

Corporate Governance: 20 years of experience

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Corporate Governance and Transition

- Corporate governance became an issue of concern following the privatisation programme
- The legal framework necessary for the protection of investors and other stakeholders was weak (thus tunnelling)
- Concentrated ownership became the norm across transition countries
- Institution building did not receive the attention it deserved in the initial phase of transition

Corporate Governance Outcomes

- Despite much progress, CG problems have persisted, resulting in external finance being more difficult and growth potential weaker
 - Concentrated share ownership has meant that stock markets (where they exist) are not very liquid or deep
 - New issues are not common, thus growth is limited
 - Large infrastructure companies remain under state control with opaque governance
- Financial crisis
 - Has highlighted some of the problems of CG framework
 - Has weakened the trust in ME

In Small Balkan countries

- Different models of privatisation and different models of Corp Gov
 - Albania/Croatia/Bosnia/Montenegro: mass privatisation
 - Macedonia: MEBOs
 - Kosovo: Sale to the highest bidder
- Secondary privatisation was even more important
- Effectiveness of CG framework depends on legal framework and law enforcement
- Unreformed judiciary and overloaded courts
- Stakeholders voice is weak

Main gaps in CG

- CG of publicly owned companies
 - Board system, accountability, transparency, political influence, quality of service
- CG of banks and financial institutions
 - Ownership, risk management, responsibilities of the boards
- CG of family owned businesses
 - Succession issues

Related gaps in CG

- Lack of commitment by Governments
- Weak rule of law
 - Reform of judiciary (including juridical education)
 - Improve the work of constitutional court to challenge governments
- Stakeholders' organisations
 - Business associations,
 - Civil society organizations
 - Mechanisms to mobilise citizens (free media)
 - Highlight potential for rent seeking
- Corruption and rent-seeking

Impact of Financial Crisis

- Limited impact in the small Balkan countries
- Strengthening of 'statist' and 'authoritarian' tendencies
- Call for more regulation
- Highlighted the weaknesses of the banking and financial system (failure to implement existing laws)