

## Corporate Governance in Afghanistan Banking Sector

ABA has recently taken series of steps in strengthening corporate governance in Afghanistan banking sector. ABA held member banks' Corporate Governance Working Group (CGWG) and ABA Board of Directors' workshop to finalize corporate governance code for member banks. The series of discussion on corporate governance were aimed:

1. To understand what is current international good practice in governance of companies, especially commercial banks, applied to the Afghan context;
2. To develop and agree on a core set of governance principles that are appropriate for ABA member banks, applicable to the Afghan context and that addresses the concerns of correspondent banks regarding Afghan bank governance; and
3. To draft and finalize a Corporate Governance Code for ABA member banks that embodies the agreed governance principles as well as an action plan to implement it in phases.

Application of corporate governance etiquette will specify the allocation of duties in the organizational structure of the banks (i.e. Board of Supervisors, Board of Directors and Board of Management) and guide the lower staff toward their job specifications within a determined circle of conduct. Once the banks begin to exercise corporate governance it will mount the degree of trust in major players transnationally and regionally against Afghan banks which would also increase the likelihood of foreign direct investment in the Afghan banking industry beyond 2014. Similarly, corporate governance will lead to departmentation and boosted synergy in the working environment. Corporate governance standard is the sole prevalent approach to lead an organization successfully in today's corporate world. Developing countries in the world are making great steps to catch up with the momentum of the challenges in today's markets by adopting sound leadership and management practices to heighten workflow steadiness in enterprises.

The principles of corporate governance have proved viable for sustainability of any organization throughout its evolution in the western world and parts of Asia and have resulted in transparent and intact correspondent banking relationships. The Afghan banking industry is not an exception of having correspondent ties with both big and small international players of the industry. Given the fact; in a bid to parallel the Afghan banking industry with its global counterparts, Afghanistan Banks Association (ABA) orchestrated a corporate governance workgroup for the CEO's of all its sixteen member banks during June 17-19, 2013. The three-day progressive event was technically assisted by USAID's Financial Access for Investing in the Development of Afghanistan (FAIDA) project.



Event: Corporate Governance Working Group (CGWG)

Date: June 17-19, 2013

Venue: ABA Office, Kabul

Twenty six representatives including CEOs, deputy CEOs and board members of all the commercial and state run banks attended the gathering. Besides other broad range of dynamics that were brought into discussion, the attendees constructed a code of conduct to be adopted by the banks operative in Afghanistan to ensure climax of appropriate governance and integrity of the human resource embodying the entity. The code of conduct will be put into exercise by ABA member banks after having been finalized and approved by Da Afghanistan Bank (DAB). In addition, mirroring the contemporary impediments faced by Afghan and foreign banks in Afghanistan, the session also suggested a series of amendments to Article #10 of the Da Afghanistan Bank Law which have been shared formally with DAB for appropriate actions. Similarly, ABA had series of separate meetings with ABA member banks' Board of Supervisors to further expand discussion on corporate governance.