



Restoring Voting Rights and Value to Shareholders

Challenge

Privatization of state-owned companies turned many Macedonians into shareholders. However, Article 292 of Macedonia's Company Law of 1996 permitted shareholders to sign over their voting rights to a third party for a period of five years under "management agreements." Managers and directors coerced thousands of employee who were shareholders to sign these agreements through explicit or implicit threats to their jobs. This deprived the shareholders of their rights as owners and rendered the shares non-tradable. In effect, when the employees lost their voting rights, they also lost the value of their shares estimated at \$12 million, since they could not sell them.



Photo: Skopje, Macedonia Stock exchange

Skopje's small stock exchange operates every day.

“Macedonian workers will no longer face pressure from a manager to forfeit their shareholder rights.”

- Melica Gjorgieva, Legal Department Head in the Ministry of Economy

Initiative

USAID's Macedonia Financial Sector Strengthening Project was already bringing together senior government officials to design reforms to the Macedonian stock market and other critical financial institutions. Leaders within this group concurred that the loss of value to thousands of citizens constituted an abuse that had to be remedied.

Simultaneously, USAID's Corporate Governance and Company Law (CGCL) Project assisted the Government of Macedonia to draft a new Company Law. In less than sixty days, CGCL presented the issue to the drafting committee and Parliament passed an amendment to the Company Law.

Results

In the months following the new law's amendment, shareholders recovered the right to sell shares with a nominal value of approximately \$12 million, a significant figure in the context of Macedonia's capital markets. Furthermore, board of director members, the management team, and supervisory boards of companies in Macedonia are now prohibited from being beneficiaries of agreements to transfer voting rights. This enormously reduces the motive for management to pressure employees to forfeit their shareholder rights.

