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of smaller or minority investors. Corporate governance is improving slowly, but the Kuwait Stock Exchange and Central Bank of Kuwait must play a more active role by implementing appropriate regulations, better inspection regimes, better handling of investor complaints through arbitration, and harsher penalties for breach of proper practise.

AL GHANIM: Corporate governance has a long way to go. The Kuwaiti investment companies, which form a part of the financial services segment, were significantly impacted by the financial crisis. It has to be noted that this segment provides almost 70% of the Kuwaiti market capitalisation. Such a high contribution led to the aggregate earnings of all companies to move into loss in the fourth quarter of 2008. This has also led to higher valuation multiples.

If a road map needs to be drawn for Kuwait, the first and foremost requirement is to establish a capital market authority and release a capital market law. In its present status, the Kuwait markets are governed by the Ministry of Commerce and Industry, Kuwait Stock Exchange and the Central Bank of Kuwait and various other governmental bodies, lacking an independent body to govern capital market affairs.

AL FULAIJ: Minimising the effect of the crisis here in Kuwait has more to do with government action. Nevertheless, improved corporate governance is always an advantage to a company and its shareholders. In Kuwait there has been tremendous improvement as far as corporate governance and transparency are concerned. It was only a few years ago that sell-side research units working alongside equity brokers or an investor relations unit within listed companies were established.

However, there is still considerable room for improvement in the local market. Listed companies must begin by opening up to the analysts, whether it is on the buy side working for fund managers or on the sell side with the research analysts, thus demonstrating clearly to investors that fundamentals are in fact driving the Kuwaiti market, not emotions or rumours.

What kind of role should the government assume in trying to relieve the impact of the current economic crisis on markets?

AL FULAIJ: The capital injection by the Kuwait Investment Authority and other quasi government institutions was the right move to initiate a positive sentiment. However, a capital injection should not only be limited to buying shares. It should be done in conjunction with increased government expenditure.

I am not implying that Kuwait needs to start buying up toxic assets. In fact, I'm opposed to any measures that reward companies for their own negligence as it will only encourage them to repeat their mistakes. The primary aim of government expenditure should be to add real economic value and focus on investments in infrastructure development.

HAYAT: The government has an important role to play in stabilising and supporting fragile markets. However, the private sector must also play its part, such as accepting necessary reforms and also accepting that investing entails risk and that the government's purpose is not to cover investors' losses. That being said, the government can help greatly by providing liquidity to the banking system, incorporating sound economic fiscal policies, promoting transparency and good corporate governance, ensuring a proper regulatory framework is in place and providing the necessary financial stimulus and purchase of private assets. Capital injection may be a short-term fix to deal with current asset value impairment and illiquidity, but also with longer-term benefits relating to the restoration of investor confidence and more market stability.

AL MUTAWA: Governments not only need to spend in order to save the financial or banking systems, but they also must implement measures that will improve the economic conditions of other sectors as well. Essentially, they have to find ways to replace the impact of less consumer spending. Here, the government is not really playing that role, or at least not yet. New legislation has been put forward, but all it does is protect the