

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 its new phase in Rabat, Morocco in December 2017 under the umbrella of the MENA-OECD Competitiveness Programme. The objective of the 2018 meeting was 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 meeting attracted 90 participants, including representatives from 13 countries as well as regional 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. The local newspaper *Jornal Económico* published a feature article on the meeting. Participants included securities, bank and insurance regulators; stock exchanges; companies; institutes and associations; academia and other private sector experts.

Valuable reflections came from the high-level debates on the four key areas for reform in MENA: access to capital; transparency and disclosure; gender balance in corporate leadership, and; governance of SOEs. In this vein, OECD-led focus groups prepared four reports to address challenges in these areas and outline policy options for reform. These reports set the stage for the discussions. The quality of participation was high, with attendees giving in-depth interventions and unique insights into the core challenges that lie ahead for the region. Participants were engaged and used the meeting as an opportunity to work together, exchange good practices and learn from each other.

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 Portugal's commitment to working with the MENA region. Mr. Santos Silva stressed that the unique geographical placement of Portugal, makes it a natural partner in this work. 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.

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. 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 an important next step 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 effective 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. 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 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 discussion, which identified transparency and disclosure as an issue that has created obstacles to corporate governance improvements 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,

transparency and accountability. The panel agreed that transparency and disclosure underpin almost all elements of corporate governance issues and are 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.

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.

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 MENA economies, company practises still lag. Therefore, six key 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 is 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 unique 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 in 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



An engaging presentation was given by Mr. Miguel Athayde Marques, Professor of the Católica Lisbon School of Business & Economics and Vice-Chairman of GALP Energia, outlining the historical 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 peer review. Lessons learnt from the Portuguese case suggest that no one-policy-fits all, urging MENA jurisdictions to set appropriate but clear 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 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. 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 has offered to host the 2019 meeting of the MENA-OECD Working Group on Corporate Governance end of March in Abu Dhabi.

© OECD 2018

Contacts:

Fianna JURDANT

Manager, MENA-OECD Working Group on Corporate Governance, Corporate Affairs Division
 OECD Directorate for Financial and Enterprise Affairs
fianna.jurdant@oecd.org

Nicola EHLERMANN

Head of the MENA-OECD Competitiveness Programme
 OECD Global Relations
Nicola.Ehlermann@oecd.org

Learn more about our work in Corporate Governance and in the MENA region:

<http://www.oecd.org/mena/competitiveness/>

<http://www.oecd.org/corporate/ca>