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Supporting Corporate Governance in Iraq



Salahaddin Holding is a key player in Iraq’s private sector, in a country still grappling with severe political instability as it emerges from years of conflict. The group works across sectors from pharmaceutical to construction, manufacturing, and banking. In a difficult working environment, however, there are glimmers of hope.

According to Ayman Mansour, Salahaddin’s HR and corporate governance director, implementing new and better corporate governance policies and procedures with IFC’s help has transformed the company, bringing more internal discipline and control to management and decision making, clarifying responsibility, authority and roles, and improving the caliber of leaders.

“We started implementing changes to improve our corporate governance procedures about three years ago,” Mansour says. “Our first task was to ensure transparency. We started from the beginning by creating the right internal structure for the company, starting with the right structure and composition of our Board. Our end goal is to win and secure the trust of investors and our community.”

Companies operating in conflict-affected environments, like Iraq, face unique corporate governance challenges. For such businesses, strong corporate governance can be a key to sustainability. Mansour says the main problem initially was the general lack of awareness about corporate governance and limited opportunities available to learn about it.

“The challenge was how to acquire the knowledge to make the right changes, where to start, how to implement the changes, and find the right experts to help us to take the next steps,” he says.

IFC stepped in. Corporate governance in FCS plays a pivotal role as improved practices are key to attract direct investments and ultimately to stimulate social welfare and economic growth. Effective governance means communication channels between shareholders and managers are clear and well-established, strategic directions are well thought of, risk management measures are in place. For family-owned businesses, attention must be given to succession planning to facilitate non-controlling shareholder involvement in these companies.

As well as partnering with local institutions, IFC recently launched the first independent institute of directors in Iraq—the Kurdistan Institute of Directors (KIoD)—alongside the Erbil Chamber of Commerce and Trade. It will provide corporate governance advisory services to help strengthen the role of independent directors and boards in Iraq, and raise awareness of best practices.

The initiative is another step in IFC’s strategy to spur private sector growth in Iraq by improving smaller and medium businesses’ management skills, business performance and competitiveness. It is also part of IFC’s aim to scale up support for fragile and conflict-affected states, where private sector investment is key to create jobs and

spur growth.

With IFC's support, KloD has already graduated the first patch of board development program, providing training for 20 entrepreneurs in Erbil in March. In total, IFC has provided corporate governance services to six Iraqi companies, including Salahaddin, and conducted nine educational events, reaching about 447 participants and helping to build the capacity of 16 Iraqi trainers.

IFC also partnered with the *Women Empowerment Organization* to conduct corporate governance training for current and potential female directors and businesswomen to equip them with the needed skills to effectively succeed in their roles. Thus far 51 women participated in the different trainings, and 35 women participated in a training of trainers' workshop.

Last but not least, we supported the completion of a corporate governance banking code and the completion of banking guidelines by the Iraqi Central Bank. Yet, more work is envisioned to support local IFC clients and partners to expand and deepen the impact of corporate governance.

"Corporate governance is a very important part of our work in Iraq. It makes companies stronger and helps them to withstand crises," says Amira El Saeed Agag, IFC corporate governance officer in MENA. "Our aim is to give companies various tools to strengthen their resilience. The very survival of the company may depend on a strong board and its ability to make the right decisions quickly."

IFC's corporate governance efforts in Iraq and FCS countries will not only create lasting impact for private sector development, by helping them to attract investments and south-south knowledge dissemination and cooperation, but also yield important lessons for IFC as a whole on how to operate in fragile and conflict-affected environments.

IFC is implementing its corporate governance program in Iraq through a trust fund supported by the governments of Japan and Spain.

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