OECD Launches Drive to Strengthen Corporate Governance

The OECD has embarked on a drive to strengthen corporate governance practices world wide in the wake of a series of business scandals that have undermined public trust in companies and stock markets.

In this context, OECD Secretary General Donald Johnston invited senior officials of key international organisations and other experts on ongoing national and international initiatives to ensure market integrity to a meeting in Paris on 15 November 2002.

Participants included Sir Adrian Cadbury, who headed an influential U.K. review of corporate governance in the early 1990s; Andrew Crockett, general manager of the Bank for International Settlements and chairman of the Financial Stability Forum; Veronique Ingram, an Australian Treasury official who chairs the OECD steering group on corporate governance; and representatives of business and labour unions.

They discussed the role of the OECD’s Principles of Corporate Governance, ahead of a forthcoming review mandated by OECD ministers at their annual meeting in Paris on May 2002, and of other OECD Instruments relevant to market integrity, such as the OECD Guidelines for Multinational Enterprises and the Anti-bribery Convention.

The OECD’s Principles of Corporate Governance, first adopted in 1999, provide an international benchmark for best practice in corporate governance and have become a global reference for shaping public policy through regional roundtables organised by the OECD and the World Bank in emerging and transition economies. They are used as one of the criteria in country assessments by the World Bank.

The review of the Principles will evaluate weaknesses in present systems of corporate oversight and identify areas for improvement. The challenge facing policymakers is to strike a balance between government oversight of markets and corporations and increased monitoring by market participants themselves.

In consultations with the business community, labour, civil society and representatives of non-OECD countries, participants in the review process will seek a consensus on concrete steps to take, drawing upon the results of a survey of recent developments which will be carried out in the coming months. Ministers are expected to receive the completed review in 2004.

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