

Firms

FIRMS ARE KEY BUILDING BLOCKS OF MARKETS, PRODUCING GOODS and providing services that form the basis of market exchange. This part of the Report considers institutional issues for three groups of firms. *Farmers* are the focus of chapter 2, which looks at ways for agricultural producers in developing countries to increase their productivity and reduce their risks through improving the institutions that govern the markets for land, credit, technology, and agricultural output. For firms, a key institutional question is how to enhance investment and ensure good management; chapter 3 covers the problems of *Governance of Firms* (focusing on those outside the financial sector), through an examination of interactions between ownership structures and legal frameworks, and public and private institutional players. In chapter 4, *Financial Systems*, which perform critical functions for market systems, are considered; the chapter discusses the necessary institutional conditions for their development and the role of the supervisory and regulatory system in ensuring a healthy financial system.

