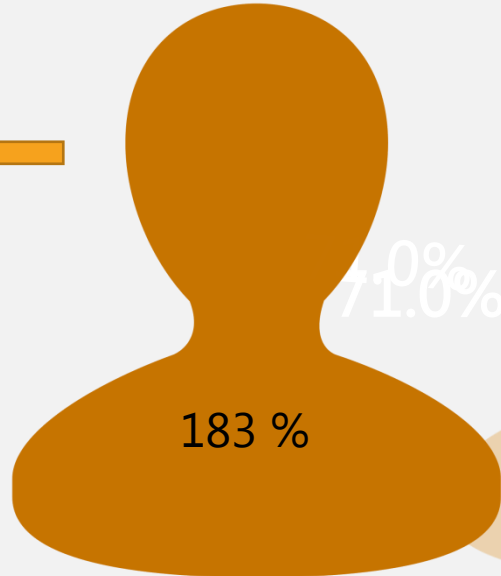


# ACCESS TO CAPITAL MARKETS IN MENA

AYŞEGÜL EKŞİT  
OECD Consultant  
Former Executive Vice-Chair, Capital Market Board of  
Turkey

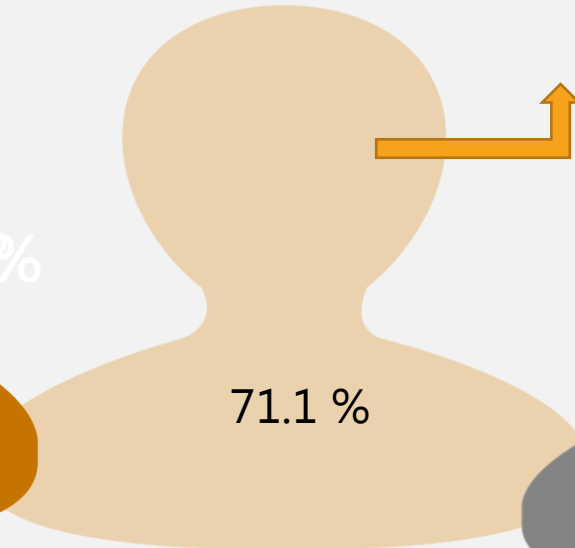
# HOW DO MENA COMPANIES VIEW ACCESS TO FINANCE IN THE REGION?

Value of collateral needed for a loan  
(% of the loan amount)

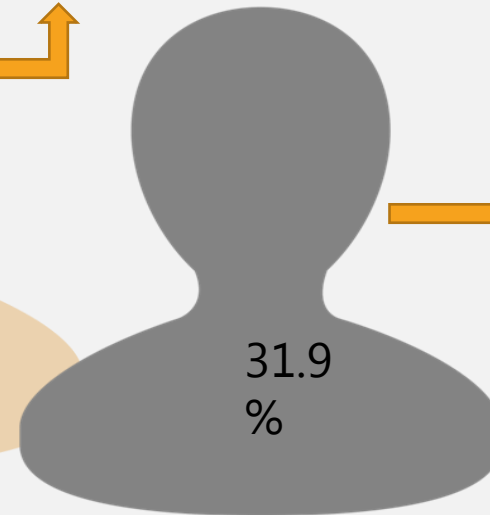


71.0%

Proportion of Company Investment Financed Internally



Proportion of Companies Identifying Finance as a Major Constraint



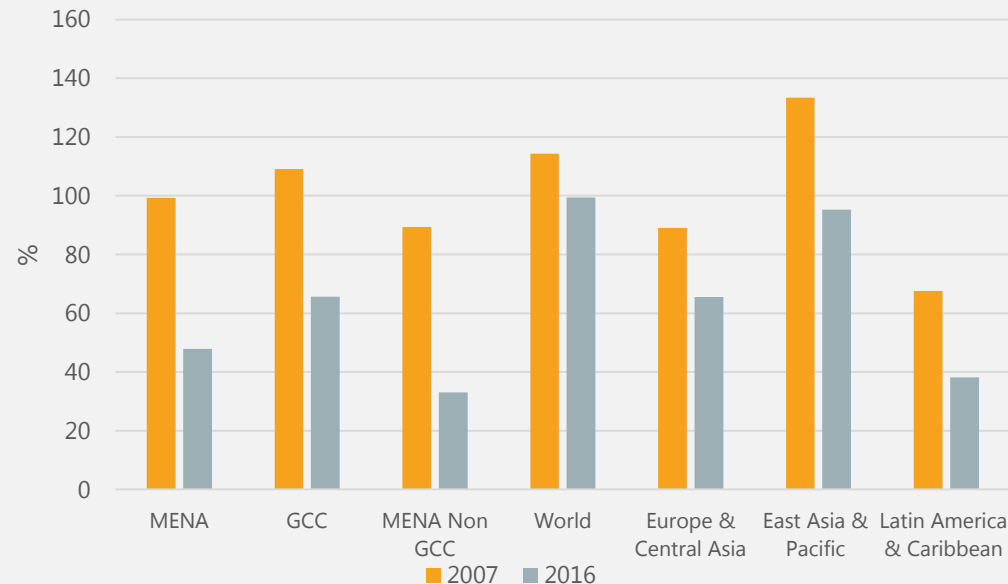
Source: World Bank Enterprise Survey (2017)

Note: Percentages represent an average of companies surveyed in all MENA countries

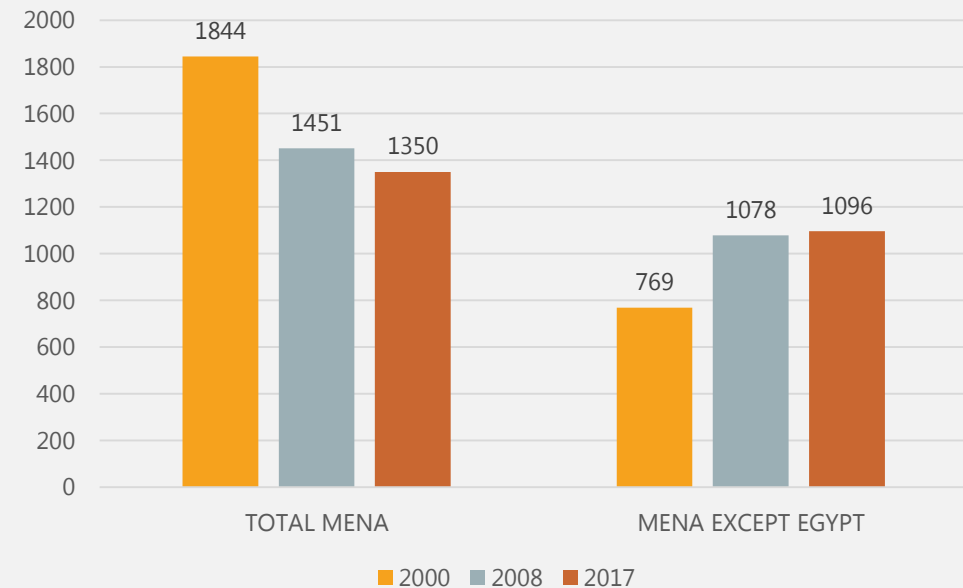
# ROLE OF MENA STOCK EXCHANGES

## THE SPEED OF RECOVERY IN MENA MARKETS FOLLOWING THE 2008 FINANCIAL CRISES

MARKET CAPITALISATION AS A PERCENTAGE OF GDP



NUMBER OF LISTED COMPANIES<sup>1</sup>

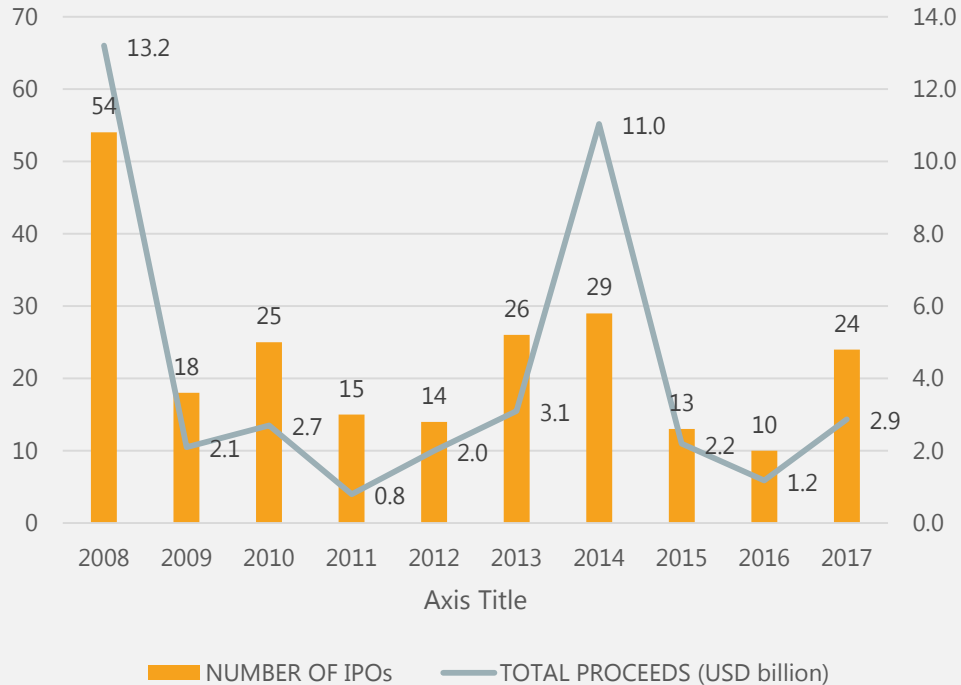


Source: WB, World Development Indicators Database (2017) and Rocha, Arvai and Farazi, (2011)

(1) Bahrain, Egypt, Kuwait, Lebanon, Morocco, Jordan, Oman, Qatar, Saudi Arabia, Tunisia, UAE, Palestinian Authority.  
 Source: WB Global Financial Development Database(2017), IMF and Stock Exchanges web sites

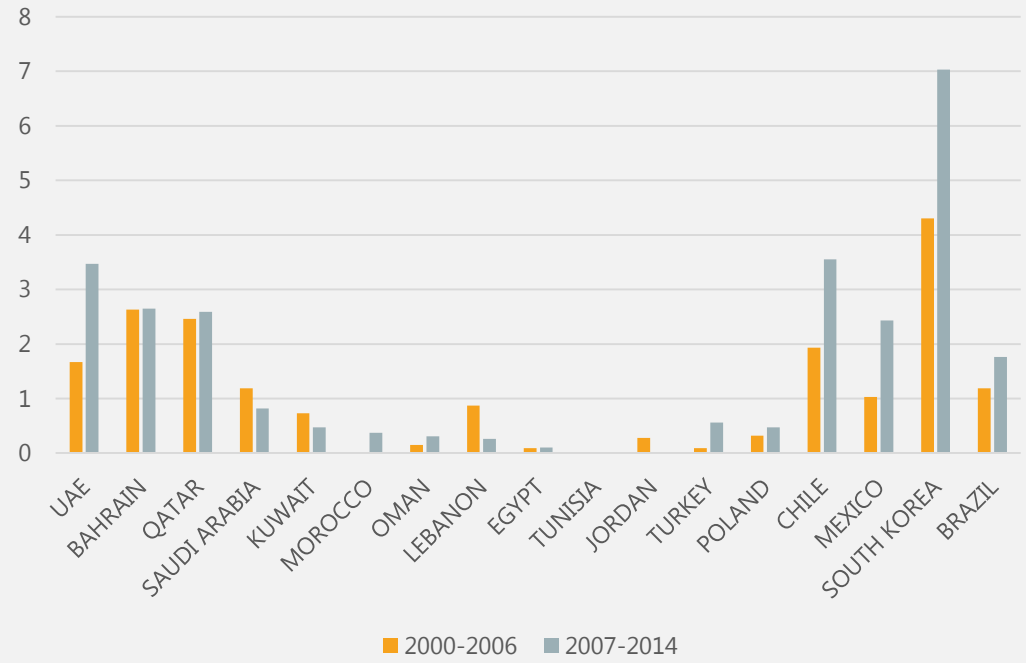
# CORPORATE USE OF CAPITAL MARKETS IN MENA

## INITIAL PUBLIC OFFERINGS IN THE MENA REGION



Source: Adapted from EY MENA IPO reports and the stock exchanges web sites

## CORPORATE BOND ISSUANCES AS A % OF GDP, AVERAGE



Source: Adapted from Tendulcar (2015), *Corporate Bond Markets: An Emerging Markets Perspective*

## KEY RESULT: THERE IS ROOM FOR FURTHER GROWTH

- The MENA region has very diverse capital markets.
- The size of capital markets does not reflect the potential of MENA economies.
- The total amount of capital raised: USD 41 billion (2008-2017)
- Secondary equity offerings in the region have grown at a faster rate than IPOs.
- The share of growth company proceeds in non-financial company MENA IPOs (35% 2017, 18.94% in the period 2014-2017)
- Low liquidity, limited sectoral diversification, high market concentration ratios

# TOWARDS BETTER CAPITAL MARKET SOLUTIONS: MAIN POLICY AREAS

- Not all recommendations may be applicable to each jurisdiction
- Implementation in a holistic manner under a comprehensive reform programme suited to economy needs



# DEVELOP STRATEGIES FOR CAPITAL MARKET GROWTH

- Investigate whether preconditions of sound capital market development are in place
- Monitor policy measures adopted by other countries
- Prepare a national action plan, monitor the results and revise regularly
- Ensure an effective corporate governance framework

## ENHANCE CAPACITY OF KEY INSTITUTIONS

- Improve the surveillance and enforcement capacity of securities regulators
- Deepen international cooperation to take advantage of knowledge sharing opportunities
- Enhance the operational independence and accountability of the regulators



# IMPROVE CAPITAL MARKET FINANCING ALTERNATIVES

- Expand available securities and capital market financing methods to meet the reality of businesses
- Review the efficiency of the public offering regime
- Design and implement measures guaranteeing investor protection, without creating undue burden
- Consider introducing a hybrid issuance procedure and private placement regime

**ESTABLISH  
SPECIALISED  
MARKETS FOR  
GROWTH  
COMPANIES**

- Conduct feasibility study to find a suitable model
- Promote good corporate governance
- Incorporating governance requirements into listing rules,
- Monitoring compliance with standards
- Enforcing high disclosure standards

## ADDRESS ISSUER SIDE FACTORS

- Investigate factors affecting the issuance and listing decisions of companies
- Explore and allow for proportionality in corporate governance framework
- Launch capital market awareness programs
- Launch IPO readiness programs
- Explore ways to decrease the cost of public offering and listing

## DEVELOP THE INVESTOR BASE

- Promote a capital markets culture
- Consider increasing free float requirements
- Conduct planned privatisation
- Encourage the growth of institutional investors
- Improve the role of institutional investors in corporate governance
- Evaluate effects of portfolio limitations
- Increase the role of sovereign wealth funds
- Relax foreign ownership limits

**ENHANCE A  
SOUND  
FINANCIAL  
ECOSYSTEM**

- Establish the right regulatory infrastructure to enable effective functioning of all service providers
- Require or encourage the disclosure of potential conflicts of interest faced by service providers
- Evaluate alternative measures to increase analyst coverage