



Task Force on Corporate Governance of State-Owned Enterprises in the Middle East and North Africa

Meeting Agenda

**23-24 June, 2010
Cairo, Egypt**

Marriott Hotel, Ballroom Amonasro

Organised jointly with the Hawkamah Institute of Corporate Governance and the Egyptian Institute of Directors

Under the patronage of His Excellency Mahmoud Mohieldin,
Minister of Investment, Egypt

Hosted by the Egyptian Institute of Directors and UNDP Center for Transparency

In partnership with



Background and Objectives

As recent events have underscored, the case for reforming governance of state-owned or controlled entities remains strong in countries of the Middle East and North Africa region (MENA). The state-owned sector in many countries represents a substantial share in terms of the overall production, investment, and employment in the region. State-owned enterprises (SOEs) in the region are active across key sectors of the economy, including utilities, transportation, real estate, telecommunications and energy.

The size of MENA SOE sectors alone calls for effective and efficient monitoring. Increased efficiency of SOEs, achieved through improved governance, is a key goal pursued by policymakers across the region, in view of the strategic nature of some SOEs and their role in the provision of public services. Considering the importance of improving corporate governance arrangements in MENA SOEs, the *Task Force on Corporate Governance of SOEs* was launched in 2008, by the OECD and the Hawkamah Institute of Corporate Governance.

The Taskforce comprises representatives of holding companies, state audit institutions, relevant Ministries, regulatory authorities, and individual SOEs and academics. 18 countries from the Middle East and North Africa region are now participating in the work of the Taskforce. The group remains open for membership - relevant government bodies working on improving corporate governance of SOEs in the MENA region are invited to contact the OECD in order to participate in this work.

The objectives of the Taskforce are to:

- raise the awareness of all concerned constituencies regarding the importance of good governance of SOEs;
- discuss and evaluate SOE corporate governance policy frameworks and practices, comparing those against the international good practice outlined in the *OECD Guidelines on Corporate Governance of SOEs*;
- influence policy makers by providing a forum in which they can share experience among themselves and with their OECD colleagues;
- support effective reforms in SOE governance, by discussing and analysing policy options, developing relevant recommendations and agreeing on priorities for reforms.

The first activity agreed upon by the Taskforce members was to conduct a stocktaking exercise, which would help understand and compare the structure of SOE sectors across the region, as well as the governance arrangements that apply to them. To this end, a questionnaire was developed jointly by the OECD and Hawkamah on the basis of the *OECD Guidelines on Corporate Governance of State-Owned Enterprises*, and circulated to officials in MENA countries. In order to further develop the stocktaking report, Hawkamah and the OECD carried out interviews with government officials and other experts. A *Questionnaire on the Scope of SOE sectors in MENA countries* was disseminated to the Taskforce in May 2010.

So far, the Taskforce has held a number of consultations, the last of which was held in Paris on March 1, 2010. A summary record of this meeting was made available to the participants. Following the meeting in Cairo on 23-24 June 2010, the next meeting of this Taskforce will take place in 2011. The location and date will be confirmed at a later date. Participating MENA countries are kindly asked to host future meetings of the Taskforce. It is anticipated that two additional meetings of the Taskforce will be required to finalise the *Policy Brief on Corporate Governance of SOEs* - an important anticipated output of this regional project.

Organisation of the Taskforce meeting

This meeting will cover the first two chapters of the *OECD Guidelines on Corporate Governance of State-owned Enterprises* (available in English, French and Arabic), namely the Chapter I on “Ensuring an Effective Legal and regulatory Framework for State-Owned Enterprises” and the Chapter 2 “The State Acting as an Owner”.

An introductory session will set up the landscape of SOE sectors and update participants on privatisation in the MENA region. The remaining discussion will be organised around five main themes, namely (i) level-playing field between SOEs and the private sector; (ii) the role of the state as an owner; (iii) the organisation of the ownership function within the state administration; (iv) the ownership policy of the state; (v) the accountability of the ownership function. For each theme, a series of more specific questions is provided in the agenda to guide the discussions.

The role of the speakers is to highlight the main challenges related to the topic of the panel and illustrate them with national experiences. The objective is to stimulate reflection and encourage the exchange of views and experience among all the Taskforce participants. Each presentation shall be limited to 10-15 minutes and should focus exclusively on policy reforms. Speakers are asked to refrain from using power point slides in order to facilitate an active discussion.

Each panel will provide an opportunity for all Taskforce participants to react, explain their views and systematically discuss the issues raised in the presentations and related to the questions provided in the agenda. The objective of the discussion is to lead to a general understanding on what should be the main recommendations to be formulated in the regional Policy Brief.

Background documents will be made available to participants in advance of the meeting. A summary of discussions will be disseminated to all participants after the meeting. All participants are invited to circulate in advance or during the meeting relevant data or analysis of SOE sectors in the MENA region.

WEDNESDAY, 23 JUNE

8:30-9:00 **REGISTRATION**

9:00 – 9:30 **WELCOME REMARKS**

- H.E. Mahmoud Mohieldin, Minister of Investment, Egypt
- Mr. Richard Boucher, Deputy Secretary-General, OECD

9.30 -10.00 **OPENING REMARKS BY CHAIRS**

- Dr. Ashraf Gamal, Executive Director, Egyptian Institute of Directors, Egypt
- Dr. Grant Kirkpatrick, Head, Corporate Affairs Division, OECD

10.00-11.30 **PRIVATISATION UPDATE**

- Dr. Eckart Woertz, Economics Programme Manager , Gulf Research Center, UAE
Privatisation and labour relations: experiences from the Gulf and Egypt
- Mr. Milad Ayoub Arbache, Consultant to the European Commission, Syria
Recent experience with privatisation in the food and textile sectors in Syria
- Mr. Mohammed Hassouna, Advisor to the Minister, Ministry of Investment, Egypt
Update on privatisation in Egypt
- Dr. Phillipp von Randow, Partner, Latham and Watkins, UAE
Privatisation and restructuring: comparison of trends and practices in MENA and Eastern Europe

Discussion

11.30-11.45 **COFFEE BREAK**

11. 45 -13.15 **CHALLENGES TO LEVEL PLAYING FIELD BETWEEN SOEs AND PRIVATE COMPANIES**

A clear separation of the ownership function from other state functions is a fundamental prerequisite for ensuring a level-playing field with the private sector and for avoiding distortion of competition. This is the first Guideline in Chapter I of the OECD Guidelines and is also advocated by the OECD Principles of Regulatory Reforms. This separation not always realised in a number of MENA economies.

Furthermore, the OECD Guidelines mandate clear disclosure of SOEs' specific objectives, combined with adequate costing and funding. Given the scale and scope of non-commercial objectives of SOEs in a number of MENA economies, their disclosure, transparent costing and funding could be a politically sensitive and complex issue to address.

Participants are invited to consider how to reinforce this separation in MENA economies and discuss policy measures which would level the playing field between the public and private sector, including the

harmonisation of SOEs' legal status, the disclosure of their specific obligations and suppression of subsidies or other privileges that some SOEs still benefit from.

- Dr. Steffen Hertog, Chair of the Middle East and Mediterranean Studies, Sciences-Po, France
Competiveness of Gulf and other MENA SOEs: issues of the level playing field
- Dr. Ibrahim Akoum, Dean, College of Business Administration, Hariri Canadian University, Lebanon
Separating ownership and regulatory responsibilities of the state
- Mr. Mohamed Kafafi, Chief Executive Officer, Banque du Caire, Egypt
Creating a level playing field in the banking sector
- Mr. Hussein Al Hamadani, Director of Competition, Ministry of Trade and Industry, Jordan
The role of competition authorities in creating a level playing field

Discussion

Issues for discussion:

1. Is it desirable, and to which extent possible, to harmonize SOEs' legal status?
2. How can a clear separation of the ownership function from regulation be ensured?
3. What are the main difficulties in disclosing SOEs' specific obligations and ensuring transparent coverage of related costs?
4. How can the relationship of SOEs with state-owned banks and financial institutions be best managed?

13:15-14:30 LUNCH

14.30 -16.00 THE STATE ACTING AS AN OWNER

The state as an owner has to avoid being a passive owner or, to the contrary, interfering unduly in day-to-day management of SOEs. The OECD Guidelines recommend the state to effectively exercise its ownership rights, by being represented in the AGMs and voting its shares, but to leave SOEs their operational autonomy. Key to achieve this is for the ownership function to establish a well structured board nomination process for SOE boards and then let these boards exercise their responsibilities.

The nomination of SOE boards is not always clearly structured, sometimes lacks transparency and is subject to frequent interference at times. A number of countries have already made significant reforms in this area. Taskforce participants are invited to comment on the main responsibilities of the state as an owner and to reflect on the current reforms to curb political interference and to improve the board nomination process.

- Mr. John Knight, Chief Operating Officer, Mumtalakat Holding Company, Bahrain
Implications of SOE ownership by SWFs
- Mr. Mahmoud Abdallah, Chairman, Holding Company for Insurance, Egypt
Separating the state's regulatory and ownership responsibilities

- Mr. Mustapha Kassi, Deputy Director for Public Companies, Ministry of Economy and Finance, Morocco
Interaction between the ownership policy and the SOE governance code
- Dr. Jennifer Bremer, Professor, American University of Cairo, Egypt
State ownership responsibilities: striking the right balance

Discussion

Issues for discussion:

1. How can the state be an active owner without interfering in SOEs' day-to-day management?
2. What are the state's main responsibilities as an owner?
3. What are the challenges related to the nomination of SOE boards?

20:00 DINNER (AT THE MARRIOTT HOTEL)

THURSDAY, 24 JUNE

9.00-9.15 OPENING REMARKS BY CHAIRS

- Mr. Nick Nadal, Executive Director, Hawkamah Institute of Corporate Governance, UAE
- Mr. Morten Kallevig, Deputy Director General, Ownership Department, Ministry of Trade and Industry, Norway

9.15 – 11.00 THE ORGANISATION OF THE OWNERSHIP FUNCTION WITHIN THE STATE ADMINISTRATION

The centralisation or effective coordination of the ownership function is recommended by the OECD Guidelines and is generally considered to be a good regulatory practice. This practice aims at clearly identifying the ownership function within the state administration and separating it from other state functions. It also aims at reinforcing the ownership function, through the pooling of expertise on specific technical matters and by unifying practices, thus ensuring a more consistent implementation of the state ownership policy.

Currently, different models of organisation of the ownership function can be found in MENA economies. Generally speaking however, centralised organisation is relatively rare as sectoral ministries often exercise ownership rights in SOE. Different types of centralisation exist, for example under a holding company, in one dedicated ministry or in a single and more or less autonomous agency.

Participants are invited to discuss on the advantages and main pitfalls of these different forms of organisation. They are asked reflect on the different modes, levels, and objectives of centralised as opposed to decentralised ownership model. They will also consider the necessary conditions for a successful holding organisation.

- Mr. Mohammed Hassouna, Advisor to the Minister, Ministry of Investment, Egypt
The Egyptian holding company model and current reforms
- Mr. Mohamed Derhem Ali Ziad, Deputy President, Central Organisation for Control and Auditing, Yemen
The role of supreme audit bodies as advisors to SOEs and governments
- Mr. Majed M. Butrous Abd Al Ahad, Advisor to the Ministry of Industry and Minerals, Iraq
Organisation of the SOE Taskforce in Iraq
- Mr. Yahya Hakim, Managing Director, Lebanese Transparency Association; Former Advisor to the President, Lebanon
Separating ownership from regulatory functions

Discussion

Issues for Discussion:

1. What are the challenges associated with the different types of organisation (centralised, dual, decentralised)?
2. What are the conditions and drawbacks for building effective holding companies in the Middle East context?
3. How can co-ordination between different entities be reinforced?
4. What is the potential role of advisory units?

11.00-11.15 COFFEE BREAK

11.15 -13.00 THE STATE OWNERSHIP POLICY

One primary task of the state as an owner of SOEs is to define an ownership policy. The OECD Guidelines recommend governments to develop and disclose such a policy, defining “the overall objectives of state ownership, the state’s role in the corporate governance of SOEs, and how it will implement its ownership policy”. Clear and published ownership policies provide a framework for prioritising SOEs’ objectives and are instrumental in limiting passive ownership or excessive intervention in the management of SOEs.

Few countries in the MENA region have a clear ownership policy as such, much less a published one. In many cases, the ownership policy is laid down in very general terms, mentioning the overall objectives of SOEs in general (i.e. often combining seeking profit, providing general service to the population and supporting the development of the national economy).

Participants are invited to reflect on the main elements and format of ownership policies in the MENA region. They are also invited to discuss the process of and challenges in developing such a policy and how its disclosure may be useful in strengthening and clarifying the ownership function.

- H. E. Dr. Mohammad Halaiqa, President of the Jordanian Corporate Governance Association, Former Deputy Prime Minister, Jordan
A Jordanian perspective on the state ownership
- Dr. Dawood Bulushi, Head of Corporate Governance, Qtel, Qatar
A company perspective on the ownership policy in Qatar

- Mr. Abbas Al Basha, Head of Securities, Exchange Project Unit, Ministry of Finance, Yemen
Importance of the ownership policy in Yemen
- Mr. Morten Kallevig, Deputy Director General, Ownership Department, Ministry of Trade and Industry, Norway
Norwegian experience on formulating and applying an ownership policy

Discussion

Issues for discussion:

1. What are the main elements of a clear ownership policy?
2. What are the good practices in developing, adopting and disclosing an ownership policy?
3. What are the impacts / benefits of disclosing the state ownership policy?
4. What actors should be engaged in the design of the ownership policy?

13.00-14.15 **LUNCH**

14.15-15.30 **THE ACCOUNTABILITY OF THE OWNERSHIP FUNCTION**

The ownership entities should be accountable to bodies representing the interests of the general public for the way they carry out their ownership functions. Therefore, they should report on the global performance of SOEs held by them and on their own performance. Mechanisms of reporting often include specific permanent or ad-hoc parliamentary committees, parliamentary hearings or specific enquiries to investigate a specific aspect of SOE or the general ownership policy.

The mechanisms used to ensure accountability of the ownership function differ among the different MENA economies and their effectiveness varies considerably. However, there is a sentiment that they need to be reinforced and fine tuned in some cases to avoid unduly restriction of the autonomy of the ownership entities or political interference.

Participants are invited to reflect on the different accountability mechanisms currently existing in MENA economies in order to determine if and how they need to be reinforced, fine tuned and complemented.

- Mr. Abdulkader Mohamed Ali, President, Superior Audit Institution, Djibouti
Challenges in strengthening accountability in Djibouti
- Eng. Nabil Abd El Aziz, Chairman and Managing Director, Eastern Company, Egypt
Accountability and corporate governance in SOEs, the case of Eastern Company
- Mr. Hamed Al Busaidi, Director, Capital Markets Authority, Oman
The role of supreme audit institutions in improving transparency
- Dr. Hazem Yassin, Professor of Accounting, former employee of the Public Audit Agency, Egypt
Relationship between state and external audit of SOEs in Egypt

Discussion

Issues for Discussion

1. What are the main mechanisms to ensure the ownership entity's accountability?
2. What are the main challenges in strengthening this accountability?
3. How can ownership entities or bodies manage the relationship with the supreme audit bodies?

15.30 -16.30

CONCLUDING REMARKS AND NEXT STEPS

- Ms. Alissa Koldertsova, Policy Analyst, OECD
- Mr. Nick Nadal, Executive Director, Hawkamah Institute of Corporate Governance, UAE
- Dr. Ashraf Gamal, Executive Director, Egyptian Institute of Directors, Egypt