

**Opening Remark for the 5th Eurasian Roundtable on Corporate Governance
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Ladies and Gentlemen,

It is a great honour for me to address and open on behalf of the OECD the meeting of the Eurasian CG Roundtable. We at the OECD are very fortunate and proud to be working with the World Bank, the International Financial Corporation, the Asian Development Bank and the European Bank for Reconstruction and Development. I extend our gratitude to the Global Corporate Governance Forum, the Government of Japan, US, Switzerland and Canada for their generous contributions to the meeting.

Also Importantly, I would like to thank the Ukrainian Securities and Stock Markets State Commission and the First Securities Trading System for becoming our hosts in Kyiv.

I would also like to thank all of you for taking the time out of your very busy schedule to be here with us today, and to share with us how seriously your countries are taking Corporate Governance improvement.

As you remember, the Eurasian Roundtable was launched here in Kyiv four years ago. Since then, efforts to improve corporate governance in the region have taken important steps forward. Many of the main players, who have been behind this endeavour, are, in fact, present in this room today.

It is my hope that the Roundtable has facilitated, supported and inspired the serious work, which has been carried out in each country in order to improve corporate governance and promote efficient and transparent markets and companies as a basis for sustained economic growth, capital market development, foreign investment inflows, employment and a rising standard of living.

Numerous initiatives have underpinned the drive towards better corporate governance in Eurasia. They have been steered and implemented by policy makers, regulators, the private sector and academics. During the last four years the corporate governance laws, rules and regulations were improved in many countries. Supervisory, regulatory and enforcement authorities have been increasing their knowledge and capacity to fulfil their duties in a professional, transparent and objective way. Professional associations and other institutions have been established and strengthened. Corporate governance codes, principles and recommendations are being developed or implemented, while plans for institutes of directors are being discussed. We fully understand that this is the on-going process as ensuring a good corporate governance is indeed a moving target.

A survey of Roundtable participants last year has indicated that the OECD Corporate Governance Principles have given incentives and guidance for some of these efforts. In pursuing these avenues for improving corporate governance, I believe that this Roundtable will manage to remain relevant and serve as a platform for exploring ideas and for exchanging experience in the future in this ever changing environment.

Following this opening session, we will discuss the comparative overview paper of Corporate Governance in Eurasia, which is the main output of the four years discussion in this Roundtable. Some of the comments we received in the course of its preparation indicated that it is impressively comprehensive. If this is the case, it is thank to your invaluable input of country papers and surveys, but also because of the quality of discussions we have. I would like to underline that this is not a mere OECD paper but the product of the Roundtable and thus the ownership rests on all of you in this room and who participated in the discussions.

The overview acknowledges the significant progress and achievements, but also the important challenges, which remain. Indeed, it is still quite difficult for companies and investors to operate while the supporting institutions of sound corporate governance in the region are still developing. The opportunities for abuse by controlling shareholders including States as a shareholder and management abound as ownership in Eurasia is highly concentrated and management effectively controls some companies without having a majority stake. The millions of shareholders who emerged after mass privatisation programmes are largely unaware of their own rights and remain passive. Furthermore, many companies have not registered their

shareholders properly or have never held a general shareholder meeting; problems of insider trading and asset stripping by controlling shareholders are rampant.

Following the rich debates we have carried out through the years, the overview paper attempts to propose some priorities for reforms. They may be regarded as aspirations and each country would need to approach them with regard to its own legal and institutional framework, traditions and corporate sector practices.

I also hope that this overview and today's discussions will help us progress on the way ahead and identify options for continuing the work of the Roundtable, in its current format or with more concrete and focused initiatives devoted to a sub-region or a country. As you may know, other OECD Corporate Governance Roundtables have already published their White Papers and have agreed on their future programmes.

This is in line with our hope that this paper can become a useful tool for increasing awareness of why Corporate Governance is so important, but also as a tool supporting various public and private sector initiatives. Its wider dissemination and endorsement by national corporate governance institutions would only help if it is to become instrumental in bringing about important changes. Once again I would stress that the ownership of the paper and the efforts rests on relevant authorities and institutions in each country and the real implementation should be carried out by them. The OECD is happy to support these initiatives.

CG is not only an issue for emerging and transition economies. Developments over the last couple of years have provided ample evidence that improving corporate governance should be a concern also for the most advanced markets. And this is why the OECD countries decided to revisit the Corporate Governance Principles, assess the implications of recent events and ensure that they remain relevant and useful.

In 2002 Ministers of the OECD countries requested an assessment and review of the Principles, the results of which are being presented to the Ministerial Council Meeting last week. The review, which was carried out under the responsibility of the OECD Steering Group on Corporate Governance, paid particular attention to the improvements and emerging good practices catalogued in a recently published Survey of developments in the OECD member countries. Observers from key international institutions participated actively in the assessment process and

consultations were held with the private sector, labour, civil society and with non-OECD countries. Here I must underscore that some representatives from this Roundtable actively participated in this process, particularly in the consultation meeting held in November last year and provided us with useful comments. The process also benefited from informal meetings with senior representatives from prominent international organisations, business and labour convened by the OECD Secretary-General. Public comments on a draft of the Principles were sought via the Internet and attracted many constructive suggestions.

The assessment concluded that the Principles should be revised to take into account recent developments and concerns, while retaining their non-binding principles-based approach which recognises the need to adapt implementation to varying legal, economic and cultural circumstances. The revised Principles include a new chapter on effective implementation and enforcement, including those to be followed when new regulatory measures are being considered, which I think quite relevant to all the countries in the Eurasian region. Good corporate governance relies on effective checks and balances. To strengthen them, the revised Principles aim to tighten the oversight of management by the board, and to improve the accountability of the board to shareholders. New principles call for the exercise of informed ownership by shareholders through both strengthening their ability to influence the board and by lowering the costs of exercising ownership rights. In addition, the Principles call for an increased attention to managing conflicts of interest through enhanced disclosure and transparency. The need to manage conflicts of interest now concerns not only managers and controlling shareholders, but also institutional investors, auditors, brokers and analysts.

I am sure that Rainer Geiger, the deputy director for financial and enterprise affairs of the OECD, will tell us more about the process and outcomes of this work later today.

At the OECD, we have initiated another important project on the issue of Corporate Governance of State Owned Enterprises. The OECD member countries are now aiming at compiling the Corporate Governance Principles for SOEs by the end of this year. In doing so, we will have similar consultation meetings with non-member countries as we had for the revision of the OECD Principles. The meeting is now scheduled in September and we would issue invitations to some representatives in this Roundtable and expect their valuable inputs.

I now look forward to a fruitful and informative meeting. It will not only conclude the drafting of the Eurasian CG overview, but also launch a new and important phase in the work of the Eurasian CG Roundtable.

Thank you very much.