

# Corporate Governance TRENDS

25 years of strengthening democracy through market-oriented reform

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## Brazil, Tunisia Share Experiences in Corporate Governance

by Danya Greenfield, CIPE

São Paulo, Brazil – With a diversified and dynamic economy, Brazil is forging ahead as a powerhouse not only in South America, but across the globe. Taking advantage of a unique opportunity to explore Brazil’s experience in implementing corporate governance, members of CIPE partner L’Institute Arabe des Chefs d’Entreprises (IACE), the largest business association in Tunisia, participated in a study tour hosted by another CIPE partner, the Brazilian Institute of Corporate Governance (IBGC), in São Paulo in January 2009. The Tunisian delegation observed IBGC’s current operations and sought to learn from its successes and setbacks.

One of Brazil’s greatest successes is its stock exchange; the São Paulo Stock Exchange (BOVESPA) has quadrupled the number of Brazil’s listed companies in the past five years and is now one of the world’s largest exchanges. The unique element of this exchange is its Novo Mercado (“New Market”), which requires companies to reach a high level of compliance with corporate governance practices. Companies that meet the standards of Novo Mercado signal to investors that they have excellent transparency and accountability. This emphasis



IACE members join with CIPE Program Officer Danya Greenfield, second from left, and IBGC members while trading lessons-learned from corporate governance implementation.

on corporate governance is just one example of how Brazilian companies are creating a long-term growth strategy.

IACE is seeking to create a similar institute in Tunisia, and met extensively with IBGC and its affiliates to discuss how Brazil’s experience might apply to Tunisia. Majdi Hassen, executive director of IACE, noted that the “Brazilian experience is very interesting and applicable to what we want to do in Tunisia. The Institute gives us a great model of how

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## Corporate Governance Trends in Oman

by Hamid Sultan Al-Busaidi,  
Capital Market Authority of Oman

Muscat, Oman – The Sultanate of Oman has been at the forefront of corporate governance developments through the Middle East region. Oman was the first country among the Gulf Cooperation Council (GCC) countries to develop and adopt a code of corporate governance (in 2002), which was issued by Capital Market Authority (CMA) for listed companies as part of its reform efforts to

develop capital markets. Implementation of the code soon showed positive benefits for many companies, and in 2008, Oman was ranked first in the Comparative Survey of Corporate Governance in the GCC that was undertaken by the Hawkamah Institute for Corporate Governance, Dubai International Finance Center, and the Institute of International Finance. Sustaining this momentum, the CMA today is continuing to encourage adoption of corporate governance best practices.

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# Can the Financial Crisis Prompt a Corporate Governance Focus in Kazakhstan?

by Elena Suhir, CIPE, and Sergei Filin, Kazakhstan Institute of Directors

Almaty, Kazakhstan – In Kazakhstan, the stark impact the global financial crisis has had on the national economy may serve as an impetus for companies to take corporate governance seriously and adopt internal codes of corporate governance. Kazakhstan’s wealth of natural resources has meant that domestic companies are accustomed to a constant flow of foreign investment. Moreover, since the government holds a majority share in a number of companies, many businesses have lacked incentives to apply good corporate governance standards. Yet, as international investment flows have slowed, local companies are looking to gain a competitive advantage through better governance practices. At this crucial juncture, the Kazakhstan Institute of Directors (KID) is working with CIPE to educate local stakeholders about the importance of good governance to long-term growth.

CIPE is partnering with KID and the International Finance Corporation (IFC) to conduct an awareness campaign across Central Asia on the benefits of corporate governance. Until recently, local buy-in to the numerous efforts of international financial organizations and donors to improve the state of corporate governance in the



Participants listen closely at a KID course on the correlation between corporate governance and democratic participation.

region has been low. Information on corporate governance-related issues has been scarce and was often not presented with substantial local context. The new program is designed to raise grassroots demand for better governance practices, and is directed at journalists, students, and the public. KID’s analysis indicates that even in a country with one of the most advanced financial systems in the former Soviet Union, Kazakhstan’s institutions are ill-prepared for adopting corporate governance standards, and the demand for improvement has been lacking.

The project links the development of good governance in the corporate sector with the development of democratic norms and institutions in the public sector. Under this project, KID Chairman Professor Sergei Filin developed a graduate-level course correlating the benefit of a participatory shareholders’ system for a corporation with the benefit of a participatory governance system for democratic development. The course is being distributed throughout Kazakhstan’s university system. He presents a company structure that correlates to that of a country. Using this model, the course draws a powerful comparison in which good governance in the private sector is related to good governance in the public sector. Building a strong democratic system, particularly in a one-party parliamentary system, requires improvements in both sides of the equation. ♦

## Brazil, Tunisia Share Experiences in Corporate Governance

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to implement education and training programs and provide services to members.” Yazid Skandrani, an IACE member, added, “many of these principles respond to the current needs of the Tunisian companies, which are under a high family influence and going through a generation transition phase.”

The Tunisians evaluated IBGC educational programs and director trainings, its certification process for directors and businesses, awards for best compliance with corporate governance, membership development, financial management, environmental sustainability, and stakeholder relations. IBGC described its early challenges with great candor and shared how it modified its approach and programs in response. IBGC emphasized the importance of the enthusiasm and commitment of its founding members, without which it would not have been able to persevere, and of flexibility and willingness to try more than one approach.

These types of exchanges are crucial to sharing lessons learned and best practices on a practical level. Knowledge transfer between emerging economies can be incredibly enriching, as developing countries are likely to share similar challenges.

In Tunisia, CIPE has partnered with IACE for more than three years on projects that strengthen corporate governance knowledge and practices. IACE conducts workshops, conferences, and surveys, and in June 2008 launched the country’s first-ever *Guide for Corporate Governance Best Practices*. In 2009, IACE is continuing this work, and is developing a guide for writing effective annual reports. With these tools in hand, Tunisian businesses will be well-poised to move forward in improving performance and enhancing accountability in their country. The current economic crisis demonstrates the importance of good corporate governance and Tunisia is heeding that call. ♦

## CG Events April-August 2009

### Global Events

**April 17, Paris, France**

2009 General Assembly and Annual Lecture (European Corporate Governance Institute)  
[www.ecgi.org/conferences/events.php](http://www.ecgi.org/conferences/events.php)

**July 2-3, São Paulo, Brazil**

Second International Conference on Corporate Governance in Emerging Markets (The Coppead Graduate School of Business)  
[www2.coppead.ufrj.br/engl](http://www2.coppead.ufrj.br/engl)

**July 13-15, Sydney, Australia**

ICGN 2009 Annual Conference: The Route Map to Reform and Recovery (International Corporate Governance Network)  
[www.icgn.org/conferences/2009](http://www.icgn.org/conferences/2009)

**August 23-26, Victoria, British Columbia, Canada**

11th Annual CSCS Corporate Governance Conference (Canadian Society of Corporate Secretaries)  
[www.cscs.org](http://www.cscs.org)

### MENA Events

**April 26-30, Dubai, UAE**

International Islamic Finance Forum (in partnership with the Oxford Business Group)  
[www.iiff.com](http://www.iiff.com)

**May 10-14, Dubai, UAE**

The Gulf Cooperation Council Management Accounting Forum (Institute for International Research)  
[www.iirme.com/maf](http://www.iirme.com/maf)

**May 15-17, Dead Sea, Jordan**

World Economic Forum on the Middle East 2009  
[www.weforum.org](http://www.weforum.org)

*These events represent corporate governance trends in MENA and around the world. To participate, contact sponsoring organizations.*

## Corporate Governance Trends in Oman

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When Oman's corporate governance code was released in 2002, one of the main purposes was to promote a *culture* of compliance, transparency, and accountability without restraining entrepreneurship. The code is mandatory and applies to all public listed companies listed on the Muscat Securities Market. CMA urged the companies to apply the highest standards in corporate governance, and was able to announce full implementation on January 1, 2004. The effect of implementation was immediately apparent. CMA found major improvements corporate governance awareness and practice. Some examples of these improvements – taken from an analysis of company corporate governance reports and audits – include:

- Majority of companies disclosed their quarterly and annual financial statements on time.
- Almost all companies included separate reports on corporate governance in their annual reports.
- A separation of roles of chief executive officers, general managers, and chairmen.
- Increased number of independent directors on boards.
- Establishment and use of audit committees.
- Rules for related party transactions.

More recently, CMA worked with the Hawkamah Institute for Corporate Governance to establish an annual director development program for directors and



*A participant speaks at one of three corporate governance conferences in Oman focused on developing a corporate governance task force.*

executives, and formed the National Corporate Governance Committee to evaluate the current status of corporate governance implementation and to make recommendations for drafting a code for state-owned enterprises.

Promoting a culture of best practices remains a priority for CMA as it leads reform efforts, as corporate governance is one of the key elements in securing long-term economic growth and stability. Among CMA's next steps are:

- A new corporate governance scoring system for rating listed joint stock companies,
- The establishment of corporate governance compliance awards, and
- New corporate governance codes for family-owned businesses and other entities not covered by the CMA regulations. ♦

*The views expressed in this article are personal views of the author and do not necessarily represent the views of the CMA.*

# Transparency, Pillar of Corporate Governance

by Amer Halawi, *The National Investor*

**Abu Dhabi, UAE** – One of the first duties of any corporation is absolute transparency with stakeholders regarding its strategy, structure, activities, processes, and policies. While transparency does not guarantee optimal governance, the latter cannot exist without the former: transparency is the fundamental pillar of corporate governance. In the emerging financial markets of the Gulf Cooperation Council, development has happened rapidly in a very short period of time. Where does this leave the state of transparency in the region?

To answer this question, The National Investor (TNI) decided to explore the state of regional transparency by mapping all listed companies across multiple parameters with a focus on disclosure and corporate communications. In cooperation with the Hawkamah Institute for Corporate Governance, TNI collected and analyzed some 25,000 pieces of corporate data to systematically rank some 600 corporations. On a scale of 0 to 10, the average score of regional companies on those two measures totaled 3.2 – quite a distance from the 7.9 score of these companies’ more visible, internationally-listed peers.

While it was no surprise that transparency was lacking, the extent of the gap was astonishing. The survey revealed that, in April 2008, very few regionally listed companies even had an investor relations officer. One-fifth did not have a website, and one-third did not publish any information in a language other than Arabic. After the survey’s publication, early feedback suggested significant interest in the findings. Most importantly, company officers were grateful for the information and wanted advice about the best way to make changes.



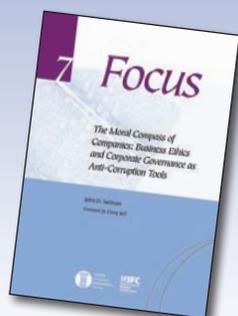
*The National Investor is providing information to companies around the Middle East and North Africa that will help them improve transparency and better attract investment.*

In all fairness, as the researchers were crunching numbers and reporting the regional corporate communication situation, change was already occurring. Competition for mind and wallet share prompted listed corporations to improve their standards. In addition, some of the recommendations were preempted by regulators – exemplified by the recent clause issued by the Saudi stock market authority to impose disclosure of shareholders with more than 5 percent stock ownership.

As TNI’s second round of scoring and ranking commences, it expects to see an average improvement of 11 percent in less than one year. Corporations are voluntarily improving their transparency, with more comprehensive websites, more informative annual reports, and better access to management. Businesses are clearly paying more attention to transparency and corporate governance, often with a tangible positive benefit.

The study shows that the region is on the right track to improve transparency, at least as far as listed companies are concerned. The most rapid change will come from of the following combination: 1) companies wishing to become better citizens in order to secure the loyalty of their shareholders, 2) regulators wishing to enhance the liquidity and market access of their jurisdiction, and 3) independent initiatives are emerging to provide market intelligence and unbiased recommendations. Finally, while regional cooperation in this matter is still embryonic, more of it would provide the greatest push. ♦

The Global Corporate Governance Forum published the 7th issue of its FOCUS series, “The Moral Compass of Companies: Business Ethics and Corporate Governance as Anti-Corruption Tools”, authored by John D. Sullivan, CIPE Executive Director. The publication can be found at: [www.gcgf.org](http://www.gcgf.org).



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