



**Securing Wealth and  
Sustaining Growth:  
The CG Imperative for MENA**

**2<sup>nd</sup> Annual Corporate Governance Congress**

**30 March 2008**

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# Agenda

- **MENA Economic Renaissance**
- **The Case for Corporate Governance: achieving the “Great Transformation” of MENA economies**
- **The CG Imperative for MENA**
- **Hawkamah’s Regional Role in Advancing Corporate Governance**

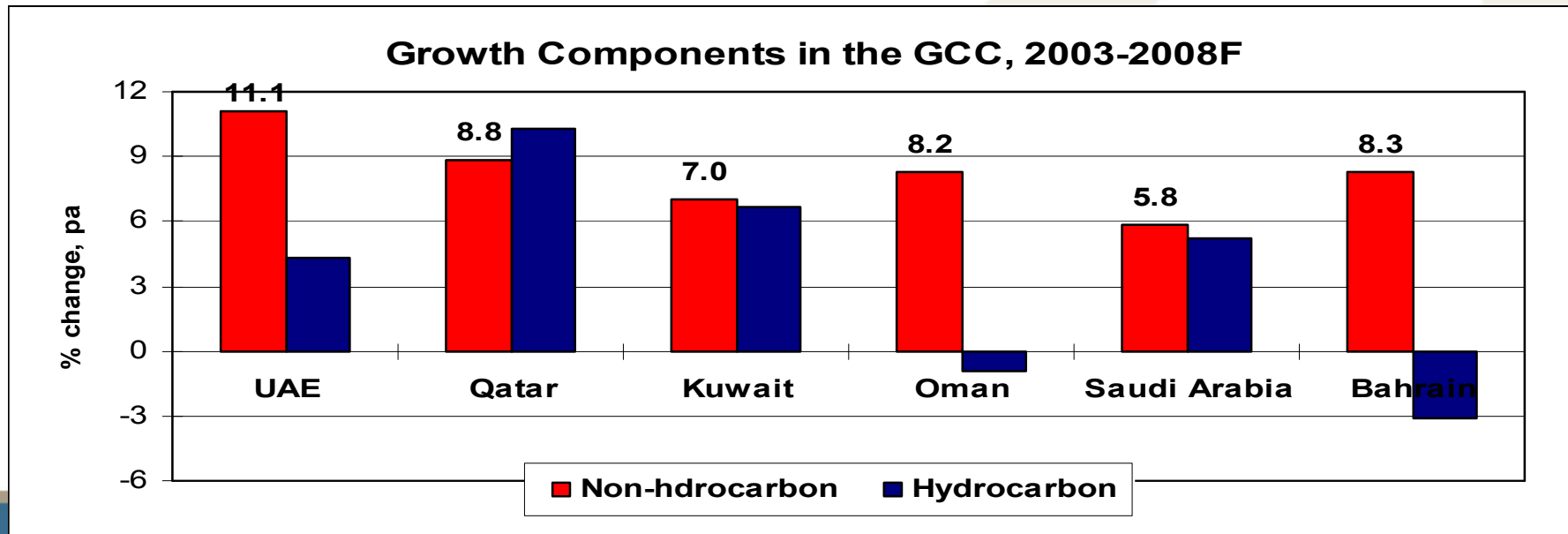
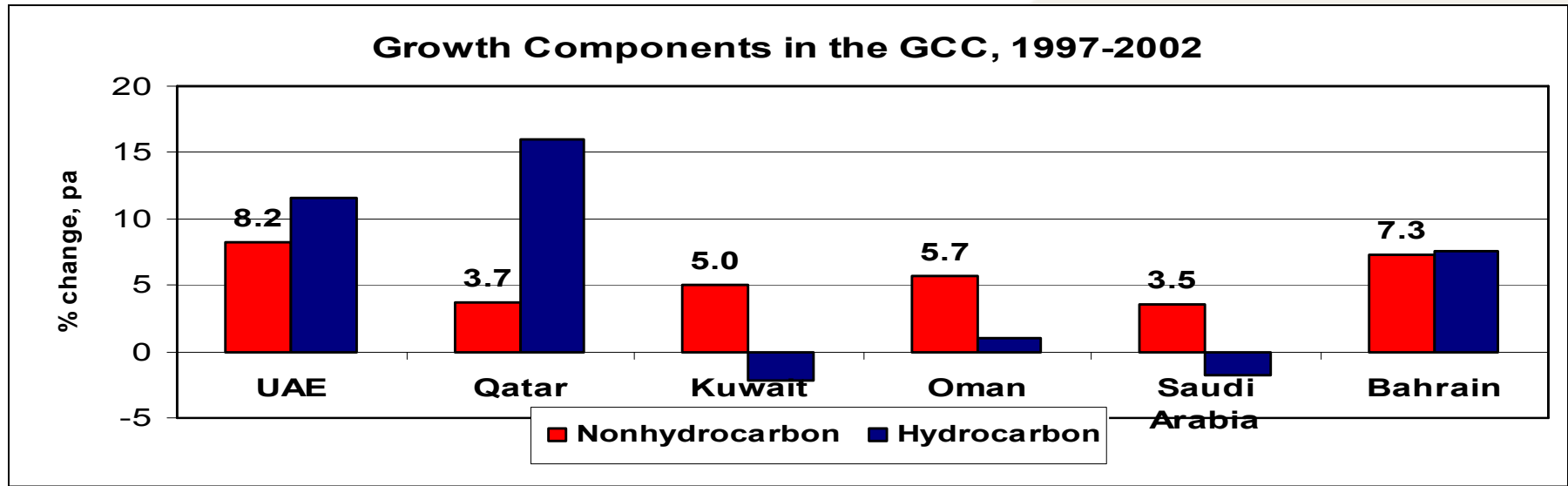
## **A ME/GCC Economic & Financial Renaissance: I**

- **Above trend average real GDP growth 6.2% over 2004-2007 vs. 3.7% in 1998-2002**
- **Sustained by strong Global growth led by Emerging Markets**
- **Growth resurgence has been investment led with increased infrastructure investment leading to ↑ in absorptive capacity**
- **Positive demographics & migration sustaining low labour costs & output growth**
- **Migration, Remittances: new linkages with labour exporters**
- **Strong fundamentals and macroeconomic conditions characterized by large twin current account & fiscal surpluses and declining levels of public debt.**
- **Growth of Shari'a compliant finance**

## A ME/GCC Economic & Financial Renaissance: II

- **Shift in the pattern of public spending and investment: more inward and intra-regional approach to investment**
- **Private sector is leading and driving regional economic integration of markets, FDI, Tourism, labour flows**
- **Emergence of multinationals: DP, Etisalat, Emaar, Mittal, Orascom, MTC...**
- **Economic reforms, diversification and state divestment & privatisation: non-oil growing faster than oil sector**
- **New Global Economic & Financial Geography emerging**

# GCC Increasingly Diversified



Source: IIF

## Increase in Wealth and Liquidity

- **Massive Wealth Creation**
  - Value of oil wealth of Middle East oil exporters increased by more than \$30 trillion between 1995 and 2007
  - Accumulation of assets & international reserves leading to a tripling of international reserves between 2002 and 2007: \$188.7bn (2002) to \$767bn (2007)
- **US\$ Peg and accommodating monetary policies lead to high money and credit growth rates**
- **Rise in inflation: prices of non traded goods & services**
- **Increased liquidity resulted in an investment driven boom:**
  - Real estate boom and asset price appreciation
  - Stock market boom
  - Credit market boom

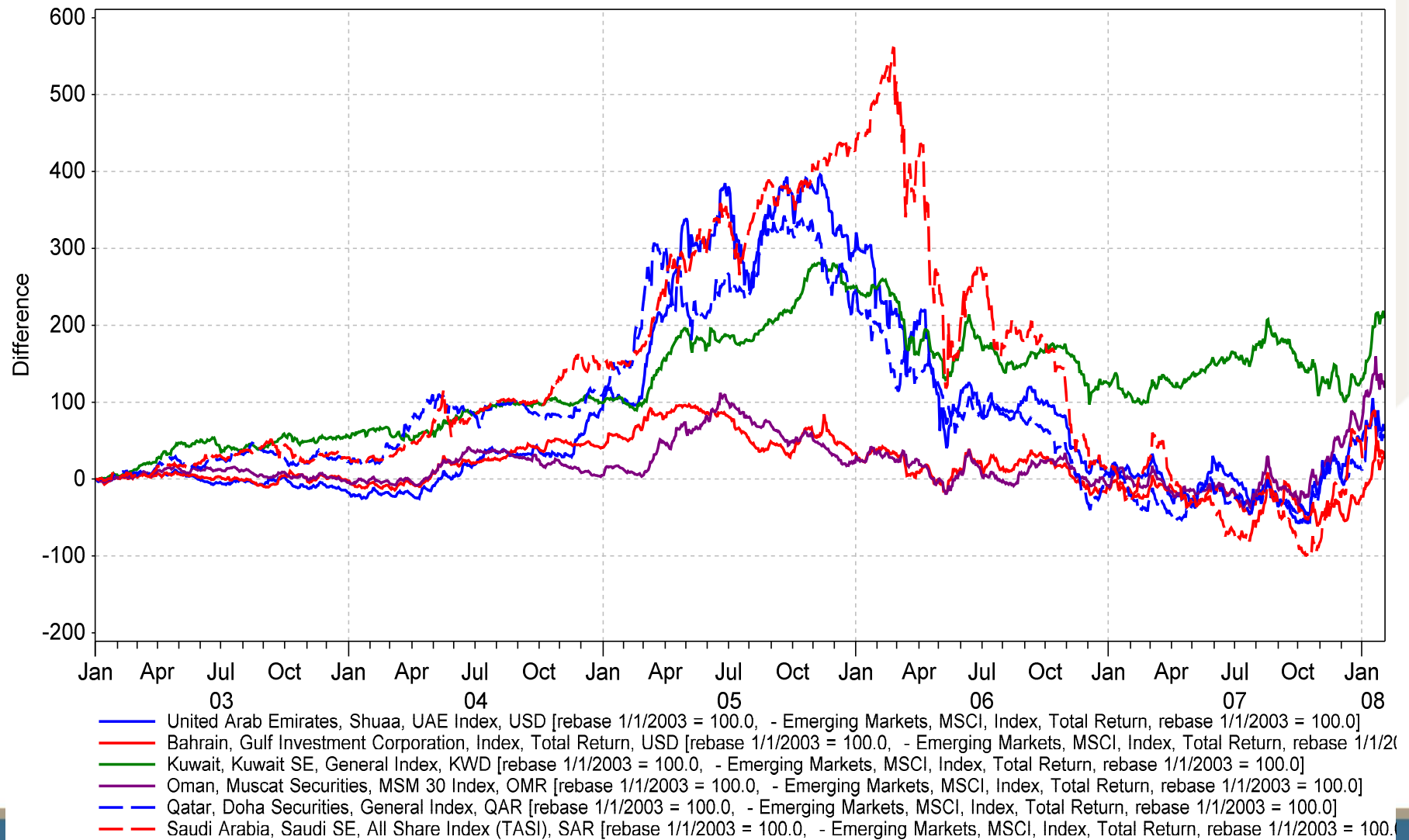
## Liquidity & the Stock Markets

- For the GCC, market capitalization grew from less than \$200 billion in 2002 to about \$1,039 billion by January 2008. GCC markets out-performed emerging and developed markets.
- Stock markets grew more rapidly than the economies: market capitalization jumped from an average of some 65% of GDP in the GCC countries to 149% of GDP between 2002 and early 2008.
- Despite the growth in the number of companies, IPOs and higher valuations, markets remain fragmented, displaying high volatility of returns and lack of breadth, depth and liquidity.
- The correction of the overly exuberant equity markets in 2006 came as a wake-up call for action, signalling the need for policy reforms to restore investor as well issuer confidence.

# GCC's Stock Market Performance, 2003-2008

## GCC Markets vs. MSCI Emerging Markets

Index Value 1/1/2003=100



Source: Reuters EcoWin



## Historical opportunity for “Great Transformation” of GCC

- Desirable to sever the link between energy revenues and capital spending: finance projects & infrastructure through financial markets
- Channel energy revenues into Future Generation Wealth Funds (FWFs)
- Crucial role of financial markets of channeling resources to the most productive use would be greatly enhanced

## Positive repercussions: strengthen Growth Sustainability

- Break Oil-induced Boom-Bust Cycle
- Absorb high liquidity growth resulting from energy revenues
- Improved fiscal policy discipline, management & control
- Achieve increased economic diversification
- Increased private sector participation in economic activity
- Greater fluidity of financial flows and deepening of organized financial markets

## The CG Imperative

- “Good corporate governance” required by both the public sector and the private sector in the MENA
- Address CG challenge for FOEs, SOEs, banks and listed companies
- Investment in bridging ‘CG gap’ a priority:
  - Build and grow Capital markets
  - Need to attract FDI, M&A
  - Finance infrastructure and investments
  - Succeed in market liberalization & privatization
- ***Better CG key to “Great Transformation” of ME/GCC economies, sustaining growth and developing sound, efficient and resilient financial markets***

# Hawkamah was created as a Regional institute to:

- Bridge the Corporate Governance gap'
- Assist the ***countries*** and ***companies*** of the region in developing sound, 'home grown' and globally well integrated CG frameworks:
  - Coordinate and sequence the designing, and implementation of CG reforms
  - Monitor the outcomes of CG policies at the public and private sector level.
- Founded in partnership between: OECD, IFC, CIPE, UAB, YAL and DIFC
- *"Hawkamah-ICG will serve as a platform for regional co-operation, based on a concrete agenda for measurable and time-bound action, aiming to raise awareness of national, regional and global initiatives and build a coalition for reform"*, Joint Declaration OECD-UAE, 2006.

# Strategic Partners

## International Partners

- Organisation for Economic Co-operation and Development (OECD)
- World Bank-International Finance Corporation
- WB Global Corporate Governance Forum
- Institute of International Finance (IIF)
- Financial Services Volunteer Corps (FSVC)
- INSOL (Insolvency Professionals)
- Information Systems Audit and Control Association (ISACA)
- Center for International Private Enterprise
- Amsterdam Institute of Finance
- Institute for Internal Audit (IIA)
- Chartered Financial Analysts (CFA)
- Arab International Women's Forum

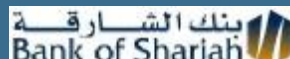
## Other Institutions

- IMD
- Dubai School of Government,
- Young Arab Leaders
- American University of Sharjah

## Corporate Partners

## Regional Partners

- Dubai International Financial Centre
- UAE Ministry of Economy
- Yemen Ministry of Finance
- Emirates Securities and Commodities Authority
- Oman Capital Market Authority
- Union of Arab Banks
- Abu Dhabi Chamber of Commerce and Industry
- Dubai Chamber of Commerce and Industry
- Jordanian Corporate Governance Association
- Central Bank of Jordan
- Jordan's Insurance Commission
- Arab Federation of Insurance Commissioners
- Central Bank of Egypt/Egyptian Banking Institute
- Egyptian Ministry of Investment/Egyptian Institute of Directors
- Economic Research Forum
- Oman Economists Association
- Corporate Governance Association of Turkey
- Lebanese Corporate Governance Task Force



# We Serve, partner and work with...

- Government Ministries and Agencies
- Central Banks and Regulatory Agencies
- Banks and Financial Institutions
- Listed Companies, Capital Market Authorities, Stock Exchanges
- Family Owned Enterprises
- State Owned Enterprises
- NGOs and private sector institutions
- Media
- Academia

# Activities...

## WHAT WE DO:

- Provide technical assistance on regulatory and firm levels to develop the optimal corporate governance environment
- Conduct CG assessments and prepare CG improvement plans
- Provide advisory services
- Conduct consultations with various stakeholders
- Develop and implement training programs: Board Development Programme, Board Secretary Programme
- Serve as a knowledge centre and clearinghouse for corporate governance best practices from the region and beyond.
- Monitor & Report on the state of corporate governance

# Hawkamah's approach...



## Regional Task Forces: Banks, SOEs

Hawkamah has launched a series of **Regional Task Forces**, aiming to build momentum for corporate governance reform in the region.

- ❖ **Regional Task Force on Corporate Governance of Banks** with the OECD, and MENA Central Banks, UAB and banking industry: CG survey, 'gap analysis; policy brief & recommendations; implementation through national actions; assist in implementation of recommendations
- ❖ **Regional Task Force on Corporate Governance of State-owned Enterprises** with OECD, World Bank and MENA Countries: benchmark survey & assessment of CG framework of State-Owned Enterprises and build momentum for SOE CG reform policy agenda



# Regional Task Forces: Insolvency, Insurance

- ❖ **Regional Task Force on Insolvency and Creditor Rights** with OECD, World Bank and INSOL, the Insolvency Professionals. MENA-wide review & assessment of insolvency regimes; aim towards modernization and reform of insolvency and creditor rights regimes; build a network of insolvency professionals in the MENA Region
- ❖ **Regional Task Force on CG of Insurance Industry with the Arab Forum of Insurance Regulatory Commission (AFIRC) and Insurance industry:** Survey of CG practices of insurance companies, developing guidelines and policy recommendations for a region-wide harmonised CG framework for insurance industry; Hawkamah will assist in implementation

# A New Regional Initiative: Mudara-Institute of Directors

- Complements Hawkamah's work with corporations and institutions
- Mission is to network and develop professional, effective, knowledgeable and competent directors for the MENA region
- Build independent and qualified director capacity
- Representing interests of Boards and directors
- Membership from private and public sector organisations, and aspiring directors and senior academics,
- Services offered include:
  - ✓ Training and certification programs
  - ✓ Networking activities, forums, seminars and conferences
  - ✓ Information advisory and ancillary services (Board Appointments)

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## ↗ Hawkamah, the Institute for Corporate Governance ↖ Media Centre

Hawkamah, the Institute for Corporate Governance, constitutes a groundbreaking development for institution building, corporate sector reform, good governance, financial market development, investment and growth in the region.

Hawkamah was created for the region, by the region, and of the region to advance corporate governance reform.

[What is Corporate Governance?](#)

### Events

- ▶ **8-11 March**  
[Director Development Programme for Omani Listed Companies](#)  
 Muscat, Oman
- ▶ **16-17 March**  
[An Introduction to Board and Corporate Governance](#)  
 Amman, Jordan
- ▶ **16-18 March**  
[9th Annual Gulf Regional Audit Conference](#)  
 Organized by the Institute for Internal Audit - UAE Chapter  
 Dubai, UAE
- ▶ **23 March**  
[Regional Task Force Meeting on Corporate Governance of the Insurance Industry](#)  
 (By Invitation Only)  
 Dubai, UAE
- ▶ **30 March - 3 April**  
[2nd Annual Corporate Governance Congress](#)  
 (organized by IIR Middle East)  
 Dubai, UAE

### 25 March 2008

[Inaugural Insurance Taskforce on Corporate Governance meets in Dubai](#)

[read more...](#)

### 02 March 2008

[Hawkamah and CFA Emirates to promote Corporate Governance Reforms](#)

[read more...](#)

### 04 February 2008

[Hawkamah and the UAE Bankers' Forum launch Corporate Governance Award](#)

[read more...](#)

### 24 December 2007

[AIG to Work with Hawkamah to Promote Corporate Governance in the MENA Region](#)

[read more...](#)

*Join us in*  
***BUILDING INSTITUTIONS  
FOR THE REGION***

**[www.hawkamah.org](http://www.hawkamah.org)**

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