

Status of Corporate Governance in Africa

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Session focus

- Chairman's opening charge:
 - Where we have come from
 - Where we are
 - **Where do we go from here**
- Michael Gillibrand's presentation
 - Evaluated global trends versus African movement
 - Tracked developments since Forum 1 in Jo'burg
- I would like to pick up on 'where do we go from here'

Context

- Post 9/11, Post Enron world
 - Sarbanes-Oxley Act
 - The Derek Higgs Report
 - The Smith proposals
- Rapidly changing consumer demand
 - And need to know
 - Source of input materials
 - child labour
 - terrorism money trail
 - GMOs
 - Sustainable development

1. Momentous time

- Developments in Africa have been encouraging
 - Framework for nurturing CG
 - Conscious effort to wash off image of corruption
 - NEPAD
- Huge opportunity for Africa to lay down CG template before the big scams now facilitated by technology
 - Learnings from corporate collapse in the West
 - Scope to jump-start CG initiative
 - Vast growth opportunities will only come with strong CG focus

2. From principles to practice

- Regulatory environment
 - Anti-trust and sector regulatory bodies
- What do Stock Markets reward
 - Extreme focus on P&L
 - Basis of evaluation increasingly focuses on
 - Board processes
 - CSR
 - Distribution policy
 - TSR
- Self-check mechanisms
 - Shareholder Associations
 - Audit Committee
- Forum for sharing best practice

3. Role for large corporations

- Principles and values aligned to global standards
 - New requirements for CEO, CFO to affirm compliance
- Driving global standards
- Investors' forum
- Triple bottom line reporting
 - Financial, Governance, Social Responsibility

4. Building the constituency

- Cascading governance principles and practice
 - Privatization and deregulation (SOEs)
 - Recruit SMEs and FOEs
- Partnership to redress fragmented response to CG
- A strategic role for the Banking/Finance industry
- Cross listing
- Peer review mechanism for business
 - Similar to NEPAD peer review?

5. Capacity building

- Regulators
 - Rapid explosion of regulators from privatization exercise
 - Actively provide support to promote compliance
 - Versus only waiting to wield the hammer
- Emerging entrepreneurial class
 - Historically unfettered by competition or regulation

Nigerian experience

- Against backdrop of image challenge
 - Considerable effort to advance and cascade CG
 - Weak enforcement, weak peer pressure
- Major challenges around
 - HDI
 - Reform inertia
 - Systemic tolerance
 - Low FDI flow (esp. outside of the oil industry)

Nigerian experience

- Institutional (regulatory) framework there or thereabouts
 - Companies & Allied Matters Act, 1990
 - Investment & Securities Act, 1999
 - SEC initiatives towards global guidelines
 - Economic & Financial Crimes Commission, 2002
 - Complementary role of CBN
 - Competition & Anti-trust reform
 - Draft legislation ready
 - Industry sector reform and regulators

Nigerian experience

- Several initiatives
 - IOD, SEC, CBI, Industry groups, NSE
- But action has been fragmented
 - Needs coordination
 - Imperative for single platform to champion CG
 - Create and drive agenda
- Inclusive outlook going forward
 - Shareholder Associations
 - Civil Rights Organizations
 - Regulators
 - Business community
 - Public service