KPMG

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Africa's economy continues to develop under robust corporate governance principles

Most countries across Africa have robust corporate governance codes of practice at present, as economic prosperity increases across the continent. A new joint study by ACCA (the Association of Chartered Certified Accountants) and KPMG has found standards of corporate governance code are well aligned with OECD (Organisation for Economic Co-operation and Development) Principles of Corporate Governance released in 2015.

The report, *Balancing Rules and Flexibility for Growth*, focuses on 15 countries across Africa, and examines the corporate governance requirements for listed companies against the benchmark across four tenets of corporate governance. These are derived from the OECD principles and include: leadership and culture, strategy and performance, compliance and oversight, and stakeholder engagement. Governance requirements are assessed based on their clarity and completeness of content, degree of enforceability and availability of relevant requirements.

While one-third of the countries studied by KPMG and ACCA have recently reviewed their corporate governance codes, now could be the right time for others to take stock and make improvements, given the impetus of the new OECD Principles and the need to encourage more foreign direct investment.

The study found all 15 African markets have a corporate governance code or equivalent in place, with most countries adopting their first codes from 2000 onwards.

David Leahy, Partner in Risk Consulting and Head of Audit Committee Institute, KPMG, said, "Kenya has had corporate governance codes for some time and the experience of implementing them has created practical learning points. The East African markets will be able to leverage the lessons learned in the evolution of similar codes in other markets."

The report ranked South Africa number one, having adopted the largest number of OECD Principles – with Kenya, Mauritius, Nigeria and Uganda completing the top five. Overall, a majority of markets (10 out of 15) have aligned their corporate governance requirements with more than 80 percent of OECD Principles.

"We hope this study can contribute to raising the standard of corporate governance requirements across East Africa. Each of the East Africa countries need to consider their specific political, legal, economic, social and cultural environment when making decisions about developing, defining and enforcing corporate governance requirements," said David.

"Implementing corporate governance well will prepare companies for the opportunities that come with the anticipated high growth rates of the African markets."

Speaking about the findings in relation to Africa's development, Jamil Ampomah, Director, Sub Saharan Africa, ACCA, says, "As these markets grow and evolve, more awareness and effort will be needed to strengthen remaining critical areas of corporate governance, particularly for remuneration structures, performance evaluation, risk governance, and board composition and diversity."

Most markets mandate the basic corporate governance requirements such as financial disclosure, shareholders' rights and the role of the board, supplementing these with non-mandatory guidelines for good practice.

"Achieving the right balance between rules and flexibility is a tricky task for any country, but of fundamental importance for those where corporate governance is critical to support robust economic growth," continues Jamil. "Although decisions about how to shape a corporate governance framework and how fast to do so may be unique to each market, and there is no 'one-size-fits-all', there is value in continuing to compare and incorporate internationally accepted standards of corporate governance."

The 15 countries examined in this study were Egypt, Ethiopia, Ghana, Kenya, Malawi, Mauritius, Morocco, Mozambique, Nigeria, Rwanda, South Africa, Tanzania, Tunisia, Uganda and Zambia.

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