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A New Leaf: the Growth of Corporate Governance in the Middle East and North Africa

In the wake of the financial crisis, corporate governance has become a global buzzword. The Middle East and North Africa region has not escaped this trend as policy makers and the corporate sector have grown increasingly receptive to the need to uphold good governance practices. The increasing regional interest in exchange of corporate governance experiences was evident at the annual regional corporate governance conference, gathering over xx participants from xx countries.

Appropriately entitled "A new leaf: the growth of corporate governance in the Middle East and North Africa", this 5th annual conference was organised by the Hawkamah Institute for Corporate Governance, the Organisation of Economic Co-Operation and Development and the Oman Capital Markets Authority on 31 October - 1 November in Muscat. Speaking from OECD's perspective, Dr. Grant Kikrpatrick, Head of the Corporate Affairs Division, noted that: "The regional gathering was timely and reflected a new wave of innovative thinking around corporate governance practices in the region".

This is certainly true as the development of corporate governance codes, and increasingly of codes or guidelines targeted at specific types of enterprises (i.e. state-owned companies, family-owned firms) continues unabated. Lebanon is currently considering the issuance of a code targeted at state-owned enterprises, having already issued codes for listed and family-owned firms. The Egyptian Authorities are currently revising the Egyptian Corporate Governance Code, taking into account the OECD Principles of Corporate Governance, which are one of the 12 core standards of the Financial Stability Board.

Ongoing efforts of the policymakers and national governance champions have not only been focused on the revision and reinforcement of existing governance provisions. As the OECD has highlighted in its recent work on the financial crisis, it was not the lack of corporate governance guidelines but their insufficient application that was a fundamental issue. The panel discussion on implementation challenges highlighted that MENA regulators are also increasingly focusing on implementation and enforcement issues. Only this year, the Qatari, Jordanian and UAE regulators have required companies to disclose compliance with local governance codes.

While banking stability issues during the financial crisis appeared less serious in the region than in Europe and North America, Central Banks and banking sector participants appear cognizant of the need to continue improving governance practices in the region, particularly in the area of risk management. The regional Policy Brief on Corporate Governance of Banks issued at the last regional conference will continue to help regional stakeholders in raising awareness around good governance practices in this sector. Participants in the conference agreed that further training activities will be helpful.

Regional actors continue to be interested in governance arrangements in state-owned enterprises, though the challenges associated with improving their governance are quite diverse in the region and are dealt through varying approaches. The Egyptian authorities are, for instance, currently considering the establishment of a central ownership entity. Such experiences continue to be of interest to the participants in the regional Taskforce on Corporate Governance of State-Owned

Enterprises, which is due to meet again in 2011, following its last meeting in Cairo in June this year.

Emerging governance debates were also reflected in discussions among participants. One such debate concerned "guarding the guardians", focusing at the governance arrangements of regulators themselves. The MENA region has not seen a reform of its supervisory authorities in connection to the crisis. This led participants to reflect whether the relevant authorities have the capacity to fulfill their duties in the overall climate of the growth of capital markets and increasing exposure of local financial institutions to global capital markets. Nasser Saidi, Chief Economist at the DIFC and Director of the Hawkamah Institute, commented that "the governance of regulators in the region is a subject that needs further attention and a debate that the Hawkamah Institute is committed to supporting".

At the conclusion of the conference, H.E. Yaya Bin Said Al-Jabri, Executive President of the Capital Market Authority of Oman, unveiled a regional declaration entitled “Continuing to Evolve Corporate Governance in the MENA Region” which was agreed by meeting participants. The Declaration underscores the interest of regional organisatons to partner with the OECD, the Hawkamah Institute and other regional and international bodies on supporting the governance priorities in the region. His Excellency commented that the Declaration will result in outcomes which will continue to make the region attractive for local and foreign investors.

The Declaration encourages ongoing work on corporate governance of banks and state-owned enterprises, while recommending the establishment of a regional Taskforce on Stock Exchanges to examine the role of exchanges in corporate governance of listed companies. The Declaration also suggest that "governments from across the region use the Forum for Insolvency Reform as a forum for policy dialogue as well as a source of technical policy advice on insolvency reform related initiatives".