



INTERNATIONAL FINANCE CORPORATION  
WORLD BANK GROUP



Private Enterprise Partnership for the Middle East and North Africa (PEP MENA)

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## Bank Corporate Governance Program

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Amman, February 14, 2005

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IFC Program Manager

**Private Enterprise Partnership MENA (PEP MENA)**



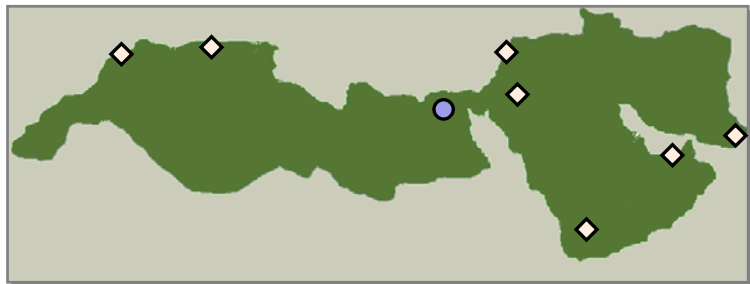
**Why Corporate Governance Matters**



**IFC's Bank Corporate Governance Program**

# Private Enterprise Partnership MENA

## 1. Basic Facts

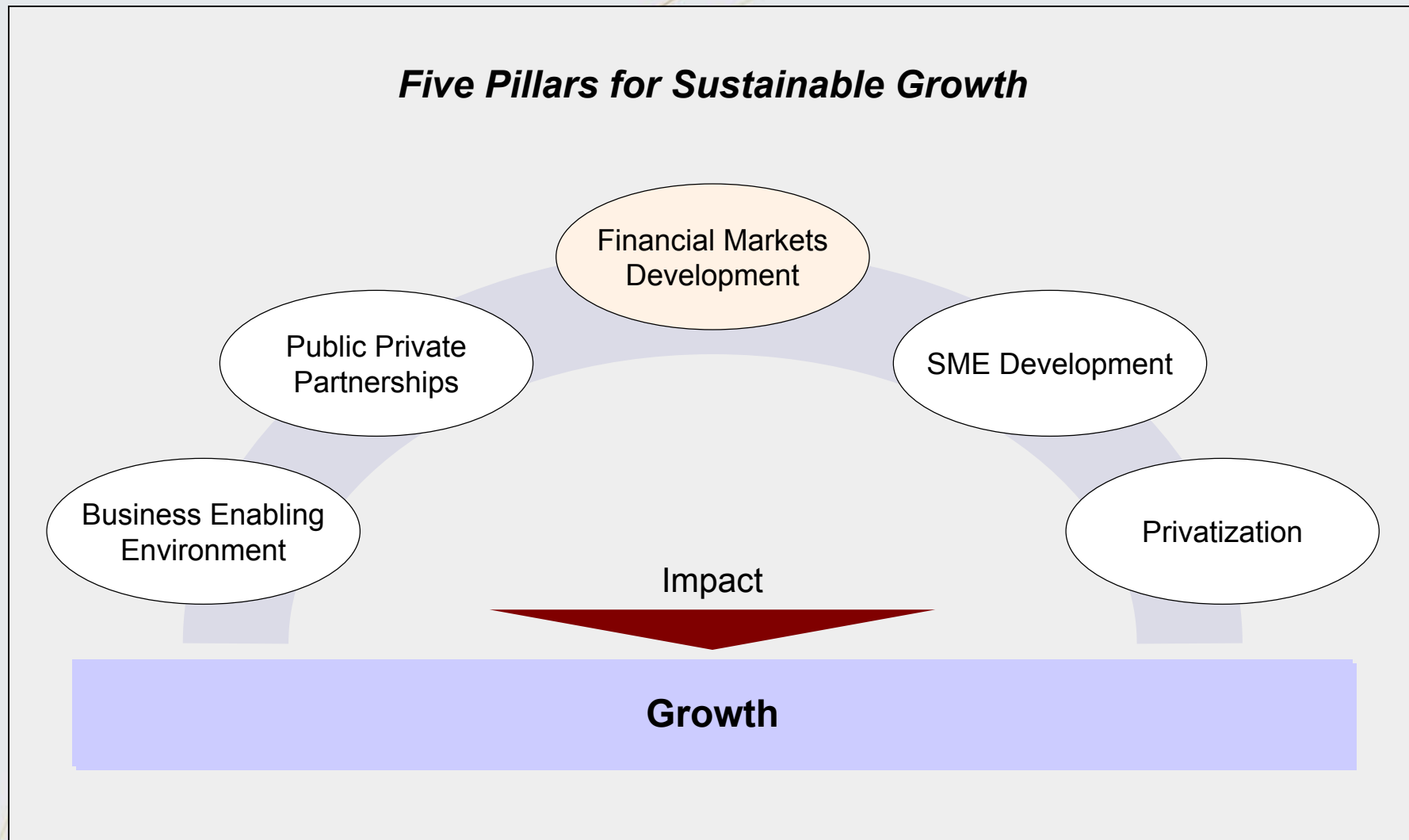


### *Private Enterprise Partnership for the Middle East and North Africa*

- ➔ IFC's newest Technical Assistance program for the MENA region
- ➔ A 3-year, USD 100 Mn program (IFC and donor funded)
- ➔ Geographical Scope: MENA region (20 countries)
- ➔ > 40 specialist staff
- ➔ Headquartered in Cairo (Egypt) with offices in:
  - Morocco
  - Algeria
  - Yemen
  - Jordan
  - Jerusalem
  - UAE (Dubai)
  - Pakistan

# Private Enterprise Partnership MENA

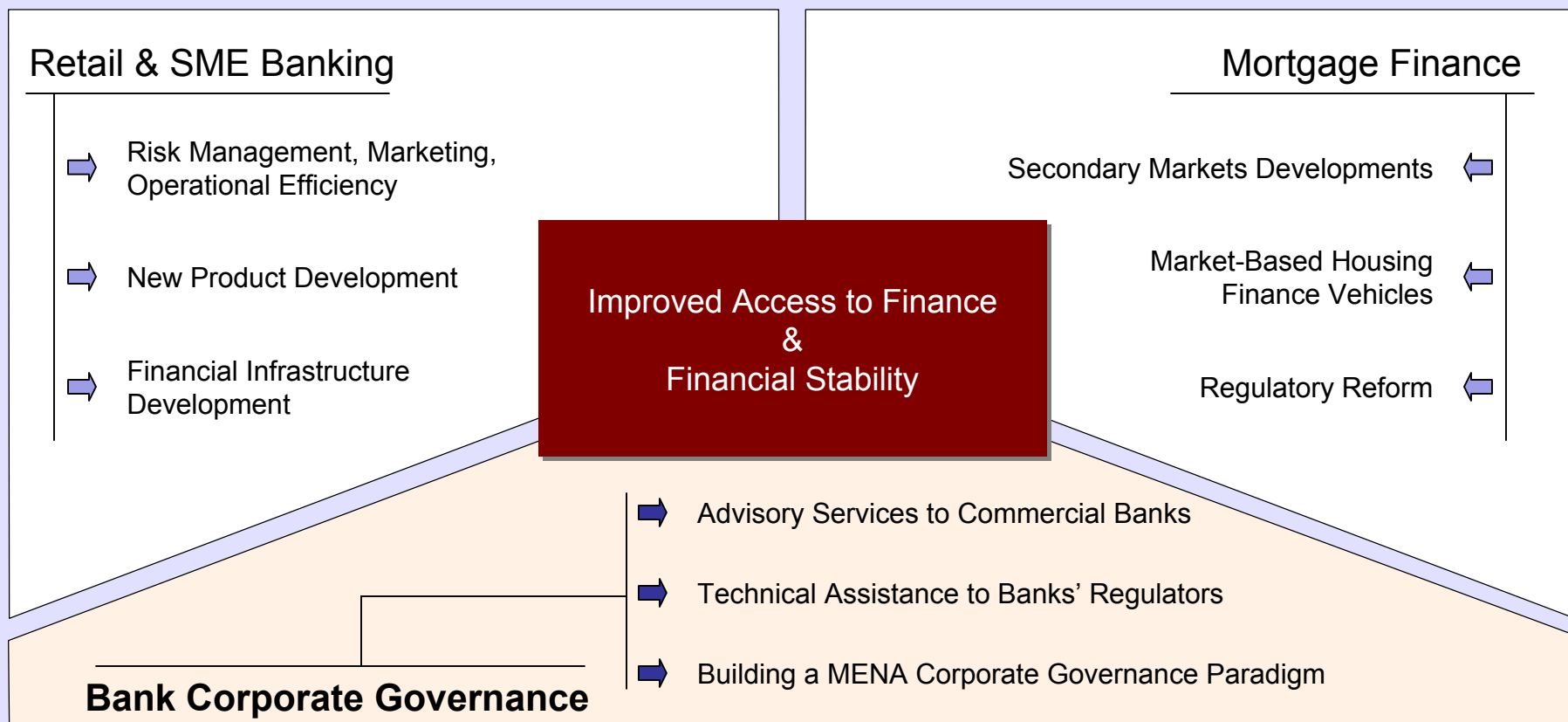
## 2. Scope of Activities



# Private Enterprise Partnership MENA

## 3. Financial Markets Development

### *Technical Assistance and Advisory Services in Three Areas*



# Agenda

**Private Enterprise Partnership MENA (PEP MENA)**



**Why Corporate Governance Matters**



**IFC's Bank Corporate Governance Program**

# Why Bank Corporate Governance Matters

## 1. The Rise of Corporate Responsibility

*From  
Compliance...*

1

### Renewed Emphasis on ESG\* Issues

- UN Global Compact - 'Who Cares Wins'
- Sarbanes-Oxley; EU and OECD

2

### Analysts and Investors' Pressure

- Leading Rating Agencies (Fitch, S&P...etc.)
- Asset Managers and Pension Funds

3

### Lessons from 3<sup>rd</sup> Generation Financial Crisis

- Basel II
- G7; International Institutions; Regulators

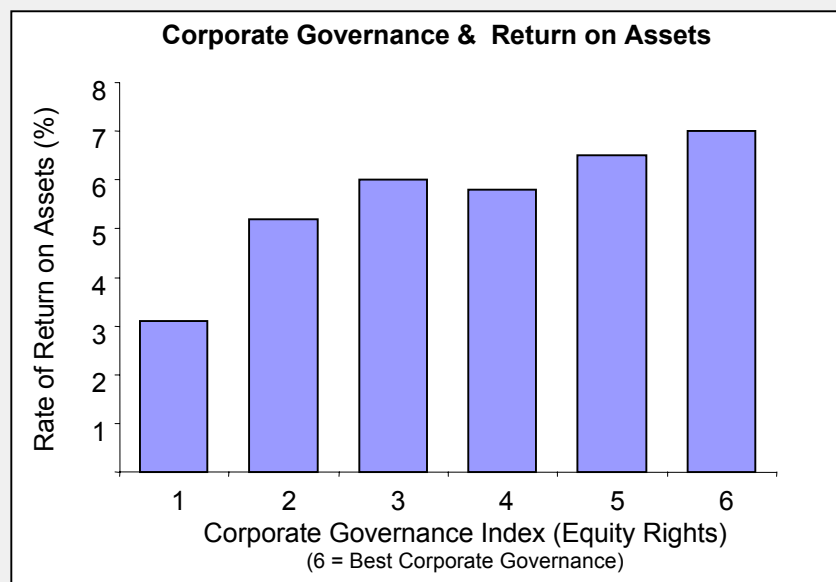
*...To Good  
Corporate  
Governance*

*"Long term trust with  
investors, employees and  
other stakeholders"*

# Why Bank Corporate Governance Matters

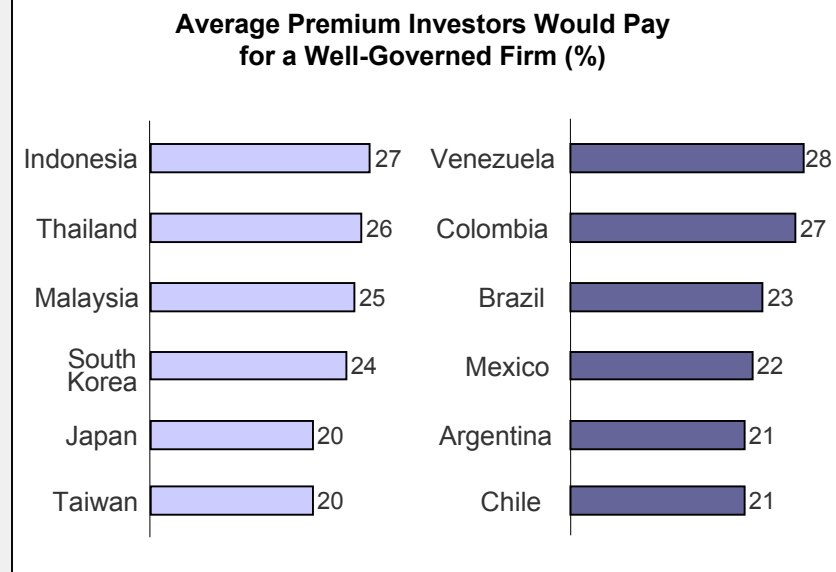
## 2. Tangible Business Benefits

### 1 Better CG Leads to Higher Return on Assets...



Source: Claessens & al. (2000), La Porta & al. (1998)

### 2 ...and Significant Market Premiums



Source: McKinsey Investor Opinion Survey, 1999-2000

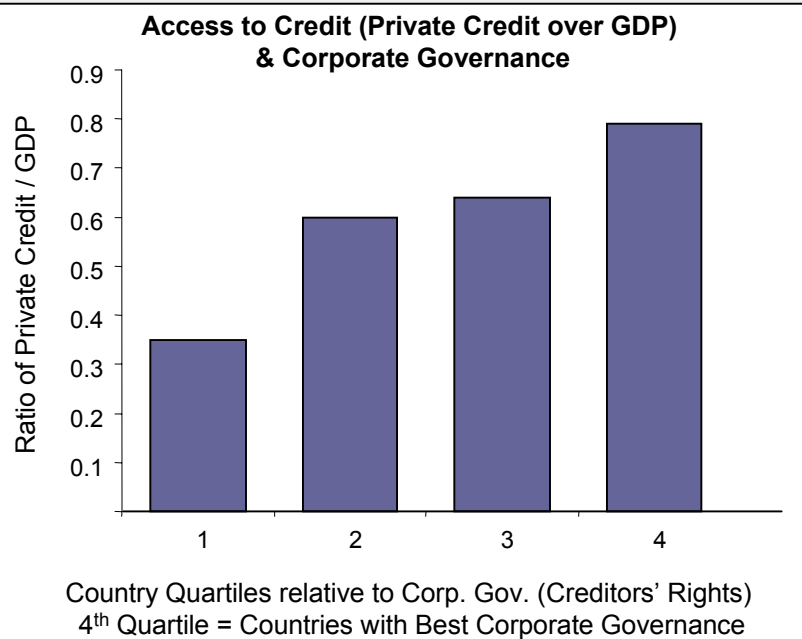
➔ Additional evidence suggests that market valuations are on average **12%** higher for better governed firms <sup>(2)</sup>

Corporate Governance is a key ingredient of long-term shareholder value

# Why Bank Corporate Governance Matters

## 3. Overall Economic Benefits for the Region

### Better Bank CG Improves Access to Finance...



Source: La Porta & al., 1997

### ...and Promotes Growth

- ➔ Established relation between access to credit and growth (World Bank, 2001)
- ➔ Better Allocation of Credit
- ➔ Deepening of Financial Markets
- ➔ Financial System Stability
- ➔ Integration in the Global Economy

# Agenda

**Private Enterprise Partnership MENA (PEP MENA)**



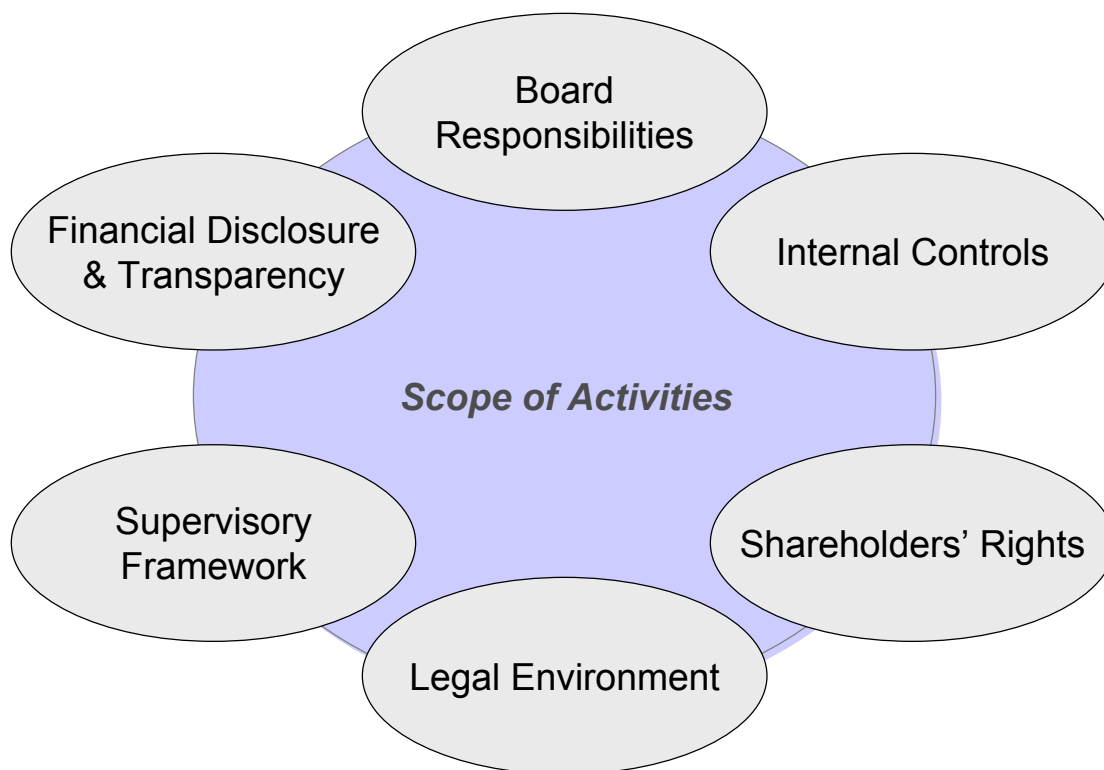
**Why Corporate Governance Matters**



**IFC's Bank Corporate Governance Program**

# IFC's Bank Corporate Governance Program

## 1. Essentials



### Basic Facts

- ➔ Initiated in December 2004
- ➔ Core team based in the region (Cairo & Rabat)
- ➔ Specialized Department in Washington D.C.

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### Present Activities

- ➔ Pilot country: Lebanon (on-going survey + advisory work)
- ➔ Program roll-out planned in 6 countries for 2005 (on-going assessments)

# IFC's Bank Corporate Governance Program

## 2. Approach

### *Two Main Lines of Activity*

1

#### Technical Assistance & Advisory Services

- To select commercial banks in the MENA region
  - Leading banks
  - Committed to Corporate Governance
- To Central Banks in the MENA region
  - CG principles in bank supervision
  - Regulatory framework
- To Governments
  - Benchmark and review of the legal framework

2

#### Advocacy & Awareness Raising

- Fact-based surveys of Corporate Governance
  - National or regional
  - With local or regional partners
- Seminars and workshops
- Training (with local partners)
- Outreach activities
  - Beneficiaries: investors, journalists, analysts

# IFC's Bank Corporate Governance Program

## 3. Sample Projects

### *Technical Assistance & Advisory Services*

#### **Commercial Banks**

- Strategic corporate governance review
  - 1 week on-site mission
  - Outputs: benchmarking; SWOT analysis; action plan
- Supervisory and management Boards diagnosis
- Financial disclosure diagnosis and benchmarking
- Assessment of internal controls and risk management policies

#### **Central Banks & Governments**

- Regulatory framework benchmarking
- Training plan for banks' Directors and senior managers
- Observance of standards and codes assessments
- Legal environment review & improvement plan
- Corporate governance requirements for listed companies

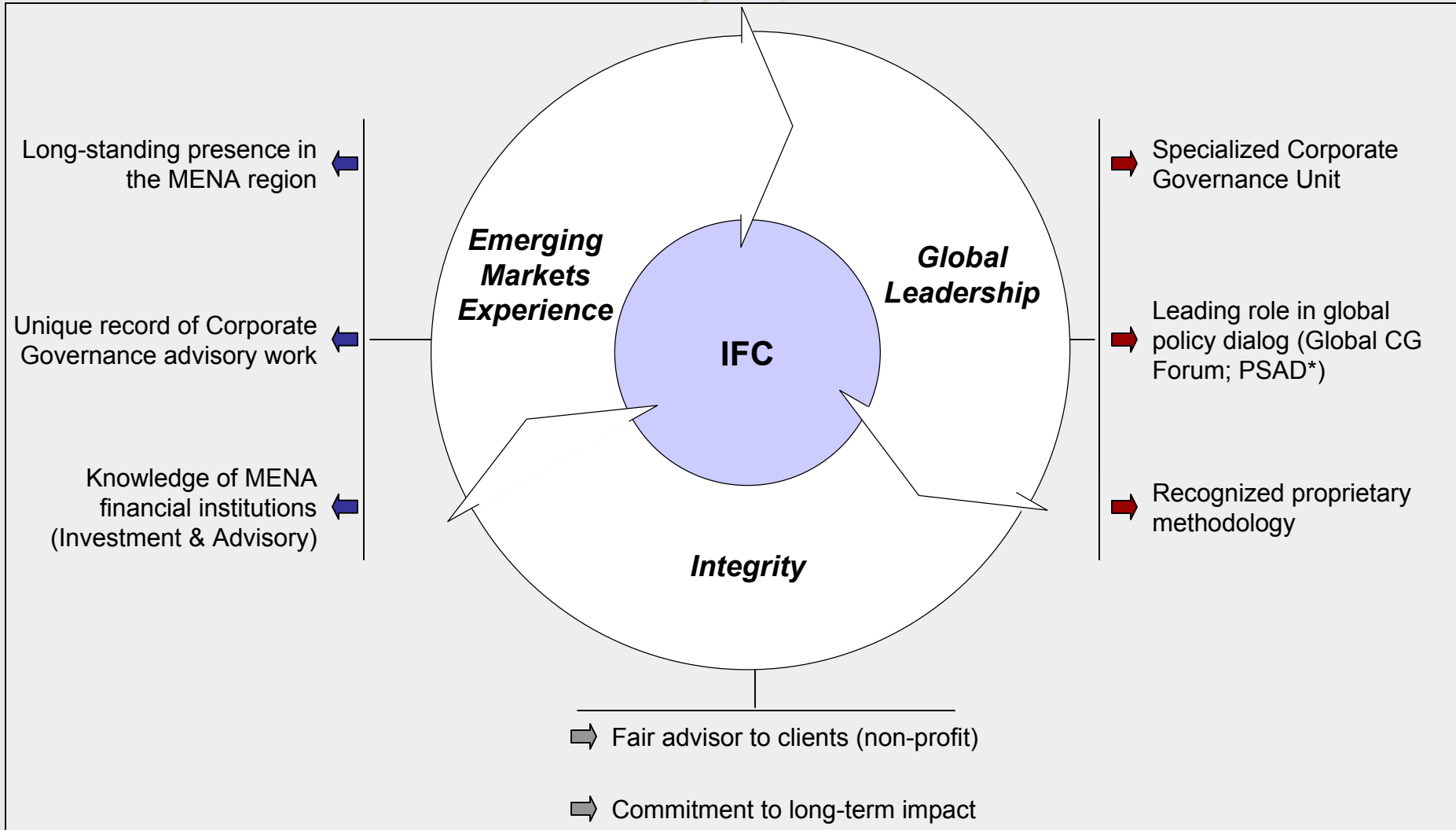
### *Advocacy & Awareness Raising*

#### **Banks' Association**

- High-level (banks' senior executives) specialized workshops
- Survey of corporate governance practices
- National or regional seminars
- Training activities (institute of Directors)
- Peer review mechanisms

# IFC's Bank Corporate Governance Program



## 4. IFC's Comparative Advantage



\* Private Sector Advisory Group

# IFC's Bank Corporate Governance Program

## 5. Selected Client References

<i>Client</i>	<i>Country</i>	<i>Area</i>
Central Bank of Morocco 	Morocco	Financial Infrastructure (Corp. Gov.)
Association of Banks in Lebanon 	Lebanon	Corporate Governance
Attijariwafabank 	Morocco	Basel II Compliance (Credit Risk)
Banque Populaire 	Morocco	Basel II Compliance
Commercial International Bank 	Egypt	Retail and SME Finance
BIAT 	Tunisia	Credit Risk Management
Banca Comerciala Romana 	Romania	Corporate Governance
Suramericana 	Colombia	Corporate Governance
Large Chinese Bank	China	Corporate Governance
Bovespa 	Brazil	Corporate Governance
Government of Chile 	Chile	Corporate Governance
Government of Colombia 	Colombia	Corporate Governance

# IFC's Bank Corporate Governance Program

## 6. For More Information



### In the Middle East and North Africa

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