

Dubai SME and Hawkamah tie up to develop a code on Corporate Governance for small & medium enterprises

Dubai SME, the agency of the Department of Economic Development (DED), Government of Dubai, entrusted with the development of the small and medium enterprise (SME) sector, has joined hands with Hawkamah – The Regional Institute for Corporate Governance – to develop a code for SMEs on Corporate Governance.

The first-ever code with key principles and practices will be launched at a Conference for Corporate Governance for SMEs to be held in Sept. 26, 2011, in Dubai. It will serve as a guide for SMEs in various stages of growth to embrace best practices in corporate governance.

The aim is to create awareness amongst SMEs on the importance of adopting a basic level of corporate governance that will make them more robust, better manage risks, be more bankable and investable. It is also hoped that the promotion of corporate governance will make SMEs realize that corporate governance is not just something good to follow but is a must-have to grow and progress sustainably.

Under Dubai SME's Corporate Governance Plan for SMEs, a two-fold strategy comprising Promotion & Awareness Creation in the first phase and Capability Development in the second phase has been adopted to enable change and development for SMEs.

Promotion and Awareness Creation

Under promotion and awareness creation, Dubai SME will work with key stakeholders to promote corporate governance to the general SME population. A key tool is a guide book on CG for SMEs which will cater to micro, small and medium sized SMEs.

The message is start early, start now. For the medium and

growing SMEs that aim to expand through new external capital, more complex aspects of corporate governance will be promoted such as awareness on board structures and composition, share ownerships and listing preparation in the Equity Markets.

Other promotional projects and activities include Awards for SMEs with Best Practices in Corporate Governance and for Best SME Annual Reports. Dubai SME has engaged Hawkamah to develop the Code of Corporate Governance for SMEs based in Dubai, using the official definition of SMEs developed by Dubai SME and the Dubai Statistics Centre.

The idea is to customize the corporate governance code in the economic and business context of Dubai/UAE's business requirements. The code, which will be launched on Sept. 26, will then be used as a basis to develop other products like tool kits and training programmes. Post-launch, various seminars and road shows will be organized to create greater awareness.

Capability Development

Under capability development, Dubai SME will work with partners to launch diagnostic tool kits and training sessions. It has tied up with the International Accounting Standards Board (IASB) for a train-the-trainer programme on International Financial Reporting Standards (IFRS) for SMEs.

The first such training will be held in Dubai from Sept. 27-29. Subsequently, more IFRS training sessions will be organized for SMEs. For more advanced SMEs that wish to consider listing, a listing preparation programme will be implemented in coordination with relevant stakeholders to help the SMEs prepare robustly for listing. This would cover training in company secretary-ships, directors' training, enterprise risk management, financial governance, remuneration and other key dimensions for listing companies.

His Excellency H.E Abdul Baset Al Janahi, Chief Executive Officer of Dubai SME, said: "Corporate governance is integral for enterprise growth and development. It opens new doors for SMEs that embrace it willingly. Good governance lays the foundation for a quality SME that focuses on building long-

term sustainability. It will ensure that the SME is bankable and investable to all key stakeholders such as the banking and finance community, private equity firms, and corporate financiers.” He added “Without proper governance practices, companies will be unable to function optimally, especially in this new world order. Our strategic partnership with Hawkamah – the Institute for Corporate Governance – to develop the first- ever Corporate Governance for SMEs is commendable. Hawkamah will provide its expertise and knowledge to ensure that the code is practical and effective for SMEs as they seek knowledge and best practices to institute corporate governance in their firms.”

“Good corporate governance practices amongst various enterprises, including SMEs, have added value to the quality of operations and management, increased access to financing, lowered cost of capital, and ensured sustainability of the enterprise,” said Dr. Nasser Saidi, Executive Director, Hawkamah Institute for Corporate Governance.

He added: “We are delighted to partner with Dubai SME, to support Dubai SME’s initiatives to work with the ‘best-in-class’ enterprises that Dubai has to offer. While a voluntary framework, the corporate governance code we develop will build on the experiences of other markets while taking into consideration the business realities in Dubai including those in the free zones. An essential part of this exercise is the engagement of Dubai’s SME community to help shape a code that reflects international best practices while ensuring that the entrepreneurial values of innovation and risk taking are supported. Corporate governance creates the framework of discipline that respects shareholders and stakeholders, acknowledges the enterprise’s responsibilities towards society, and recognizes that enterprises exist to enhance shareholder and stakeholder value.”

“Beyond the development of this code, Hawkamah and its sister institute Mudara, Institute of Directors, will be working with Dubai SMEs to build their capacity through director development programmes and introduce them to an unparalleled

network of professionals and expertise that they can tap to support their company's growth," Dr. Saidi added.