

# **CORPORATE GOVERNANCE & REFORM IN MENA**

## **Some Recommendations and Proposals**

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# **CORPORATE GOVERNANCE & REFORMS IN MENA OUTLINE**

- **Corporate Governance in MENA**
- **Regional Strategy**
- **Active Outreach**
- **Institution Building**
- **Action Plan**

# CORPORATE GOVERNANCE IN MENA

- **The MENA region faces a CG Gap**
- **Two important Characteristics of MENA economies:**
  - **Majority of businesses in MENA are SMEs and FOEs.**
  - **Dominant role of SOEs creates a “Dualistic” economic structure**
- **Initiatives for Corporate Reform & Governance:**
  - First MENA Forum on Corporate Governance [Cairo; September 7, 2003]
  - OECD Global Corporate Governance Forum [Paris; 2-4 November, 2003]
  - Second MENA Forum on Corporate Governance [Beirut; 3-5 June, 2004]

# Corporate Governance: Regional Strategy

- **Establish Regional Networking and cooperation in developing and implementing CG principles and best practice.**
- **Regional Dialogue on CG is important: increase number and variety of participating countries & organizations.**
- **Good Governance is for both the public and private sectors.**
- **Learn from the relevant experience of other Emerging Market Economies.**
- **Focus on the relationship between (foreign) investment and CG.**
- **Involve all the Stakeholders:**
  - Have the media on board
  - Involve the banking and the financial sectors as driving force for CG implementation
  - Invite Ministries and governmental bodies
  - Expand to have other stakeholders and external actors join in

# Corporate Governance: Active Outreach

- **Make the Voice of the region heard:**
  - Have representatives of the region attend international events & take part in decision making on CG matters.
- **Annual CG Forum on a revolving basis among MENA countries:**
  - Create occasions for consultations on national, regional and international CG developments.
- **Widen Regional participation:**
  - Support and encourage active representation of the Gulf Cooperation Council (GCC) and other MENA countries
  - Regional Organizations.
- **Establish a website for CG for the countries of the region.**

# Corporate Governance : Institution Building

- **Develop National CG Action Plans in line with Regional guidelines and in compliance with International CG and Best Practices Standards.**
- **Implementing and complying with CG:**
  - Establish a Regional Institute of Directors
  - Encourage and support the establishment of Corporate Governance education programs
  - Encourage the establishment of National 'Companies' Houses'
  - Establish Centralized Credit Reporting Organizations
  - Encourage the set-up of local Credit Rating Agencies
  - Establish a MENA CG Gateway
- **Initiate a CG partnership program with international organizations.**
- **Reinforce reform agenda.**

# Corporate Governance: Action Plan [1]

- **Establish MENA Regional Corporate Governance Task Force (RCGTF) or Round Table.**
- **Conduct a CG survey for all MENA countries.**
- **Apply the 12 Key Standards for Sound Financial Systems:**
  - Ensure wide adoption of International Accounting and Auditing Standards.
  - Adopt and adapt CG principles, codes and standards.

# Corporate Governance : Action Plan [2]

- **Capital Markets development should be a policy priority**
- **CG principles and frameworks must be designed and applied taking into account the issue of taxation, tax rates, and systems.**
- **Establish an independent body to monitor CG compliance. [Open Issue]**
- **Build an incentive-compatible CG environment to cater for the region's dominant types of business (SMEs & FOEs).**
  - **Reduce the cost of compliance with CG principles.**
  - **Develop positive incentives for compliance with best practices for disclosure and Corporate Governance.**



# THANK YOU!