

CORPORATE GOVERNANCE CHALLENGES: IN THE CONTEXT OF MENA COUNTRIES

Khaled Otman *

* Department of Accounting, Faculty of Economics, University of Benghazi, Libya
Contact details: Department of Accounting, Faculty of Economics, University of Benghazi, 17063, Benghazi, Libya



Abstract

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Strong corporate governance is vital for countries in the Middle East and North Africa (MENA) as they strive to increase economic growth and reinforce competitiveness and create prosperous societies. This paper evaluates the corporate governance landscape by identifying Development Economic and policy challenges in the MENA countries. In addition, it discovers the role of MENA markets and OECD in improving corporate governance. The current study found that corporate governance is still in the early stages in MENA region and it recommends that there is a need for future research to develop corporate governance model in the unique economic and social environment in the MENA countries. The contribution of this research is significant, not only for the MENA region, but also for application to other emerging markets. In this study, clear insights are provided for policymakers, regulators, managers, investors and researchers involved in emerging markets.

Keywords: Corporate Governance, Emerging Markets, Middle East and North Africa, OECD

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1. INTRODUCTION

The interest in corporate governance in developing economies of the MENA is not a current issue, but corporate governance is particularly crucial in these economies as they lack long-established (economic) institutional facilities to address corporate governance problems (Braendle, 2013). The notion of corporate governance in the MENA nations is not obviously grasped. Most managers and directors, and even academics refrain from differentiating between corporate governance issues and business leadership issues (Boutros-Ghali, 2002). Although the result of the present turmoil or the "Arab Spring" is hard to forecast, it has identified some urgent population, political, and socio-economic problems that, if tackled correctly, should lead to further reform of corporate governance. Therefore, there has been a stream of ongoing reforms over the past decade, and MENA nations have also pursued ongoing economic and monetary reforms to promote national savings and attract foreign investment to their financial markets (AlHares, Dominic, & Al Abed, 2019).

There has been a growing focus on corporate governance, both practically and academically. This is because many businesses around the world have collapsed, such as WorldCom, Enrol and Arthur Andersen. However, the variations between countries in culture, legal systems and historical developments make it hard to define one definition of corporate governance. Corporate governance as a discipline is comparatively new in its own right, with scientists in the fields of law, economics, accounting and management all creating their own thoughts on how to define it (Ramon, 2001; Armstrong, 2005). Based on the views of policymakers, professionals and theorists, the notion of corporate governance can be regarded from at least two perspectives – the narrow view and the wide viewpoint (Solomon, 2010). The narrow point of view aims to maximize and safeguard the shareholder while, from a broader point of view, the company is responsible for a wider group of stakeholders other than shareholders (Maher & Andersson, 2000).

From the narrow point of view, Shleifer and Vishny (1997) describe corporate governance in terms of how a firm's finance providers ensure a healthy return on their investment. The OECD (2004)

broad point of view describes corporate governance as: "Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders"(p. 11). The corporate governance framework indicates the allocation of duties and responsibilities of many various corporate members, such as the board, executives, stockholders and other interested parties, and sets out the corporate decision-making laws and processes. This also offers the framework through which the company's goals are set and the means to achieve those goals and monitor efficiency (OECD, 1999). This definition supports other academics that claim that a company has a duty not only to its shareholders, but also towards all stakeholders for whom efforts are essential for the company's achievement (Donaldson & Preston, 1995; Freeman, 1984).

Since the Arab Spring started in December 2010, many MENA countries have been encountering some important governance challenges, such as the unlimited and political influence the governing elites and their clans possess, the dearth of accountability and transparency of state agents and inequality and lack of social justice, in general (Heidenhof, 2014). For several governments within the MENA, such failures to tackle these and other issues and their lack of ability to provide their countries with good governance that can promote growth can be clarified by implementing unsound financial policies that give ruling elites unrestrained authority over domestic resource allocation; experiencing uncontrolled corruption and cronyism in all its organs; and absence of political freedom and democracy that shows a lack of accountability (Lahouij, 2016).

The MENA area is one of the world's wealthiest regions leading to the current region's abundant human and natural resources, the vast share of the region's power sources, and the decent standard of living the region enjoys on average. Countries vary considerably in terms of resources, living standards, financial and geographical size, and population within this overall description (El-Erian, Eken, Fennell, & Chauffour, 1996). The MENA, consisting of 28 countries with a population of over 300 million, is developing rapidly and becoming increasingly crucial in the global economy. Geographically, it is the bridge that connects Europe and Asia and is one of the wealthiest resource areas in the world, as it contains the Gulf Cooperation Council's oil-rich nations. It also houses the biggest Islamic banks in the globe, many of which have a worldwide position, serving both Muslims and other groups around the globe.

In this paper, Section 2 has identified and discussed an overview of the development economic of MENA region. Section 3 explains the policy challenges in the MENA. In Section 4, the research discovers the key governance features of the Middle East and North Africa markets. It also analyses the role of MENA Stock Exchanges in Section 5. While the role of OECD in improving governance in the MENA region in Section 6, Section 7 provides concluding remarks. The present research adds to corporate governance literature by offering updated proof of corporate governance practice in MENA nations. The study concludes that corporate governance is still lagging behind specific elements related to the development of acceptable structures relative to developed countries.

2. DEVELOPMENT ECONOMIC OF MIDDLE EAST AND NORTH AFRICA REGION

The MENA region is in turmoil. Syria, Iraq, Libya, and Yemen are in civil conflict, causing incalculable harm to human life and functional facilities. Fifteen million individuals have fled their homes, many to poor or economically tight nations like Jordan, Lebanon, Djibouti and Tunisia, creating the greatest refugee crisis since the Second World War II. The present Yemen unrest has laid the growth of that country back several years. Blockades and repeated cycles of violence have produced Gaza's unemployment rate the highest in the globe and only 40 percent of its capacity with Gross Domestic Product. Combined with chronic youth unemployment and undiversified economies, comparatively stable oil exporters such as Algeria, Iran, and the Gulf Cooperation Council (GCC) nations are struggling with low oil prices. Positively, political developments in Tunisia, Morocco, and Jordan show that people are becoming increasingly involved in policymaking (World Bank, 2017).

In 2017, it seemed to be one of the most challenging for the country, as MENA governments are facing severe political challenges. The major challenge for oil exporters was to monitor their financing and policies for diversification at oil prices below \$45 a barrel. Fiscal consolidation also created difficulties for oil importers in a challenging socio-political setting and spillover from disputes. Continuously falling oil prices, lower tax incomes and liquidity scarcities forced MENA governments to take spending cuts, including capital cuts and recent expenditure. For example, it is possible to cancel more than \$20 billion of projects in Saudi Arabia. This arises at a moment when these economies are being ravaged by current war and conflict in Syria, Iraq, Libya and Yemen, and the refugee crisis drains fiscal space in neighboring nations. In addition, growth in the private sector, a source of job creation, had slowed down, making it hard to absorb the big amount of unemployed. The recent workforce figures showed a reversal of the unemployment rate Egypt, Iran, Iraq, Jordan, Morocco and Tunisia in 2016. MENA's real GDP development is expected to remain at its smallest level for the fourth successive year, at about 2.7% in 2016, half a percentage point below the April 2016 forecast (World Bank, 2017).

Growth in MENA oil exporters will remain undermined as a result of a sharp decline in GCC countries' growth. Gulf-country growth is estimated to decline to 1.8% in 2016, half of the 2015 rate. Long-term low oil prices force governments to take austerity steps mainly through expenditure reductions focused on capital spending. In the non-oil industry, spending reductions have also reduced development. Non-oil development is projected to drop to 3.7% in 2016 compared to 5% and 7% a year earlier respectively in Algeria and Oman. Developing petroleum exporters' economies in the region is especially struck by the drop in oil prices and conflict war. Growth is anticipated to turn positive from adverse 0.3% in 2016, but this is owing to prospects that more oil will be produced by Iran and Iraq. These nations face significant fiscal and external inequities owing to high war costs, low oil prices and trade declines.

The perspective is slightly better for growing oil importers but remains weak. Oil importers have been severely struck by terrorist attacks, the region's conflict spillover and the Gulf's reduced economic outflows. Growth is anticipated to drop to 2.6% for

the entire subgroup in 2016, before mildly enhancing over the projection period to an average of 3.5%. Fiscal and external account deficits over the projection period are anticipated to stay stubbornly high.

Table 1. Middle East and North Africa economy forecasts
Real GDP growth at market prices in percent

Country	2014	2015	2016	2017	2018	2019
	Estimates			Projections		
Algeria	3.8	3.9	3.6	2.9	2.8	2.6
Bahrain	4.4	2.9	2	1.8	2.1	2.4
Djibouti	6	6.5	6.5	7	7	7
Egypt, Arab Rep.	3.7	4.4	4.2	4.4	5.1	5.4
Iran, Islamic Rep.	4.3	1.7	4.6	5.2	4.8	4.5
Iraq	0.1	2.9	10.2	1.1	0.7	1.1
Jordan	3.1	2.4	2.3	2.6	3.1	3.4
Kuwait	0.5	1.8	2	2.4	2.6	2.8
Lebanon	1.8	1.3	1.8	2.2	2.3	2.5
Morocco	2.6	4.5	1.5	4	3.5	3.6
Oman	2.5	5.7	2.5	2.9	3.4	3.6
Qatar	4	3.6	1.8	3.6	2.1	1.3
Saudi Arabia	3.6	3.5	1	1.5	2.5	2.6
Tunisia	2.3	0.8	2	3	3.7	4
United Arab Emirates	3.1	3.8	2.3	2.5	3	3.3
West Bank and Gaza	-0.2	3.5	3.3	3.5	3.5	3.6

Source: World Bank (2017)

Table 1 demonstrates that growth in the GCC nations slowed significantly to 1.6% as the weakness of the petroleum industry extended to non-oil industries. At the same moment, the output in Iran is projected to have accelerated to a rate of 4.6% and in Iraq to a rate of 10.2% due to big increases in petroleum manufacturing and a recovery in agriculture, automotive manufacturing, trade and traffic in Iran.

Growth in Egypt fell moderately to a rate of 4.3% in fiscal 2016 among oil-importing countries as foreign currency shortages hampered manufacturing and slowed the tourism industry. Morocco's drought-related contraction in the agricultural industry was estimated at 1.5% in 2016. Saudi Arabia is expected to accelerate to a growth pace of 1.6% in 2017, still small by historical norms, among oil exporters. It is expected that the Islamic Republic of Iran will pick up a 5.2% rate on the assumption that oil manufacturing will continue to grow and that foreign investment deal will be finished. Algeria should slow down to 2.9% on a decrease in government works expenditure and delay.

As fiscal consolidation starts and as private consumption slows with increasing inflation before catching up in 2018, growth in Egypt is predicted to slow to a 4.0% level in FY2017 among oil importers. Due to a recovery in agricultural production, Morocco is expected to jump to a rate of 4% in 2017. Jordan should see investment and export recovery pushing development to 2.6%. Failure of oil prices to follow their anticipated upward trajectory and conflict escalation present significant downside hazards to the region's development. High volatility in petroleum prices could undermine public expenditure and fiscal routes. Overflows from current clashes in several nations, as well as increased terrorist incidence, are dangers to regional financial activity. With rising conflict-related hazards, economic uncertainty and slow investment would probably improve. Fiscal and structural reforms could cause government dissatisfaction with adverse effects on trust, foreign investment, and

development. The expected tightening of monetary policy in the US could present an indirect threat to development for GCC countries.

It is estimated that growth in the MENA region improved to 1.7% in 2018, backed by enhanced oil production and a smooth fiscal position in the GCC. Policy reforms have endorsed growth among oil importers, contributing to an increased ability for innovation. The region continues to address long-term difficulties through structural adjustment programs, such as elevated youth unemployment and access to electricity. Inflation in Egypt and Iran has been unstable, but stays stable in the area in general. High public debt for oil importers is an important headwind to development.

GDP progress is predictable to increase moderately to 1.9% in 2019 and catch up in the prediction horizon up to 2.7% later. Both oil exporters and oil importers over the forecast period will demonstrate continuous improvement in development. Despite the headwinds from a less favourable international financial setting, estimated to be obvious by slower development in worldwide trade and tighter conditions for outside funding, national factors - especially policy reforms continue to boost development in the area. Growth is anticipated to significantly enhance among petroleum exporters, backed by ongoing reinforcement in the GCC, partially offset by weakness among big non-GCC petroleum exporters in 2019. It is anticipated that greater investment and better regulatory environments will promote greater development in GCC countries. In the medium term, GCC economies will continue to grow steadily, supported by scheduled programs for diversification, infrastructure projects and medium-term reform plans. Activities in Iran outside the GCC are anticipated to contract as a bite of U.S. sanctions. The development of Algeria is expected to moderate following the sharp rise in government spending in 2018 (World Bank, 2018a, 2018b).

Growth is predicted to increase further among oil importers, driven by enhancements among bigger

economies. Investment will also be backed by reforms that reinforce the company environment and increase national demand (World Bank, 2018c). It is intended that tourism will continue to support activity in Egypt, Morocco and Tunisia. Positive spillovers in the euro area through internal demand are likely to decline somewhat in the region's weaker opportunities for development. While the development of smaller oil importers is expected to mildly increase, these countries are still struggling with high public debt and, in some instances, the problems of the continuing refugee crisis (World Bank, 2019).

3. POLICY CHALLENGES IN THE MIDDLE EAST AND NORTH AFRICA

Growth in the MENA is expected to quicken by 2018 after the 2016 oil price decline. For oil-exporting economies, the recovery will be slightly slower than anticipated in mid-2016, despite strong development in Iran, reflecting fiscal consolidation plans (GCC nations and Iraq) and oil capacity limitations (Iraq). In oil importers, Growth is predicted to be slightly more robust than anticipated in mid-2016, driven by broad-based activity strengthening in these nations. A weaker-than-expected increase in oil prices and conflict-related overshooting are key dangers to the outlook. Countries in the Middle East and North Africa face four main financial difficulties: maintaining the course of policy adjustment, especially fiscal policy, to guarantee macroeconomic stability, of which sound government finances are a main component; diversifying oil-exporting economies away from hydrocarbons; facilitating a more vibrant private sector; and taking advantage of the demographic profile of the region by reforming the labour market.

3.1. Macroeconomic stability

Sustained attempts to attain more sustainable fiscal positions are crucial for macroeconomic stability in the region's oil-exporting and oil-importing nations. Authorities that have announced plans at the country level to expand tax bases and enhance fiscal discipline will now have to implement them. In order to maintain good sovereignty, credible fiscal plans and their robust execution are essential and access to international financing. Empirical proof indicates that changes in oil prices in GCC countries affect non-performing loan ratios significantly (Khandelwal, Miyajima, & Santos, 2016).

3.2. Diversification

To reduce the boom-bust cycles associated with oil price trends, diversifying away from reliance on oil is crucial for oil exporters in the region. While some progress has been made over the lengthy-term (e.g., in Bahrain and the UAE), reliance on oil continues powerful. There is significant government dependence on oil and gas for income. This involves implementing measures to decrease public sector employment dependence, which represents 80% or more of national employment in some GCC countries. However, the declining global trade climate will be a challenge in the brief and medium-term to develop non-oil sources of export income.

3.3. Private sector development

Reforms to promote a more vibrant private sector will also generate significant dividends in oil-importing countries. Enterprise studies covering the region's seven oil-importing economies highlight four main requirements for reform: enhancing the company climate, including decreasing corruption and enhancing the supply of electricity; decreasing financial exclusion, particularly for tiny and medium-sized companies. Improving labour market involvement and labour productivity, including promoting women's and youth employment possibilities and improving the abilities of the labour force; and increasing trade openness, including through more efficient customs and trade laws. However, the most formidable barrier mentioned in the company studies is political instability (EBRD, EIB, & World Bank, 2016).

3.4. Harnessing demographic benefits

In order to take advantage of the demographic profile of the region, domestic officials across the region need to modify policy. Moreover, an increasing proportion of the working-age population can bring significant advantages, including greater development and reduced poverty. Unemployment rates, especially among young people, stay very high, while labour markets' ability to absorb fresh entrants in some nations will decrease in the medium term. Demographic and labour market circumstances show the importance of decreasing incentives to work in the public sector, improving the alignment of young workers' abilities and education with market requirements and decreasing the rigidity of labour law (OECD, 2016; World Bank, 2015, 2016; IMF, 2016).

4. KEY GOVERNANCE FEATURES IN THE MIDDLE EAST AND NORTH AFRICA MARKETS

Exchanges in many advanced and emerging economies over the previous two centuries have demutualized, self-listed, or integrated with national and foreign markets. Recent years have seen the rise of transatlantic exchanges such as NYSE Euronext and the rapid increase of alternative trading systems, dark pools and increased competition, at least in Europe and North America, resulting in increased pressure. For a variety of reasons, these trends have not been reflected in the Middle East and North African markets for the most part (OECD, 2012).

4.1. State or mutual ownership

While wider innovations in the sector may have implicitly influenced MENA markets, the ownership and management of MENA stock exchanges in Europe, North America, Asia or Latin America continues quite unconnected to agreements in the stock exchange sector. Across the region, inventory exchanges are either owned by each other or owned by the state. There are 14 exchanges in the area and 3 are organized as mutual organizations. Only two regional exchanges, namely the 1995 Palestine Stock Exchange and this year's Bahrain Financial Exchange,

are owned by private investors and are not mutualized.

4.2. Limited consolidation

There has been no restructuring of the industry by acquisitions in the MENA markets, leading to highly or vertically integrated exchanges, often covering multiple jurisdictions. With the exception of the 2009 bid by Dubai Financial Market for Bourse Dubai and the offer by NASDAQ OMX to purchase Nasdaq Dubai, no efforts have been made to merge or purchase exchanges in the region, partly because there is little scope for national restructuring. The UAE is the region's only country with three stock exchanges: Abu Dhabi, Dubai Financial Exchange, and Nasdaq Dubai.

4.3. Low regional and international integration

The MENA markets stay regionally and internationally comparatively unintegrated. Empirical proof shows that MENA markets are comparatively detached from global capital markets, with the exception of significant infectious impacts caused by financial crises such as the global financial crises of 2007-2008. A comparable decrease in other markets in the region did not mirror the drastic decrease in the Gulf capital markets in 2006.

4.4. Young markets with diverse composition

The main reason for this relatively autonomous growth of the region's capital markets to date is that the majority of the region's markets are relatively young, with the probable exception of the Egyptian Exchange, which originated in Cairo and Alexandria in the 19th century. A number of markets are only now being created, such as the Damascus Exchange. Another characteristic of MENA markets is that they have a range of listed companies with various corporate governance structures. Some of the firms are family-controlled firms, state-owned privatized firms. In addition, the economic industry represents a dominant share of the region's capital markets, facing quite particular governance difficulties.

4.5. Low institutional investment

Retail investors control MENA markets because insurance, pensions and mutual fund industries in the country are far less developed than in OECD countries. Retail investors account for approximately 85% of Tadawul's business, representing most MENA markets. In most OECD jurisdictions (UK, US, France, etc.) and even some developing markets (i.e., China), institutional investor involvement is below institutional investor involvement. A recent study estimates that regional SWFs are involved in more than 130 listed firms in the GCC alone, representing 27% of the total market capitalization of the GCC.

4.6. Growing interest in index-based products

Index-based products such as exchange-traded funds (ETFs) are small in MENA markets. ETFs are traded in a small number of markets such as Egypt and Dubai, but their existence is likely to increase

over the coming years. According to OECD study responses, a variety of exchanges, including NASDAQ Dubai, Casablanca Stock Exchange and the Abu Dhabi Stock Exchange, are involved in beginning trading in more advanced economic commodities, including ETFs.

5. THE ROLE OF MENA STOCK EXCHANGES IN CORPORATE GOVERNANCE

Historically, bank-based borrowing and capital markets have governed the economic systems of the MENA region, with the exception of markets in Egypt, Lebanon, Morocco and Tunisia, where long-honored (but not necessarily prosperous) companies have stock exchanges. Most other international stock exchanges, including the world's major GCC-country stock exchanges (e.g., Saudi Tadawul, Qatar Exchange, Bahrain Bourse, etc.), are relatively new entrants to the global capital markets scene and some are just the newest members of the World Exchange Federation (OECD, 2012).

Given that capital markets are one of the key objectives of governments in the region, some of which seek to build themselves as financial centres, MENA stock exchanges have developed relatively rapidly and the region currently has 18 stock exchanges and around 1,400 listed variable companies. While the markets in the area (except Saudi Arabia) are relatively small and unliquid by global standards, their growth has been exceptional in recent years, given the Gulf currency crash in 2006 and the slowdown in listing and marketing operation which characterized Arab exchanges following the recent monetary crisis (OECD, 2012).

In explicit terms, capital markets in the region, especially in Egypt, Morocco and Africa, benefited from critical privatization activities in the nineteen-eighties and nineteen-nineties and from the events of some major listed companies in the region, such as SABIC and Industries Qatar, whose massive capitalization largely dwarfed that of most listed companies. 6 more recently, the increased interest of international investors in the region and the long-awaited upgrade to the emerging market status of Qatar and the United Arab Emirates (UAE) by the MSCI: the Dubai Financial Market was, for example, the world's second-highest-performing market in 2013.

Securities regulators play a key role in making and trailing the compliance of companies with acceptable governance laws in most MENA markets. This underlines the importance of economic cooperation between exchanges and securities regulators through a transparent division of duties. As stated in the research, the cooperative mechanisms between exchanges and securities regulators within the corporate governance structures of the area have undergone critical transformations in recent years with the push to "obey or explain" codes in a wide variety of countries, revisions to company and securities laws and therefore the implementation of specialized guidance. Taken together, these advances show that there is a chance for exchanges in the region to reflect on their role in encouraging good governance among issuers. These developments have already been addressed by a number of exchanges (OECD, 2012).

Table 2. Overview of MENA Stock Exchanges

Country	Stock Exchange	Date of establishment	Market capitalization (in billion USD)	Number of listed companies	Ownership structure
Algeria	Bourse D'Alger	1993	Less than 1	3	State-owned
Bahrain	Bahrain Stock Exchange	1987	53	48	State-owned
Egypt	Egyptian Exchange	1883	69	233	Public institution
Iraq	Iraq Stock Exchange	2004	10	86	Mutualised
Jordan	Amman Stock Exchange	1999	28	235	Public institution
Kuwait	Kuwait Stock Exchange	1984	118	208	Public institution
Lebanon	Beirut Stock Exchange	1920	13	12	Public institution
Libya	Libyan Stock Market	2007	3	10	State-owned
Morocco	Bourse de Casablanca	1929	58	76	Mutualised
Oman	Muscat Securities Market	1988	24	116	State-owned
Palestinian Authority	Palestine Exchange	1995	3	49	Privately held
Qatar	Qatar Exchange	1997	198	42	State-owned
Saudi Arabia	Tadawul	1984	515	164	State-owned
Syria	Damascus Securities Exchange	2009	Less than 1	22	Public institution
Tunisia	Bourse de Tunis	1969	9	75	Mutualised
United Arab Emirates	Dubai Financial Market	2000	98	55	State-owned
	Abu Dhabi Securities Exchange	2000	133	50	State-owned
	Nasdaq Dubai	2005	23	6	State-owned

6. THE ROLE OF OECD IN IMPROVING CORPORATE GOVERNANCE IN THE MENA REGION

While the corporate governance issue within the MENA area continues to be in its original stages, there has been a lot of attention on the subject in recent years. As an example, corporate governance remains behind in specific ways that associated with setting appropriate structures relative to developed countries. Nevertheless, in response to the pressing need for policy changes, significantly those outlined by the OECD, all MENA corporate governance codes have launched a series of restructuring and reform to make a legislative and infrastructure basis (Aintablian & Boustany, 2008; Naciri, 2008).

The OECD has given studies and developed task forces for corporate governance in the MENA area because it supports the event of corporate governance codes in this area, which have promoted corporate governance principles. For example, as part of the MENA-OECD Governance and Investment Improvement Programme, the OECD established a MENA Working Group on corporate governance in 2005; this was the primary corporate governance wave in this area. The Working Group comprised members from the 18 partnering MENA jurisdictions on the stock markets, the non-public sector, relevant government agencies and regulators of the capital market (OECD, 2005).

The 2006 stock exchange crisis impacted the MENA region in particular; Gulf Corporation Council (GCC) regulators shed light on the advantages of introducing a governance framework to shield the region's capital markets from volatility. Subsequently, corporate governance codes were

usually implemented as voluntary guidelines for best global norms in the regulatory and legal frameworks of the MENA region based on the OECD principles of corporate governance. It was subsequently established that nations could concentrate on policy issues and modify the following critical regions:

- Set up a structure of regulations regulating private and state-owned companies directly competing with each other.
- Ensure adequate protection of minority investors.
- Reinforce the legislative framework for the MENA region's company operations.
- State-owned companies should have the greatest possible transparency.
- Strengthen the board of directors of state-owned companies' authority and impact.
- Strengthen the role of government property.

The MENA-OECD Task Force was initiated by the OECD in 2007 and enclosed government and private industries across the region. The task force aimed at improving the corporate governance of banks in the MENA region by offering policy suggestions to national policymakers, banking executives, banking organizations and individual banks. Taking into account the OECD corporate governance principles (revised in 2004) and therefore the OECD procedures on corporate governance of state-owned enterprises (issued in 2005), these policy suggestions have been made. Therefore, this policy brief was intended to serve as a framework for the ongoing dialog between MENA banks on policy form, implementation, regulation and evaluation of future development towards excellent corporate governance (OECD, 2009).

The MENA-OECD Investment Program launched the MENA-OECD Capital Markets Task Force at the MENA Conference on Effective and Accurate Monetary Regulation in 2010. At this Roundtable, representatives from the financial markets, legislative and senior agencies within the MENA and OECD economies, and also from worldwide financial establishments and specialists. The following suggestions were prepared by the task force to the MENA area:

- Finalization and publishing of the OECD Policy Framework for Effective and Effective Financial Regulation Benchmark Study on MENA legislative and supervisory frameworks.
- Improvement of a frequently published leading journal on capital markets in the MENA area.
- Use Task Force of the MENA-OECD Capital Markets as a tool to enhance MENA economies.
- Creation of the network of the Arab Monetary Fund and Task Force constituency.
- The preparation of periodic newsletters on significant changes in economic market regulation and oversight in the MENA and OECD economies.

- Enhancing MENA economies' access to OECD knowledge and economic market regulatory and supervisory journals (OECD, 2010).

In response to the changes made in the previous decade, the OECD launched a second wave of corporate governance in the MENA space in 2010. Evidence shows, for example, that fourteen of the seventeen MENA countries and regions surveyed have already enacted a company governance code or rules (see Table 3). The new wave of corporate governance has thus begun and is apparent through the review of governance codes and the intention to clarify and tighten rules. The second wave will also determine whether or not this can be a crucial wave in terms of the capacity of regulators to combat party-related transactions, enhance transparency and speech and promote economic boards. Moreover, regulators' ability to examine the governance arrangements of listed companies could promote the prevention of potential scandals, drawing extra international interest in MENA markets (Koldertsova, 2011). Table 3 demonstrates the MENA region's corporate governance codes.

Table 3. Corporate governance codes in the MENA region

Country	General corporate governance code	Date of issuance	Compliance required
Algeria	Yes	2009	No
Bahrain	Yes	2010	No
UAE	Yes	2007	Yes
Egypt	Yes	2005	No
Jordan	Yes	2008	Yes
Kuwait	No	-	-
Lebanon	Yes	2008	No
Morocco	Yes	2008	No
Tunisia	Yes	2008	No
Saudi Arabia	Yes	2006	Yes
Oman	Yes	2002	Yes
Qatar	Yes	2009	Yes
Syria	Yes	2008	No
Yemen	Yes	2010	No
Palestinian National Authority	Yes	2009	No
Libya	No	-	-
Iraq	No	-	-

In 2011, the OECD carried out a corporate governance study in MENA nations. The outcome confirms that the MENA region lacks studies on corporate governance. The study found that the study is crucial to advancing policymakers and the personal sector's information on key implementation gaps and possible measures to address them, and the benefits of excellent corporate governance were rapidly increasing in the MENA countries' view. Furthermore, the results revealed a number of reform objectives and the need for specific member responsibilities, in particular with regard to shareholder security; the restricted capacity of managers to acquire timely, relevant and precise data; and lack of the capabilities of council members' rules or regulations (OECD, 2011b).

The OECD establishes a MENA stock exchange working group to support corporate governance in 2011. One meeting was attended by members of all regional exchanges together with regulators, representatives of OECD country exchanges and other appropriate specialists, the World Business Federation, the Arab Business Union and the Euro-Asian Business Federation. The conference concentrated on the following subjects in the MENA

area: ownership and management of stock exchanges, legislative powers of exchanges, the role of exchanges in promoting listing norms, implementation by stock exchanges of corporate governance codes, the role of exchanges in tracking market participants, and the role of stock exchanges in encouraging listings and cross-listings.

The OECD performed a survey to explore the function of MENA's corporate governance stock exchanges (OECD, 2011c). The paper was created on the basis of secondary research, preliminary conversations with sector respondents from all MENA inventory exchanges. The study attempted to include background to MENA economies' main characteristics, including the following criteria: state or shared ownership, restricted convergence, low regional and global participation, varied market growth, low foreign investment, and increased interest in benchmark-based products. The first conference of the Task Force obtained a summary of recent trends influencing inventory exchanges in the region, highlighting appropriate instances of exchange efforts for good governance of firms and considering certain difficulties for exchanges and securities regulators in this regard (OECD, 2011c).

Over the previous decade, MENA markets undertook a number of reforms and restructured laws and facilities (Singh & Singh, 2010).

In 2011, the OECD established a committee to evaluate the MENA-OECD Governance and Investment Initiative's open-investment strategies and create an investment program since such countries suffer from bribery, corporate accountability and increased trade and investment hazards in the area (OECD, 2011). As a result, this Committee created an Investigation team on Business Integrity and Combating Public Official Bribery, comprising senior anti-corruption officials from all MENA countries, as well as senior MENA and civil society officials. The working group intended to:

- Help MENA enhance its investment strategy, maximize investment advantages, reinforce policymakers' ability and attract investment in the MENA area.
- Provide a detailed description of the Framework for Anti-Bribery to provide MENA governments with a well knowledge of important problems and to enable them to share investment experiences.
- Review strategies among MENA policymakers and provide interventions that can be used to enhance anti-bribery initiatives.
- Creating an investment climate by increasing private sector transparency and accountability, improving the efficiency of corporate corruption penalties for government officials and maintaining financial stability throughout the MENA region (OECD, 2011a).

In 2013, the MENA Task Force on Corporate Governance of State-owned Enterprises was formed and 18 MENA nations participated in the OECD Task Force's work. This conference led to an increasing need to strengthen the effectiveness and corporate governance of state-owned local companies. The task force includes members from holding companies, government agencies, related departments, regulatory agencies, individual state-owned local companies and scholars. The Task Force's objectives are to:

- Improve knowledge among all the districts involved in the importance of excellent governance of SOEs.
- Explore and review SOE corporate governance policy structures and procedures and align them with the OECD Corporate Governance Guidelines for SOEs' international best practices.
- Build a forum where policymakers and their OECD peers can share their experiences.
- Encourage efficient SOE governance reforms by debating and analyzing policy alternatives, creating appropriate suggestions and agreeing on reform priorities (OECD, 2013).

In 2014, the main summit of the Corporate Governance Centers (CGCs) and Institutes of Directors (IODs) was held in Paris by the OECD, bringing together over 50 regional participants and international experts. The roundtable was organized as an unofficial, open, four-panel debate, moderated by members of participating regional organizations and conducted under the regulations of the Chatham House. The purpose of this symposium was to develop on the casual connections between MENA IODs and CGCs and to create a successful

environment of these organizations with links to the corporation's policymakers:

- Focused on the review of the OECD Corporate Governance Principles, where the OECD's main challenges in the ongoing revision of the Principles are identified.
- Examining development difficulties for domestic IODs and CG Centers with regard to their own governance, strategy, growth of membership and financing.
- Shedding light upon the stage of growth in the area's corporate governance research, with a view to highlighting contributions from IODs and CGCs and future studies.
- Concluding conversations by launching regional IOD and CGC collaborative initiatives in capacity construction, research and awareness-raising.

In 2017, the OECD set up the second session of the MENA Corporate Governance Workshop in collaboration with the Hawkamah Institute. The workshop aims to help governments in these countries continue their efforts to identify SOE governance reform priorities and to adopt the motivated standards put aside in the recently revised SOE governance guidelines of the OECD. The summit promotes the launch of a new stage for the MENA-OECD Competitiveness Program.

The meeting will take stock of the current SOE policy developments with regard to property procedures, transparency policies and monitoring procedures in MENA SOEs with regard to SOE guidelines. The second session followed, concentrating on how governments could boost the competitiveness of SOE more efficiently while safeguarding a level playing field between SOEs and private companies. The last meeting will be dedicated to a thorough discussion on a new phase of the MENA Corporate Governance Working Group. The aim is to create a transition plan with an emphasis on areas in which the OECD can add value, considering its experience in overseeing and promoting the implementation of the MENA SOE Guidelines.

In 2019, the OECD publishes the report "MENA Corporate Governance: Building a Competitiveness and Growth Framework". This study evaluates the corporate governance environment in the MENA region by defining difficulties and suggesting reform policy alternatives. The findings of the study were based on an analysis of rules and procedures in several conceptual areas: improving links to finance and capital markets, improving accountability and reporting, ensuring gender equilibrium in management and promoting state-owned corporate governance in MENA. Based on the results, the study makes the subsequent main suggestions: to develop capital market development policies, to benefit from global excellent practices on transparency and disclosure, to emphasize the significance of including gender diversity and to collect and disclose data on state-owned companies in order to reinforce accountability and assist enhance their efficiency.

7. CONCLUSION

The paper concludes that, compared to developed countries, corporate governance still lags behind specific elements related to the establishment of

suitable frameworks. However, all MENA countries have launched a series of reform and restructure projects to establish a legislative and infrastructure basis in response to the urgent need for policy changes. This involves improving confidence, transparency and accountability climate and further aligning corporate governance policies with global norms to attract long-term investment. Securities regulators play a key role in creating and tracking the compliance of businesses with the appropriate governance laws in most MENA markets. MENA countries are implementing reforms to enhance economic growth, structures of governance, diversification, jobs, development of the private sector and integrity. The MENA-OECD Governance and Competitiveness for Development Initiative launched and led by the area, promotes these reforms through an inclusive and coordinated strategy, creative policy dialog, important stakeholder connections, peer learning and capacity building.

Governance is seen in most developing nations and now also in the MENA area, where it has expanded rapidly, as an important component of development tools. The region of MENA is characterized by its youthful population, the world's biggest unemployment rate and a changing political and economic environment. The road to freedom has resulted in numerous revolutions in the region and has resulted in a wave of social policy changes in several countries, particularly Tunisia, Egypt and Libya, but also Yemen, Syria and Bahrain. The remainders of the MENA nations are less affected. These modifications have brought about substantial constitutional and institutional reforms, but they are still beyond the needs of people. Among the causes mentioned in the Arab Spring is the presence of a large gap between the employment and living standards expectations of people and real economic opportunities.

The implementation of corporate governance codes for these markets appears to be helpful, but should not depend solely on wide norms, but on legally enforced binding regulations to discuss directives versus norms. The study claims against the application of corporate governance codes without taking into account country-specific problems and alternatives to this MENA transition economy context. The MENA nations do not basically adopt codes of corporate governance in Western countries. Although potential greater expenses in the original stage, MENA nations will make better progress by adopting clear corporate governance guidelines subjects in order to give investors an explicit message and gain trust, as without significantly attracting foreign investors, the future development of transition economies will be significantly restrained.

As part of attempts to create more vibrant capital markets, MENA economies now need to strengthen their corporate governance frameworks and procedures. This involves improving the confidence, transparency and accountability climate and aligning corporate governance policies with global norms in order to attract long-term investment. This study contributes significantly, not only to the MENA region, but to other emerging markets as well. In this research, policymakers, regulators, executives, investors and scientists engaged in emerging markets are supplied with clear insights. Calls have been produced in the present study for more inquiry of the issue of governance in the MENA area and it indicates in specific the need for future research to create corporate governance model within the distinctive financial and social environment of the MENA region. In addition, future research should be performed to investigate how transparency, accountability and independence impact economic development to determine which one has the greatest effect on these countries.

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