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CORPORATE GOVERNANCE IN DEVELOPING COUNTRIES AND EMERGING ECONOMIES

Informal Workshop, Paris, 3-4 April 2000

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SUMMARY

Corporate Governance in Developing Countries and Emerging Economies

Informal Workshop, Paris, 3-4 April 2000

1. The Development Centre organised an informal workshop to bring together the researchers carrying out case studies for the Centre on corporate governance in Argentina, Brazil, Chile, China, India, Malaysia and South Africa. The purpose was to discuss preliminary drafts of those studies with a view to providing guidance to authors on how to improve them within the framework of the overall objectives of the Centre's research project, "Corporate Governance in Developing Countries and Emerging Economies", to be completed by end-2000. The workshop also attracted a number of other participants, all speaking in their personal capacity, from OECD and non-OECD countries, including Ambassadors and other senior-level members of OECD Delegations, managers of investment funds, corporate managers, academics and staff from the OECD Secretariat and from other international organisations.

2. The exchange of views focused on the implications of improved corporate governance in developing countries, and how to achieve such improvement in view of the political, economic, legal and institutional realities in each country. Much discussion centred on *why* corporate governance functions, and malfunctions, as it does in each country – and in developing and emerging economies more generally, insofar as they face common problems and adopt a *developmental* perspective on corporate governance.

3. Particular attention was given to two key features of corporate governance: (i) the role of corporate boards and accountability; and (ii) the relationship between corporations and domestic and international financial markets. Considerable attention was also devoted to the factors and forces that *resist* moves to improve corporate governance in developing countries today, including the behaviour of vested interest groups. Identifying forces that work *for* such improvement or that can be mobilised to do so, was also a priority in each country case.

4. Specific ways to further develop and/or strengthen each of the country studies were pointed out by participants and several important areas of agreement emerged, as noted during the Roundtable held at the close of the workshop:

- Given the importance of accountability, there is a close relationship between good corporate governance and good political governance, both of which are tools to promote sustained processes of development. Each country study should therefore attempt to clarify this relationship.
- With regard to the sources of corporate finance in developing countries, banks and debt, in addition to equity markets, are significant. Thus researchers should analyse the political economy of local bank supervision and bankruptcy laws and procedures, as well as that of protecting non-controlling shareholders' rights.
- The potential value of private-sector standards and initiatives to improve corporate governance should be examined, as well as legislation and government-established rules – at the national level but also at the regional or international level. These lessons would enhance the quality of corporate governance in today's developing and emerging economies.

5. The case studies will be revised in light of the comments and ideas generated during the workshop. Final versions will be prepared for a policy-dialogue meeting on corporate governance in developing countries and emerging economies. It is envisaged to publish one or more studies that would synthesise and draw lessons from the country cases and from the discussions at that meeting.