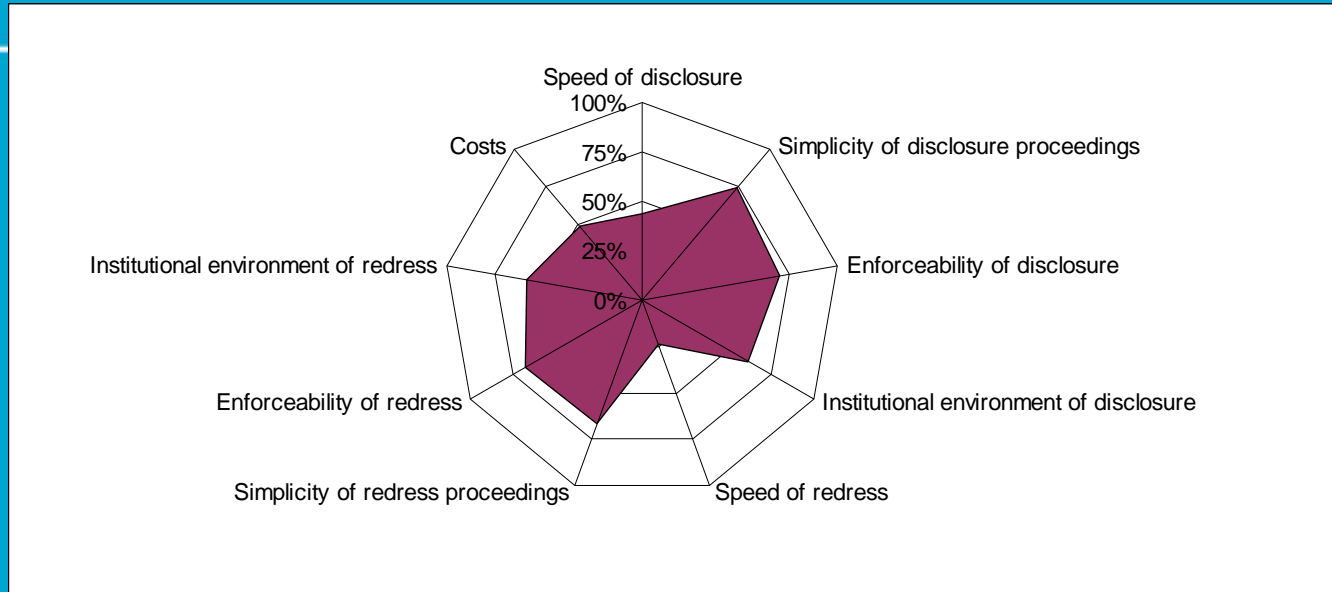
Strengths:

- Several course of actions
- Experienced courts
- Good enforcement practices
- Good timing for disclosure

Problems:

- Time for redress (up to 3 years) and it is reported to be easy to delay the proceedings

Serbia and Montenegro (Serbia)



The extremity of each axis represents an ideal score: the fuller the 'web', the better the corporate governance framework.

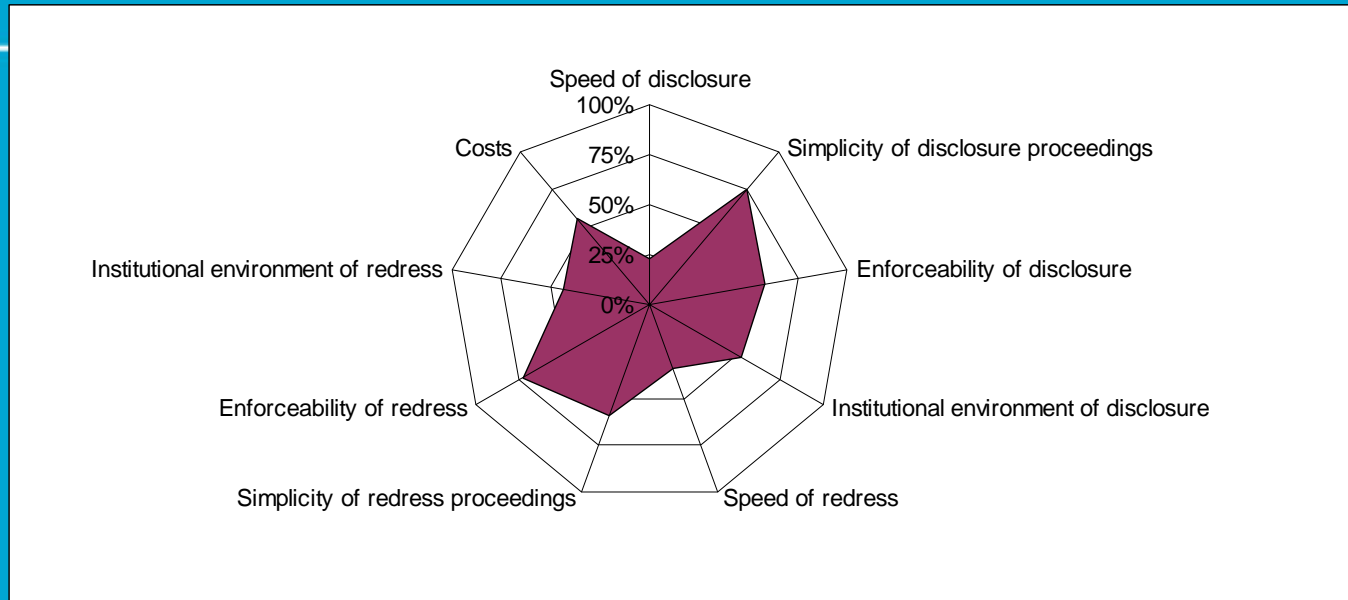
Strengths:

- Several course of actions
- Simplicity of proceedings
- Relatively reliable enforcement practices

Problems:

- Time for disclosure (> 1 year) and redress (> 5 years)

Serbia and Montenegro (Montenegro)



The extremity of each axis represents an ideal score: the fuller the 'web', the better the corporate governance framework.

Strengths:

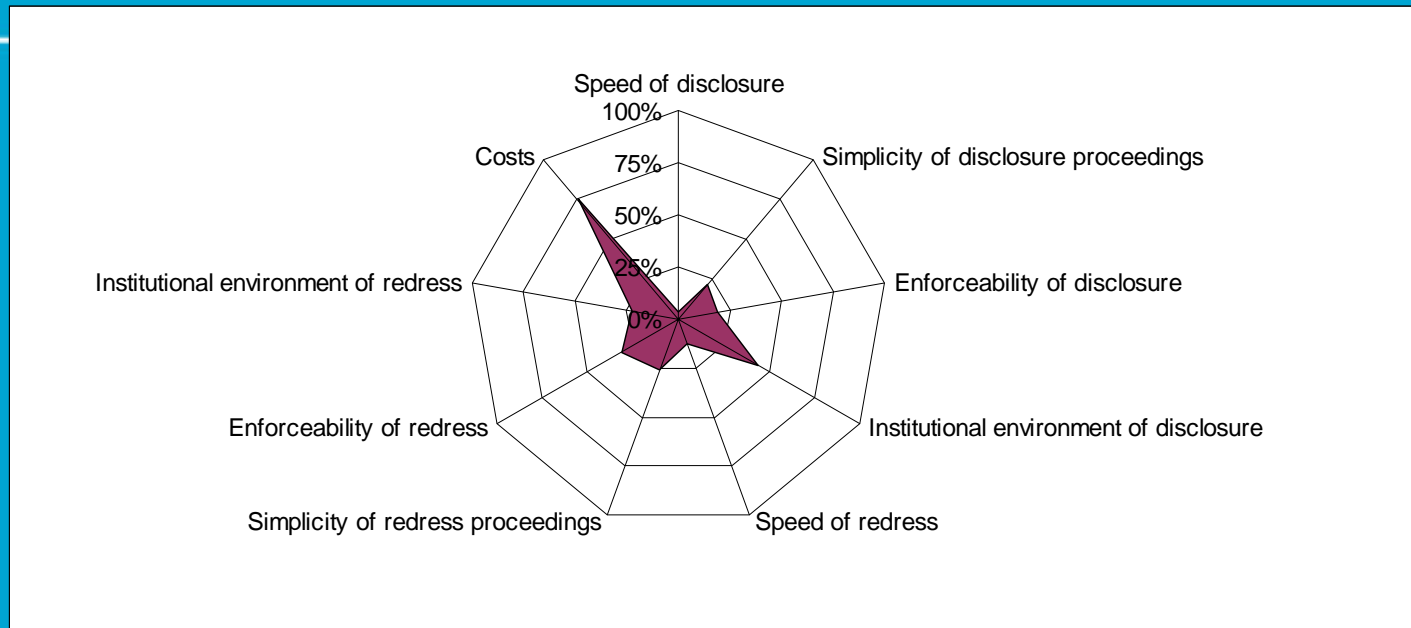
- Several course of actions
- Simplicity of proceedings
- Relatively reliable enforcement practices

Problems:

- Time for disclosure (> 1 year) and redress (> 3 years) and it is easy to further delay the proceedings
- Low reliability of company books
- Possible bias by courts



Serbia and Montenegro (Kosovo)



The extremity of each axis represents an ideal score: the fuller the 'web', the better the corporate governance framework.

Major problems reported in all variables:

Limited course of action for disclosure

Complex legal framework

Difficult enforcement procedures

Weak Institutional Environment



South East Europe: Disclosure

Findings:

- **Best results in Bulgaria, Croatia, Romania and Serbia and Montenegro (Serbia only);**
- **Major problems in Bosnia and Herzegovina and Serbia and Montenegro (Kosovo only).**

Major problems in the region:

- **Limited reliability of company information;**
- **Limited effective enforcement procedures;**
- **Complexity of the procedures;**
- **Length of the procedure**



South East Europe: Redress

Findings:

- **Best results in Romania and Serbia and Montenegro (Serbia only);**
- **Major problems in Bosnia and Herzegovina and Serbia and Montenegro (Kosovo only).**

Major problems in the region:

- **Weak institutional environment;**
- **Limited effective enforcement procedures;**
- **Complexity of the procedures;**
- **Length of the procedure**



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