Business Case for CG Code Implementation in Pakistan

Khawar Saeed Ansari

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• Business Case for CG Code Implementation

• Implementation Risks

• Mitigation Strategies to progress Business Case

• IFC’s Value Addition
Background

1984 Companies’ Ordinance Outdated
Background

Turned Regulator into a Post Office
Background

- Ind. Directors - at least one; Executive Directors - ≤ 75%
- Non Executive Chair; Directorships - ≤ 10
- Responsibilities, Powers, Functions and Meetings
- Appointment and TORs for Executive Directors
- Related Party Transactions
- Orientation Courses

Mandatory Code of CG for banks and listed companies issued in 2002
Background

Raised the profile of regulators as overseers of CG
Pakistan’s Business Case for CG Code Implementation
Business Case for CG Code Implementation

Help companies converge on CG practices
Encourage companies to follow codified practices
Business Case

Enrich/enhance reputation with stakeholders
Enables regulators to raise profile by playing a qualitative role
Implementation Risks for Mandatory Code
Implementation Risks for Mandatory Code

Compliance can be window dressing (IFC 2007 survey)
Implementation Risks

National standards can fall behind global CG practices
Implementation Risks . . . . . . . . . .

Regulators may not be fully equipped to enforce the Code.
Mitigation Strategies to progress the Business Case
Mitigation Strategies

Precise codes help build a robust CG regime
Mitigation Strategies

Justify cost v benefits for better compliance
Mitigation Strategies

Regulators should re-tool for effective oversight
Mitigation Strategies

Develop specialized codes for important sectors
Mitigation Strategies

Get directors buy-in to CG through training
Mitigation Strategies

Increase awareness of minority shareholders rights (lawyers/judges)
Mitigation Strategies

Involve different stakeholders to revise the code towards global practice
IFC’s Value Addition
IFC’s Value Addition

Brings financial and commercial perspective
IFC’s Value Addition

Provides market perspective to regulators
IFC’s Value Addition

Bridges public-private divide
Thank you