

MENA Commercial Law Strengthening Project



**CORPORATE GOVERNANCE AND THE IMPLICATIONS ON THE LEGAL
ENVIRONMENT FOR DOING BUSINESS**

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TUNIS, 15/16 MAY 2009

Structure of presentation



- Main challenges for corporate governance in the MENA region
- The legal framework for corporate governance
- A Stakeholder driven concept of corporate governance: who are the main players?
- Setting the standards: the OECD experience
- Creating capacities for implementation
- The role of corporate governance for the business environment
- The way forward

Main Challenges for Corporate Governance in MENA



(2006 IIF and Hawkamah Report)

- Gaps in regulatory environment
- the equity finance gap
- predominance of state owned enterprises
- ownership concentration in family enterprises and corporate holdings
- lack of adequate information on corporate structures and activities

Recent encouraging developments



- Legal reforms are progressing
- Development of capital markets in the region
- significant increase of international and intraregional investment
- development of Islamic financial institutions
- a nucleus for regional cooperation

Making reforms sustainable



- **raising awareness**
- **creating a culture for risk management and entrepreneurship**
- **developing adequate tools for enterprise finance**
- **strengthening the institutional framework**
- **Integrating corporate governance into business development strategies**

A stakeholder driven process of corporate governance



- striking a balance between regulation, market discipline and voluntary compliance
- setting standards and developing good practices for transparency, accountability and business integrity
- involving stakeholders through interaction: investors, directors, employees, market intermediaries
- combining good public and corporate governance
- keeping track of implementation

Get the legislative process right



- modern commercial and company legislation
- competition law
- financial services regulation
- listing requirements
- insolvency
- taxation
- insolvency

Provide effective institutions for market discipline and supervision



- **risk management and accountability in the financial services sector**
- **developing an efficient and responsible accounting profession**
- **strengthen capital market authorities and provide effective powers of enforcement**

The role of the MENA OECD Investment Program



- seeking greater efficiency of government institutions through a targeted and time-bound reform process
- fostering the development of good practices in the region
- integrating corporate governance into competitiveness strategies
- encouraging financial sector reform

Key features of MENA-OECD Investment



- **Government focus and mobilization of private sector input**
- **national and regional ownership for reforms**
- **partnership with regional and international organizations**
- **policy impact and results**
- **mobilization of political support**

- Creating a positive interaction for an improved business climate



- international standards and regional initiatives (OECD, World Bank and Hawkamah)
- Central banks and the banking community :the emerging policy brief on corporate governance of banks
- increasing efficiency and accountability of state owned enterprises
- the issue of transparency of Sovereign Wealth Funds: a learning process

Corporate Governance in MENA: Developing policies and fostering implementation



| | Outputs | Coordinators |
|------------|---|-------------------------------------|
| I | Task Force on Corporate Governance of Banks | Hawkamah, UAB, IFC |
| II | Task Force on Corporate Governance of SOEs | Hawkamah, Egypt IoD, Morocco |
| III | Development of National Corporate Governance Codes | Egypt, Jordan, Morocco |
| IV | Corporate Governance of Non-Listed Companies | Morocco |
| V | Module on Insolvency | Hawkamah, INSOL, World Bank |
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For further information



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Corporate Governance in MENA: the way forward



- **Assessing implementation**
- **Promoting Awareness and Training programs for key actors**
- **Setting up an Institute of Directors**
- **Tightening accounting standards by reducing the number of options**
- **harmonizing rules and standards within the region**
- **Improving risk management and strengthening board competence**