

2018 Meeting of the MENA-OECD Working Group on Corporate Governance

4-5 July 2018

Lisbon, Portugal

Introduction

The MENA-OECD Working Group on Corporate Governance launched a new phase of work in Rabat, Morocco in December 2017. Under the umbrella of the MENA-OECD Competitiveness Programme, the objective of the Working Group is to strengthen the commitments of MENA economies, discuss the thematic policy options and advance in policy reforms to support decision-makers in their efforts to improve corporate governance, using as reference the [G20/OECD Principles of Corporate Governance](#) and the [OECD Guidelines on Corporate Governance of State-Owned Enterprises](#).

The aim of the 2018 meeting was to advance the objectives of the working group by identifying policy options for reform in four key areas: access to capital; transparency and disclosure, gender balance in corporate leadership, and governance of state-owned enterprises (SOEs) in MENA economies. The meeting attracted 90 participants, including representatives from 13 countries as well as regional and international organisations such as Hawkamah – The Institute for Corporate Governance, the Arab Federation of Stock Exchanges, the Union of Arab Securities Authorities and the International Finance Corporation. Participants included securities, bank and insurance regulators; stock exchanges; companies; institutes and associations; academia and other private sector experts. The Portuguese newspaper *Jornal Económico* published a feature article on the meeting.



The MENA-OECD Working Group on Corporate Governance is co-chaired by the Government of the United Arab Emirates, represented in the meeting by H.E. Obaid Al Zaabi, CEO of the Securities and Commodities Authority (SCA), and by Portugal, represented by Ms. Gabriela Figueiredo Dias, Chair of the Portuguese Securities Commission and co-chair of the OECD Corporate Governance Committee.

The event was opened by **Mr. Augusto Santos Silva, Minister of Foreign Affairs of Portugal**, who highlighted that Portugal's geographical location makes it a natural partner for work with the MENA region. Opening remarks were also given by Ms. Gabriela Figueiredo Dias; H.E. Obaid Al Zaabi and Mr. Mats Isaksson, Head of Corporate Affairs Division, OECD, who stressed the shared opportunities for improving corporate governance in MENA.

Key messages from event sessions

Session 1: Recent corporate governance developments in MENA



The opening session gave an overview of recent corporate governance developments in MENA economies such as ownership reform of listed companies and integration of international corporate governance standards (accounting and environmental reporting, etc.). MENA economies have recognised the importance of corporate governance in improving company performance and increasing access to capital. Speakers outlined how increased public enforcement activity has been seen in larger markets in the region with

corporate governance frameworks increasing transparency and disclosure requirements (i.e. Saudi Arabia, Oman and the UAE). In these cases, a baseline of 2007/2008 is often used to measure progress and company practices over time. Speakers agreed that improving the integration of corporate governance priorities into the overall economic development plans of countries is important to bring corporate governance to the next level. In this regard, the MENA-OECD Competitiveness Programme plays an important role, providing a platform to establish a link between different economic policies.

Session 2: Policies to improve access to capital in MENA



Within the context of MENA companies demanding greater access to capital markets and financing, Ms. Aysegül Eksit, former Executive Vice-Chair, Capital Market Board of Turkey, presented key findings from the focus group study on policies to improve access to capital in MENA economies, such as enhancing the capacity of regulatory authorities and developing a stronger investor base. This highlighted the importance of supporting corporations by providing corporate governance and capital market frameworks that adequately back them. The constraints faced by MENA companies are binding; with 32% of companies identifying finance as a major issue and, on average, 71% of company financing being sourced internally. Against this backdrop, the panel identified various strategies that could be used to advance this agenda, including company training courses and incubators to improve support for companies wishing to list in the future. Unlisted company platforms were also highlighted as a good practice to increase capital raising options for growing MENA companies.

Session 3: Policy options for greater transparency and disclosure in MENA



Reflecting on the morning's discussion, which identified transparency and disclosure as an issue that has created obstacles to improving corporate governance more broadly, Mr. Rainer Geiger, Board Member, Finance Watch, France, presented the findings of the focus group study on policy options to improve transparency and disclosure in MENA economies. A key conclusion is that transparency and disclosure is the basis for efficient capital allocation and a sound capital market; it is essential in creating an environment of trust, and accountability. The panel agreed that transparency and disclosure underpins almost all elements of corporate governance issues and is a key area for improvement in MENA economies. The discussion highlighted that lessons learnt from successes in the region and across the OECD suggest that engaging companies as the drivers for reform is vital in the long run. This should be reinforced by the creation of a level playing field, which will be a focus of the meeting in 2019.

Session 4: Opportunities to improve gender balance in corporate leadership



Ms. Rosa Monteiro, Secretary of State for Citizenship and Equality of Portugal, gave a keynote address, which touched on the challenges faced by Portugal and OECD countries in increasing the number of women on boards and in senior management. She highlighted that the road ahead will be difficult and that governments and companies need to work together to develop lasting solutions. Implementation of policies will be the focus of the 2019 Working Group.

Building on the address by the Secretary of State for Citizenship and Equality, Ms. Catriona Marshall, Policy Analyst, OECD, presented findings from the focus group study on policy options to achieve gender balance

in corporate leadership. A key conclusion highlighted that despite laws mandating non-discrimination established in many MENA economies, company practices still lag behind. Therefore, six key policy areas for reform were identified: reform of the legal framework; combining measurable national goals with company strategies; improving methods of data collection; attracting talent and limiting pipeline issues; facilitating networks and support for women; and creating a more conducive cultural environment. Panellists agreed that improving data collection on the composition of boards and senior management will be vital in the coming years and that encouraging companies to take ownership of reforms will benefit long term progress. This will require continued awareness raising campaigns.

Session 5: Policies to boost the corporate governance of state-owned enterprises



Focusing on the specific challenges faced by State Owned Enterprises (SOEs) in the MENA region, Ms. Korin Kane, Policy Analyst, OECD, presented findings from the focus group study on policies to boost the corporate governance of state-owned enterprises. The report finds that in the majority of MENA economies, state ownership arrangements are predominantly decentralised, with state ownership rights often exercised by line ministries that are simultaneously responsible for sectoral regulation in the relevant markets.

The state ownership landscape in the MENA region is also characterised by a scarcity of information on SOEs' objectives and performance, which departs from the [OECD Guidelines on Corporate Governance of State-Owned Enterprises](#). Nonetheless, the panel highlighted steps have been taken to improve state ownership practices. The panel featured an exchange of experiences from state ownership bodies in Morocco and Turkey, a state holding company based in Bahrain and the Abu Dhabi National Oil Company. Panellists stressed that SOEs are deeply rooted in the economic and social structures in the region. Understanding the often conflicting nature of government and SOE objectives – and clarifying SOEs' commercial and non-commercial objectives – may hold the key to implementing meaningful reforms in the future. In line with this, speakers identified measures that had worked well in their jurisdictions, such as financial and non-financial incentives for companies, as well as national scorecards to improve governance standards.

Session 6: Corporate governance in Portugal



A presentation by Mr. Miguel Athayde Marques, Professor of the Católica Lisbon School of Business & Economics and Vice-Chairman of GALP Energia, outlined the context of corporate governance reform in Portugal. In recent years, Portugal has undergone a number of regulatory changes, culminating in a move to a self-regulatory framework which has gone into effect in 2018. Speakers highlighted the corporate governance trends impacting OECD countries, such as flexibility and proportionality in enforcement, which was also the focus of the 2018 OECD Corporate Governance Committee's peer review of Portugal. Lessons learnt from the Portuguese case suggest that no one-policy-fits all, that suggests that MENA jurisdictions should set up appropriate but clear national corporate governance frameworks that encourage innovation and value creation.

Concluding remarks

Concluding remarks were given by Ms. Fianna Jurdant, Ms. Gabriela Figueiredo Dias, and Mr. Jalil Tarif, Secretary General of the Union of Arab Securities Authorities. All highlighted the value added of the meeting and welcomed the commitment from participants to make change happen.



It was agreed that the MENA-OECD Working Group is an excellent opportunity to advance corporate governance as a central issue to boost competitiveness of the MENA region. As with the other groups in the MENA-OECD Competitiveness Programme, the Working Group will continue to serve as a platform to exchange experiences based on international standards and is an opportunity for countries to work together, exchange good practices and learn from each other.

It was also highlighted that in order to have a fruitful programme, the OECD needs to continue to actively engage with key actors through building coalitions with motivated regional actors. In doing this, the OECD should also help to facilitate the creation of a culture of good corporate governance and a regional corporate governance ecosystem which can align incentives to support the structural and legal reforms needed in the region.

The Securities and Commodities Authority (SCA) of the UAE offered to host the 2019 meeting of the MENA-OECD Working Group on Corporate Governance end of March in Abu Dhabi.

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