

**Corporate Governance in the Private Sector
A MENA Perspective
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Corporate Governance in the MENA Region

Current Status

1. Most countries in MENA have issued rules and codes on Corporate Governance
2. Primary focus on financial institutions and publicly listed companies
3. Corporate governance rules & implementation procedures are set and governed by the regulators, mainly Capital Market Authorities, Central Banks and Ministries of Commerce and Finance
4. Modest improvement in implementation of governance frameworks & enforcement of regulations

Corporate Governance Codes in MENA

Country	Code type	Year	Compliance
Algeria	Code for FOEs & SMEs	2009	V
Bahrain	Code for Joint Stock Companies	2010	C
Egypt	Code for Listed Companies	2005/2011	C
Egypt	Code for the Public Enterprise Sector	2006	V
Egypt	Guidelines for FOEs	2008	V
Jordan	Code for Banks	2007	M
Jordan	Code for Listed Shareholding Companies	2007	C
Jordan	Code for Private Shareholding Companies, Limited Liability Companies, Non Listed Public shareholding Companies	2012	C
Jordan	Code for Insurance Companies	2006	M
Lebanon	Code for Joint Stock Companies	2006	V
Lebanon	Guidelines for Listed Companies	2010	V
Lebanon	Guidelines for FOEs /	2010	V
Morocco	Code of Corporate Governance	2008	V
Morocco	Code for FOEs and SMEs	2008	V
Morocco	Code for Listed Companies	2011	V
Oman	Code for Listed Companies	2002	M
West Bank and Gaza	Code for Listed Companies	2009	M
Qatar	Code for Public and Listed	2009	C
Qatar	Guidelines for Banks and Financial Institutions	2008	C
Saudi Arabia	Regulations for Listed Companies	2006/2010	M
Syria	Code for Financial Intermediaries	2008	M
Syria	Code for Joint Stock Companies	2009	M
Tunisia	Code of Best Practice of Corporate Governance	2008	V
UAE	Code For Banks	2008	M
UAE	Code for Joint Stock Companies	2010	M
UAE	Federal Decree on Board Membership of SOEs	2011	M
UAE	Code for Real Estate Developers	2012	C
UAE	Code for SMEs (9 Pillars)	2011	V
Yemen	Guidelines on Corporate Governance for FOEs	2010	V

V=Voluntary, C=Comply or Explain, M=Mandatory

Source: IFC and internet research

Distinctive Features of the MENA Economy

- Many of the largest multinational and national corporation in the MENA are family owned firms
- Around 80 – 90% of the MENA businesses are family owned
- More than 60% of the family owned businesses are in the first/second generation
- 60 - 80% of GDP outside the oil sector is generated by family businesses
- More than 55% of employment in family controlled entities
- 40% are expecting sustained growth in the next year
- 50% recognise the need to institutionalise & professionalise the business

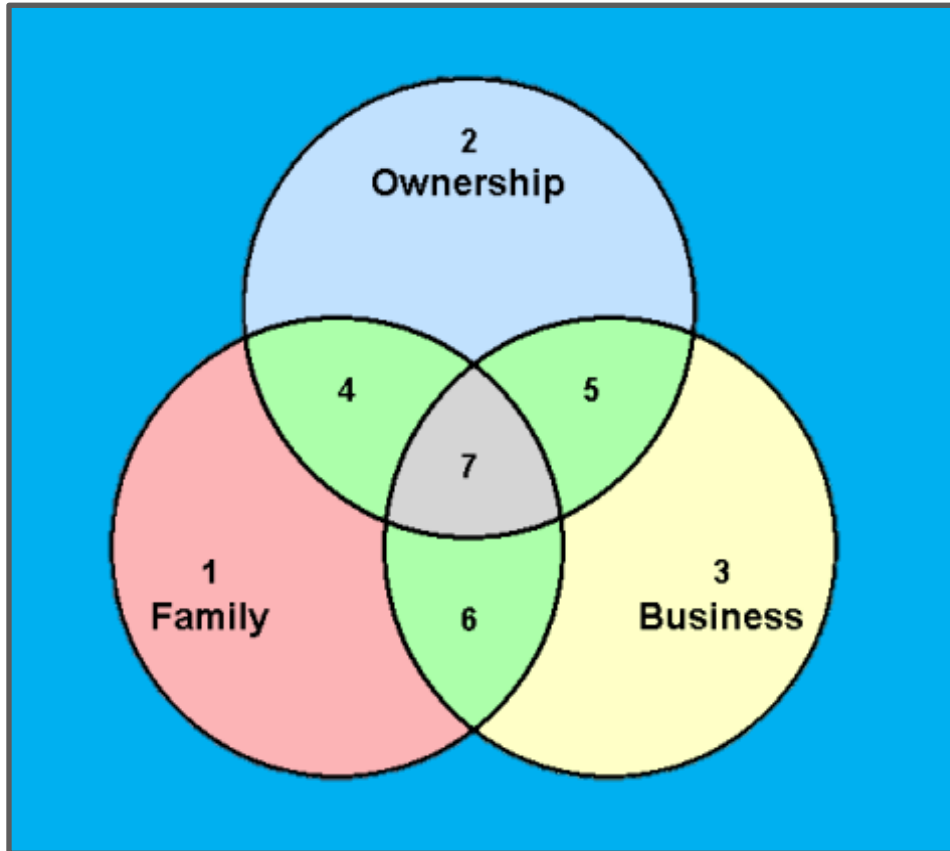
Based on recent surveys / research

Corporate Governance in MENA

- Most family businesses in MENA recognise the importance of corporate governance
- Family business leaders recognise that CG is a key project. Many have set initiatives to address it as they plan for succession / transition and future growth
- Most have board of directors and a number of committees. However, many are not effective
- A number of family business groups are considering going public but the road ahead is long

Family businesses in MENA

Multiple roles of actors in family firms



Tagiuri & Davis model (1982)

1. Family non-owner managers
2. Non-family non-manager owners
3. Managers only
4. Family owners
5. Owners managers
6. Non-owner family managers
7. Family owner/managers

BOD in family owned businesses in MENA

- 90% have family members in the Board
- 50% have a non family member
- 85% have family members working as senior executives
- 39% have boards that meet 4 times a year
- Very few (4%) have performance evaluation mechanism
- Most have board members who are close to the family (lawyers, auditors, bankers)

Based on recent surveys / research

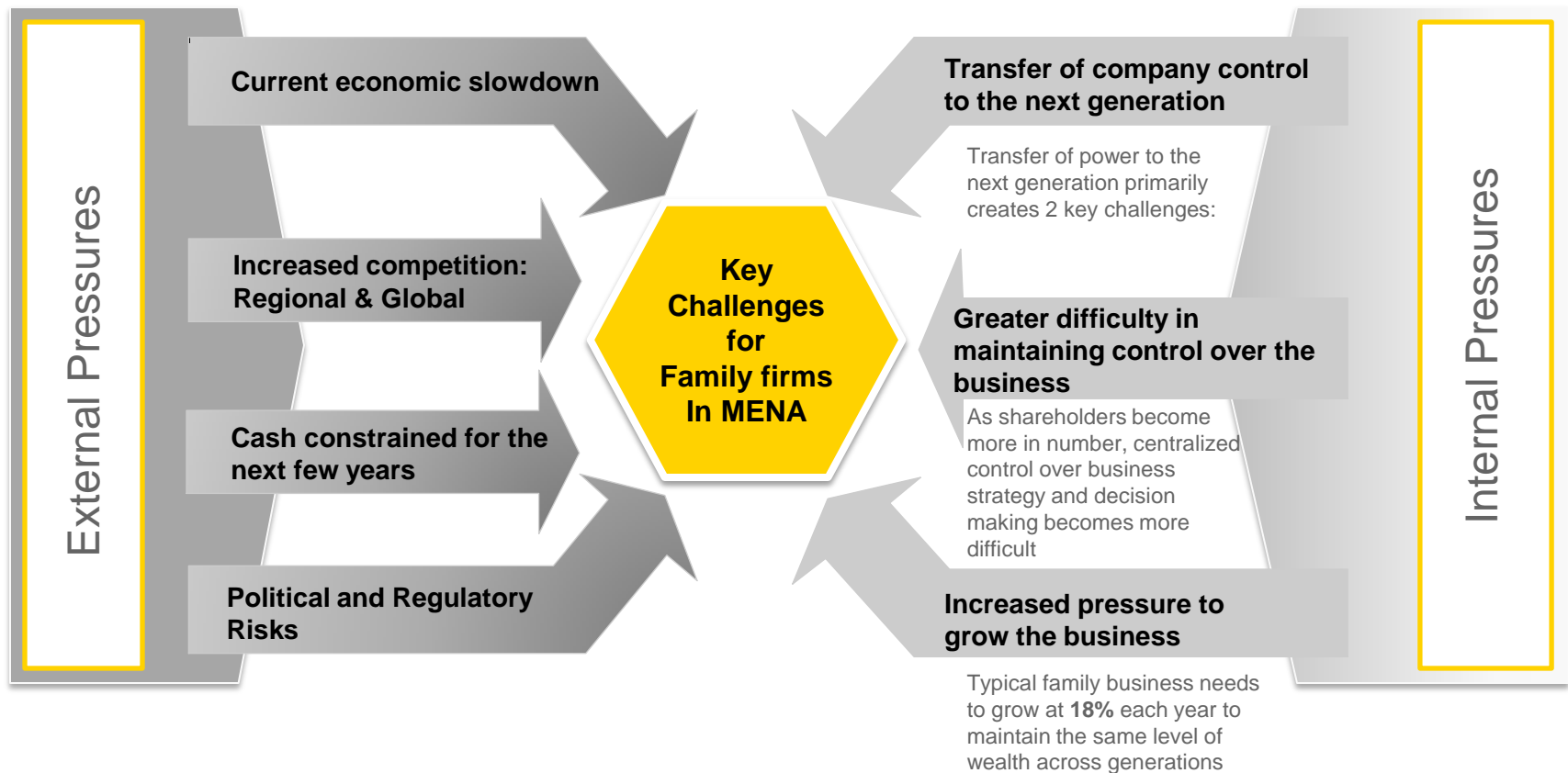
Family Businesses in MENA

- Less than 20% have formed rules such as family constitution (charter) and 27% are in progress.
- Less than 35% have a family council and 19% have a family office
- Only 37% disclose financial and non-financial information to concerned business partners
- 80% do not disclose any financial information publicly
- Only 12% disclose non finance information such environmental, social or governance information
- 24% intend to raise external capital to grow

Based on recent surveys / research

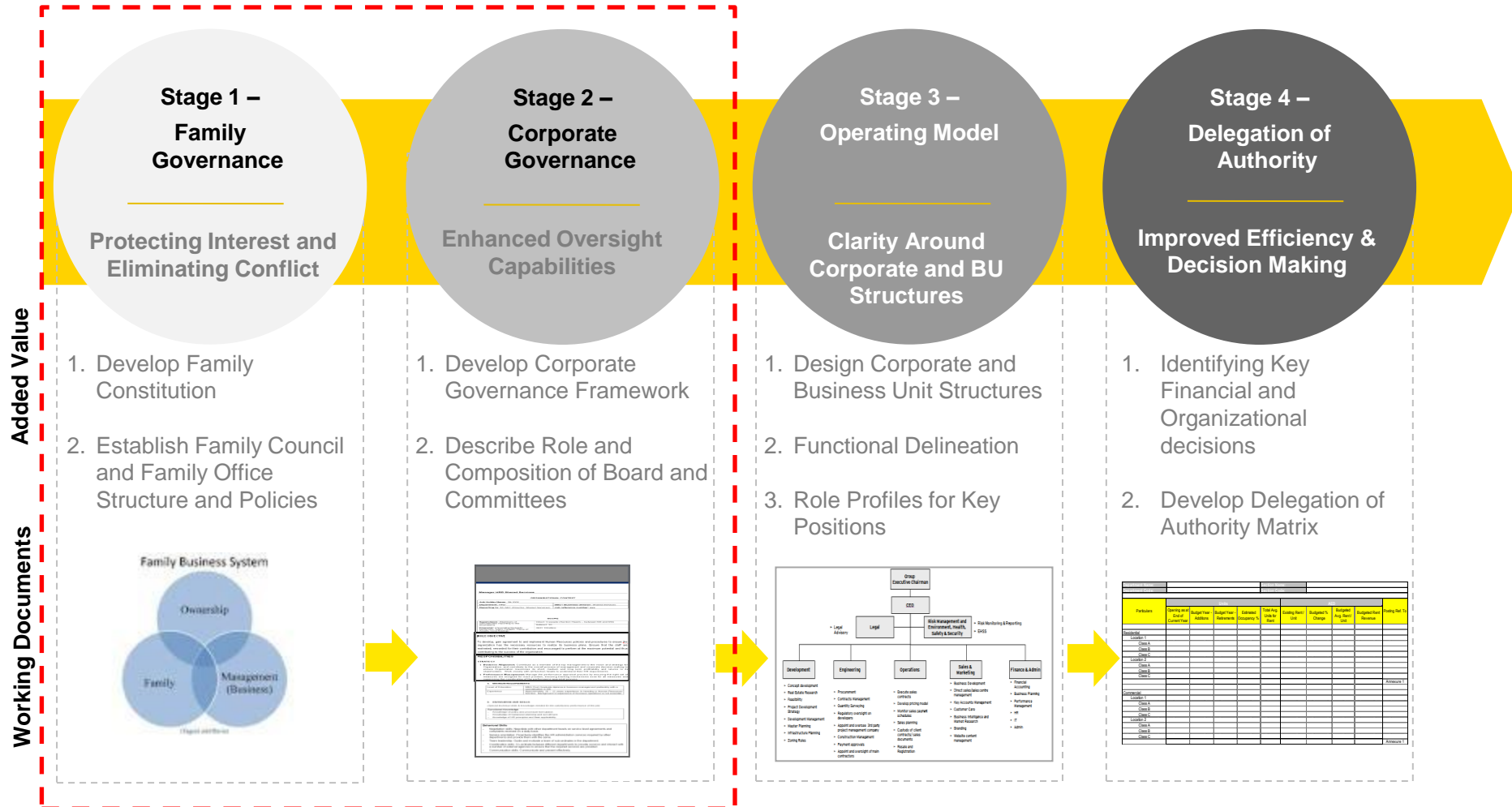
Key challenges for Family Firms

External and Internal challenges for Family Firms in MENA



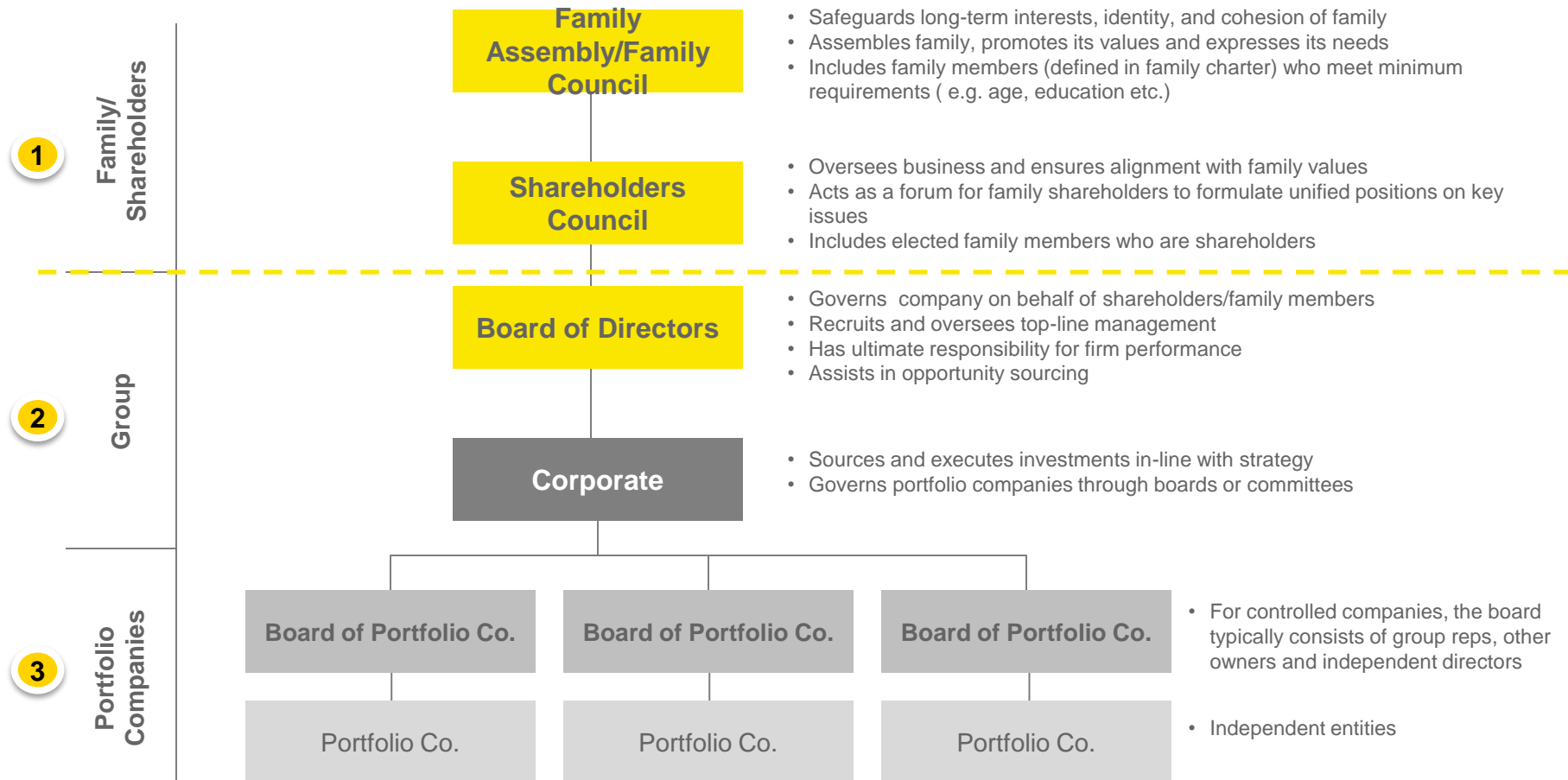
Governance Transformation Journey

During the journey of organizational transformation, Family businesses typically embark on numerous initiatives. The key stream of work may include the following typically:



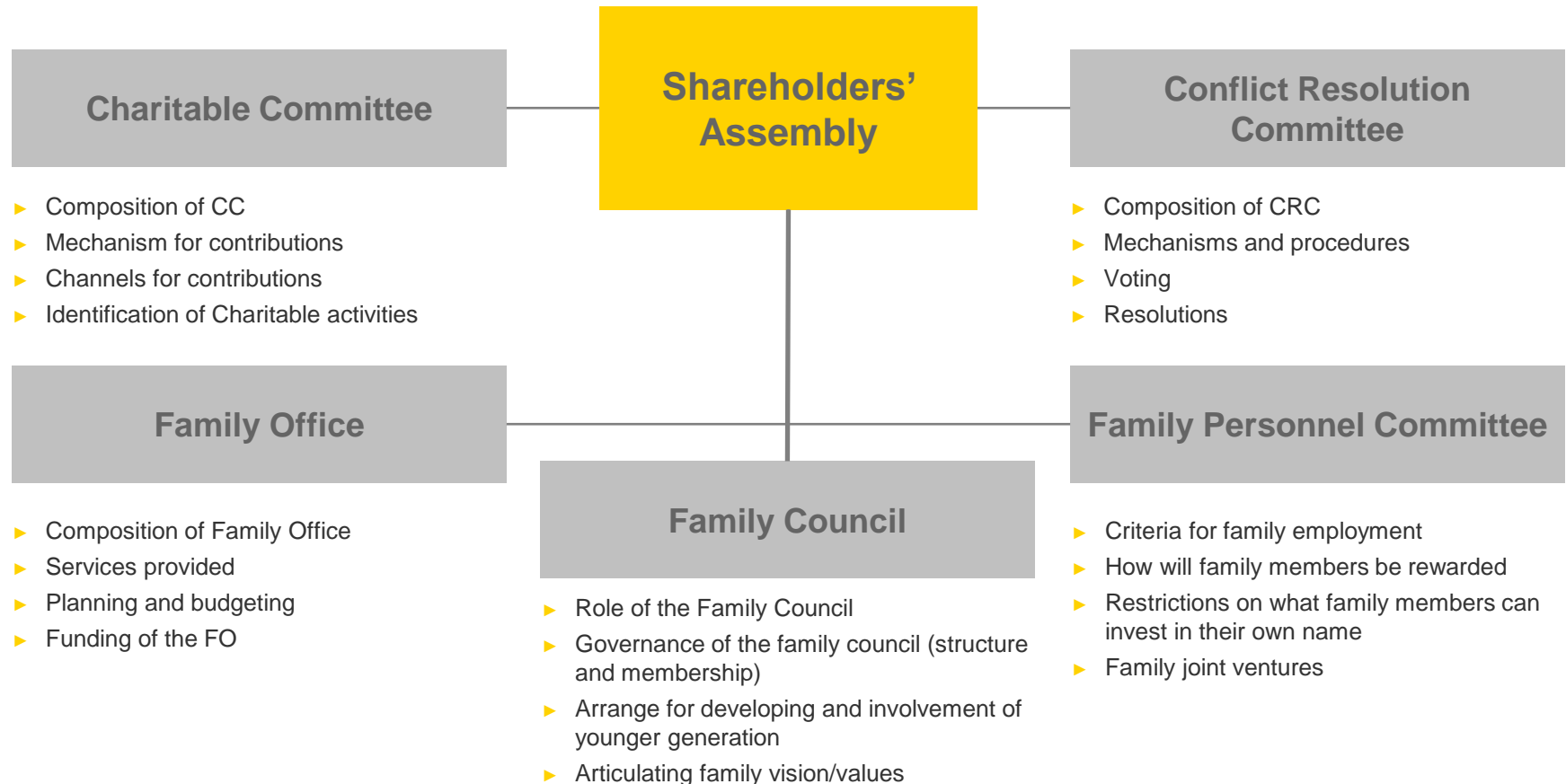
Effective Family / Corporate Governance

Typical Operating Model for diversified family firms



Possible committees to the shareholders' assembly

- ▶ Role of the Shareholders' Assembly
- ▶ Voting mechanism for decision making
- ▶ Membership of the Shareholders' Assembly
- ▶ Election of a Chairman
- ▶ Duties and responsibilities



Governance Regulation is worthless without the right mindset: the role of collective mindfulness

- Characteristics of responsible owners
 - Recognize ownership as a privilege
 - Emotional and not only financial investment
 - Mentality
 - grow the firm in the long-run, and not maximize personal financial benefits in the short-run
 - Uphold an entrepreneurial and not a “pension fund” mindset
 - Consider the needs of multiple stakeholders, and not the short-term personal interests alone
 - Seek education and training on business and financial matters
 - Respect family, business and ownership governance rules
 - Clear voice: a single informed voice towards the firm, with a clear vision

Goals of Family Governance

- Reduce family firm specific control problems
- Clarify family member involvement, related roles and responsibilities
- Prevent inadequate interference of family in business
- Maintain family unity
- Establish commitment to the legacy and values
- Provide decision making forum
- Develop informed shareholders
- Integrate family and business goals (family and business alignment)

Thank you & Enjoy your stay

