SmartLessons
real experiences, real development

Global-Local: The Ticket To Ride: Introducing Corporate Governance Codes in the Middle East and North Africa

Codes of best practice are essential tools for enhancing corporate governance practices at the national and corporate levels.[14] To help developing countries and transition economies with the task of establishing these codes, the Washington, DC-based Global Corporate Governance Forum produced a toolkit on crafting, developing and implementing corporate governance codes. The product was widely disseminated, yet in some regions such as the Middle East and North Africa, very few countries had developed their own national code. This vacuum led GCGF to team up with IFC Advisory Services in MENA to roll out the toolkit through a series of workshops to encourage development and adoption of country codes.

BACKGROUND

The challenge of diversity. The main challenge of using workshops to engage partners in the MENA region lies in the diversity of the business sectors and financial markets in the region. MENA includes 19 countries, from Morocco in the west to Pakistan in the east. At one end of the spectrum are "frontier markets" such as West Bank and Gaza and Yemen (which have underdeveloped capital and financial markets) and, at the other end, such oil-rich Gulf countries as Saudi Arabia and the United Arab Emirates (which have rapidly developing capital markets). Given these disparities, the project team had to address several challenges, such as: How can we find common lessons and experiences to advise countries with such wide variations in economic conditions? How do you persuade key decision makers and individuals who can influence the development of a code to attend?

We decided to roll out the project on a regional basis to be able to reach out to more clients and make the approach more cost- and resource-effective. The team also believed that sharing experiences, lessons learned, challenges and success stories within a region, no matter how diverse it is, could be a powerful driver in achieving corporate governance reforms.

Over a period of 18 months, the team delivered a series of three workshops: "Initiating the Code Development Process" in Egypt, "Drafting and Consultation Processes" in Jordan, and "Implementing, Monitoring and Reviewing Codes" in Morocco.

A successful global-local approach. The global Forum and local advisory services team members drew on each other's strengths and developed a clear division of responsibilities. The Forum developed the agenda of each workshop and selected (and covered the costs of) international speakers. Advisory staff identified, invited, and managed regional participants, and covered their travel and accommodation costs.[15] To cut the red tape, the teams even initiated a joint PDS document in iDesk, which was linked to the respective budget codes of each unit.

Results beyond expectations. The preliminary goal was to foster the development of three corporate governance codes in the region. But by the time the workshops were completed, 14 codes had been adopted, or were in the process of being developed or revised.

LESSONS LEARNED

1) Don't reinvent the wheel if you don't have to.

Instead of inventing something from scratch, the teams used the framework of the GCGF's toolkit in structuring the workshops, and then gave the toolkit to participants for guidance. This ensured that the workshops were informed by successful experiences and were rich in substance. The toolkit also provided the team and technical advisers with a road map to adequately advise country task forces.

2) Start with stakeholders who have actively demonstrated interest.

Instead of trying to identify and attract key stakeholders in every country, which would have delayed the project, we decided to focus on those who had already expressed interest in developing a corporate governance code. We hoped that by working with the willing, we would create a regional-momentum engine for code development—and that indeed turned out to be the case.

USER GUIDE FOR THE BEST PRACTICE TOOLKIT

TOOLKIT **2**

Developing Corporate Governance Codes of Best Practice

USER GUIDE

User Guide

Global Corporate Governance Forum
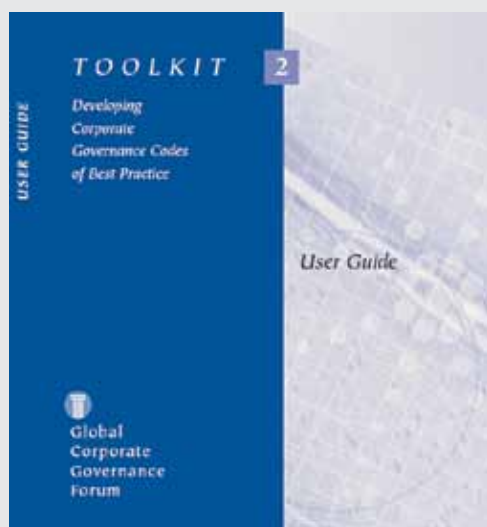
"The Corporate Governance Code Development program in the MENA region was conceived at the outset of a wave of interest in corporate governance reform in the region. It has been highly successful in accelerating the early stages of this reform process and has been implemented in a manner to support national initiatives and to encourage national ownership."

—*Rajeev Pillay, Independent Evaluation Consultant and General Partner, Abacus International Management LLC*

We began with just four countries (Egypt, Morocco, Jordan, Lebanon). The number of participating countries[16] grew rapidly as key local stakeholders learned about the program and expressed their willingness to join. Participation was limited to three or four individuals per country. About 20 or so participants attended each workshop. Mostly they were heads of stock exchanges or securities commissions, representatives of professional organizations, heads of institutes of directors, representatives of government ministries, and private sector members of code-crafting task forces.

3) Choose a highly interactive, motivational workshop design when you have such diverse participants.

The workshops were designed to be highly interactive learning events. They included exercises, case studies, role plays, international best practice presentations and presentations on specific regional issues. The objective was to avoid lecturing the participants, but rather to engage and motivate them. For example, each workshop started with a "tour de table," during which the moderator asked participants from each country specific questions on their progress and challenges in the code development process. This

MENA CORPORATE GOVERNANCE IMPLEMENTATION STRATEGY

| Toolkit | Regional Workshops | Country Task Forces | Peer Review | Knowledge Transfer |

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allowed the participants to learn from each other, and it even provided for a stimulating competitive edge. At the same time, this approach helped us avoid formal presentations by participants, the timing of which is usually difficult to control. In most cases it was the first time the participants had attended this style of workshop, and the feedback was excellent.

4) Don't do all the work: maximize national ownership for effective implementation.

Initially, we underestimated the amount of logistical work needed to organize and deliver the regional workshops. Our staff in the field felt overwhelmed. To address this concern, the team agreed to seek a higher involvement of local institutions and have clients carry more of the organizational burden. Local institutions were increasingly involved at the second and third workshops.

When the team moved to country-specific advisory work as a follow-up to the workshops, local institutions were already fully involved. From the start, the strategy was to help and advise clients, but not to do the work for them. The establishment of task forces and the drafting of the codes were left almost exclusively to national leaders. As a result,

codes were better adapted to local needs, and recognized by local stakeholders as their own.

As noted by the independent evaluation that the forum commissioned, team members and international experts were inconspicuous throughout the process. However, they were highly appreciated and effective in their behind-the-scenes roles throughout the code design and drafting process in all the countries involved. When asked, the team provided clients with technical advice, information about comparative experience, and comments on drafts. However, the project team emphasized to national partners that they were free to accept or reject technical advice provided by international experts.

5) Get pro bono support—if you can.

Through its Private Sector Advisory Group, the Forum is able to provide high-level pro bono corporate governance expertise and practical experiences on code development processes. In the MENA region, PSAG shared best practices and provided guidance during the workshops. It played an important role in providing substantive and comprehensive feedback on draft codes prior to their

final adoption. Clients greatly appreciated this service, and most country task forces requested that their draft codes be peer reviewed.

Although these international experts played a crucial role in the process, it is important to point out that they did not draft the codes or otherwise do the work for local stakeholders. Furthermore, PSAG members cannot be hired as consultants.

Naturally, countries can develop and adopt national corporate governance codes without the support of a group such as the PSAG, but doing so would mean missing out on an exceptional resource or having to hire adequate consultants that would considerably increase the cost of such a project. On the down side, a timetable can't be imposed on PSAG members, since they are not under contract and also have other priorities, which poses a scheduling challenge.

6) Plan follow-up activities in advance. Timely knowledge transfer is important—to avoid being overwhelmed by demand.

As a result of the momentum created by the workshops, the Forum and the corporate governance advisory team in MENA were immediately swamped with requests for additional country-specific advisory services to develop and implement national codes. Within the limits of their resources, the Forum and the regional advisory services team responded to the demand and assisted country task forces in their work. Yet, to satisfy all the requests for extensive support, the pool of experts that the Forum and regional advisory services can draw on must be broadened.

For future projects of this type, the Forum needs to put more emphasis on global knowledge transfer and

staff training in the project's early stages. As a first step in rolling out new toolkits or other knowledge management products, workshops should be organized in-house to better share new knowledge and have a larger team of experts and operations officers ready to satisfy demand in the field.

To help address this need within the MENA region and elsewhere, the Forum is organizing a knowledge management workshop for operations officers and consultants, based on the content of the toolkit and on experiences gathered in the MENA region.

"We were extremely pleased with the way in which the GCGF expert performed his function; he never interfered, but provided substantive advice upon request and supported us fully in our efforts."

—*Chair of the Code Drafting Committee, Morocco*

ABOUT THE AUTHORS

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