



**The Fifth Meeting of the  
Latin American Corporate Governance Roundtable**

8 - 9 October, 2004

**Opening Address by  
Mr. William H Witherell  
Director  
Directorate for Financial and Enterprise Affairs  
OECD**

Allow me to extend a warm welcome to all of the participants of this 5<sup>th</sup> meeting of the Latin American Corporate Governance Roundtable. This is an important meeting, because it marks the beginning of the second phase of the Roundtable – a new phase in which our chief objective is to promote the implementation of the White Paper on Corporate Governance in Latin America that was issued by the Roundtable late last year. In endorsing the White Paper, we all understood that we have set for ourselves an ambitious and challenging task to embark on reforms and improvements that will take a sustained effort.

So it is perhaps fitting that we return to Brazil for this meeting, where it all began with the first meeting of the Latin American Roundtable in Sao Paulo in 2000. Our co-hosts, the CVM, Bovespa and the Institute for Brazilian Corporate Governance, were there at the beginning, and so on behalf of the OECD and our IFC partners, allow me to extend our thanks not only for your support for this meeting, but for the support that you have provided for the Roundtable from the start. And for the inspiration you have given to other Roundtables around the world.

We have also greatly appreciated the support of CIPE and the Global Corporate Governance Forum in expanding the reach of the Roundtable, which has grown remarkably from an initial focus on Argentina, Brazil and

Chile in 2000 to now include the active participation of Bolivia, Colombia and Peru, and for the first time today, also the participation of Panama. I would also like to thank our local co-sponsors, the ANBID National Association of Investment Banks; and CESA, the Research Centre for the Society of Lawyers.

My remarks today will address three main subjects: first, I will say a few words about the recently revised *OECD Principles of Corporate Governance*, and how they should continue to be a reference for corporate governance improvement efforts in Latin America.

Second, I will update you on the activities that the OECD and our partners have been involved in to promote implementation of the White Paper since the last meeting of the Roundtable held in Santiago last year.

Third, I will say a few words on the main objectives for this meeting: to advance understanding and recommendations to strengthen corporate governance enforcement; and to consider the future of the Roundtables and the support they can provide to ongoing efforts to implement corporate governance improvements in Latin America.

### **The OECD Principles**

While I have been mainly referring to the Latin American White Paper, it is also important to understand its relationship to the *OECD*

*Principles of Corporate Governance*, which have provided the reference point for the Roundtable's deliberations and recommendations over the last four years. Earlier this year, the OECD completed an intensive review of the *Principles* to take into account recent experience. The Latin American White Paper and experience of this region played an important part in the review, as the White Paper was included in a review of *Experiences with the Regional Roundtables* provided to the OECD Steering Group on Corporate Governance, and a special consultation on the Principles included representation from Argentina, Brazil, Chile, Colombia, and Peru.

The revised Principles maintain the same overall approach as the original Principles, providing broad objectives without detailed prescription of how to achieve them, since this will vary depending on national contexts. There are more detailed annotations, however, which provide examples of promising practice and increased emphasis on certain aspects. The *revised Principles* call for a stronger role for shareholders; greater emphasis on preventing conflicts of interest and self dealing; controlling abuse of related companies; and promoting transparency and effective enforcement.

Importantly, to strengthen the emphasis on enforcement, the revised Principles have added to the original five main chapters a new, introductory chapter on Ensuring the Basis for an Effective Corporate Governance

Framework. This new first Principle may be seen as building on the White Paper's own treatment of this subject. And I am sure that Mats Isaksson's participation in both initiatives helped to transfer the ideas of the Latin American White Paper to the OECD Principles themselves. This Principle states that the corporate governance framework should promote transparent and efficient markets, be consistent with the rule of law, and clearly articulate the division of responsibilities among different supervisory, regulatory and enforcement authorities. The annotations state that countries seeking to implement the Principles should monitor their corporate governance framework, including regulatory and listing requirements and business practices, with the objective of maintaining and strengthening its contribution to market integrity and economic performance. Similarly, in our meeting today, we will be elaborating on the appropriate roles of different authorities and how they can best be carried out.

In endorsing the revised *Principles*, Ministers from OECD countries called upon the OECD to continue to promote their broad dissemination and active use. The Latin American Roundtable on Corporate Governance will continue to serve that purpose, as well as to promote the more specific recommendations of the White Paper. While time does not allow me to go into detail on the *revised Principles* in these remarks, I would encourage you

to take a look at them if you have not yet had the opportunity to do so. Along those lines, we have translated the Principles into several languages, including the Portuguese and Spanish versions that are available outside this room.

### **Recent Latin American Roundtable activities**

A lot has happened since our last Roundtable meeting in Santiago in May, 2003. Following a final written consultation process, the White Paper was issued and launched through presentations and discussions at a series of meetings in November, 2003. This included a meeting of the Inter-American Development Bank in Washington D.C. and a separate meeting there with representatives of business, NGOs, the press and international organisations; a meeting with journalists in Mexico City; and a regional meeting of the Financial Stability Forum that I attended in Santiago. Feedback at these meetings reinforced the interest in focusing on strengthening of enforcement as a particular priority for the region.

Then, in May, 2004, the Confecamaras (the Colombian federation of Chambers of Commerce) organised a meeting under the auspices of the Roundtable to launch the White Paper in Colombia and review progress there, with the financial sponsorship of CIPE and additional support from the

OECD and IFC. I hope that we can hear from some of our Colombian participants and CIPE in the final session on Saturday to have their perspective on the value of such meetings as a possible model for future events in the region aimed at promoting progress in White Paper implementation.

Clearly, corporate governance has risen on the agenda in Latin America. The annual meeting of the International Corporate Governance Network, held here in Rio in July of this year, was the first to be hosted by an emerging market country. While the meeting's focus was global, it provided a showcase for Brazil's progress on a range of corporate governance issues, and a panel focusing on Latin America highlighted the wide range of recent developments and increased attention being given to this subject.

## **Meeting and Future Objectives**

But as we all know, awareness-raising is only the initial step toward achieving progress. We are pleased to have such a knowledgeable, experienced and well-placed group of participants and commentators who will be able to bring us up to date on some of the details of these developments, as well as their perspectives on further needs for change over the coming day and a half. But the work will not end with this meeting.

A core objective of this meeting is to harvest the results of these discussions by developing a policy brief describing in greater detail the approaches to policy implementation and recommendations for change that emerge. This should not be simply a matter of the Secretariat transcribing the proceedings and issuing a document. Rather, we propose to create a task force of Roundtable participants to continue to work on these issues, including session moderators and experts who contributed to the issues and comparative papers on the enforcement framework. We would propose that their task should be not only to develop a policy implementation document, but also to look at how these recommendations can be effectively followed up in their own countries.

Lastly, we want to know how this Roundtable can continue to support all of you in your efforts to strengthen corporate governance in the future. So let me conclude by posing a few questions for you to think about. How can the Roundtable most effectively monitor and promote progress in implementing the White Paper? Should the Roundtable continue to maintain a broad, regional focus, or at this stage of implementation, is it more effective to go into greater depth by focusing on specific countries? Are comparative papers and questionnaires an effective means for benchmarking the state of play, and should they be updated or expanded to address a broader set of issues in the future as a way of continuing to monitor and maintain pressure for progress? I would encourage you to think about these questions and how best to carry forward the Roundtable in the future over the course of this meeting, and we will come back to them in the closing session.

I look forward to your discussions, starting with the first session on the overall state of play concerning the Legal, Regulatory and Institutional Framework for Enforcement. Thank you.