



World Bank ROSC experience in MENA and the World Jordan Corporate Governance Assessment

Policy Practice
Corporate Governance Department
The World Bank
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Who we are...

Corporate Governance Department Private Sector Vice Presidency

Global Corporate Governance Forum

- Awareness raising
- Sponsor research
- Promotes government reform and private sector self-help
- Develops toolkit
- Targets developing and transition economies

Corporate Governance Policy Practice

- ROSC assessments
- IFA / OECD liaison
- Cross-support
- Input into operational work
- Best Practice papers and notes

Investor and Corporate Practice

- Evaluates client companies
- Uses methodology & set of tools and practices
- Helps clients implement best practice
- Technical assistance

Overview of Corporate Governance ROSC Assessments

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- Country participation is voluntary
- Assessments are benchmarked against the OECD Principles of Corporate Governance
- Standardized and systematic diagnostic, including policy recommendations
- Updates: measure progress over time
- Publication (voluntary) at:
http://www.worldbank.org/ifa/rosc_cg.html

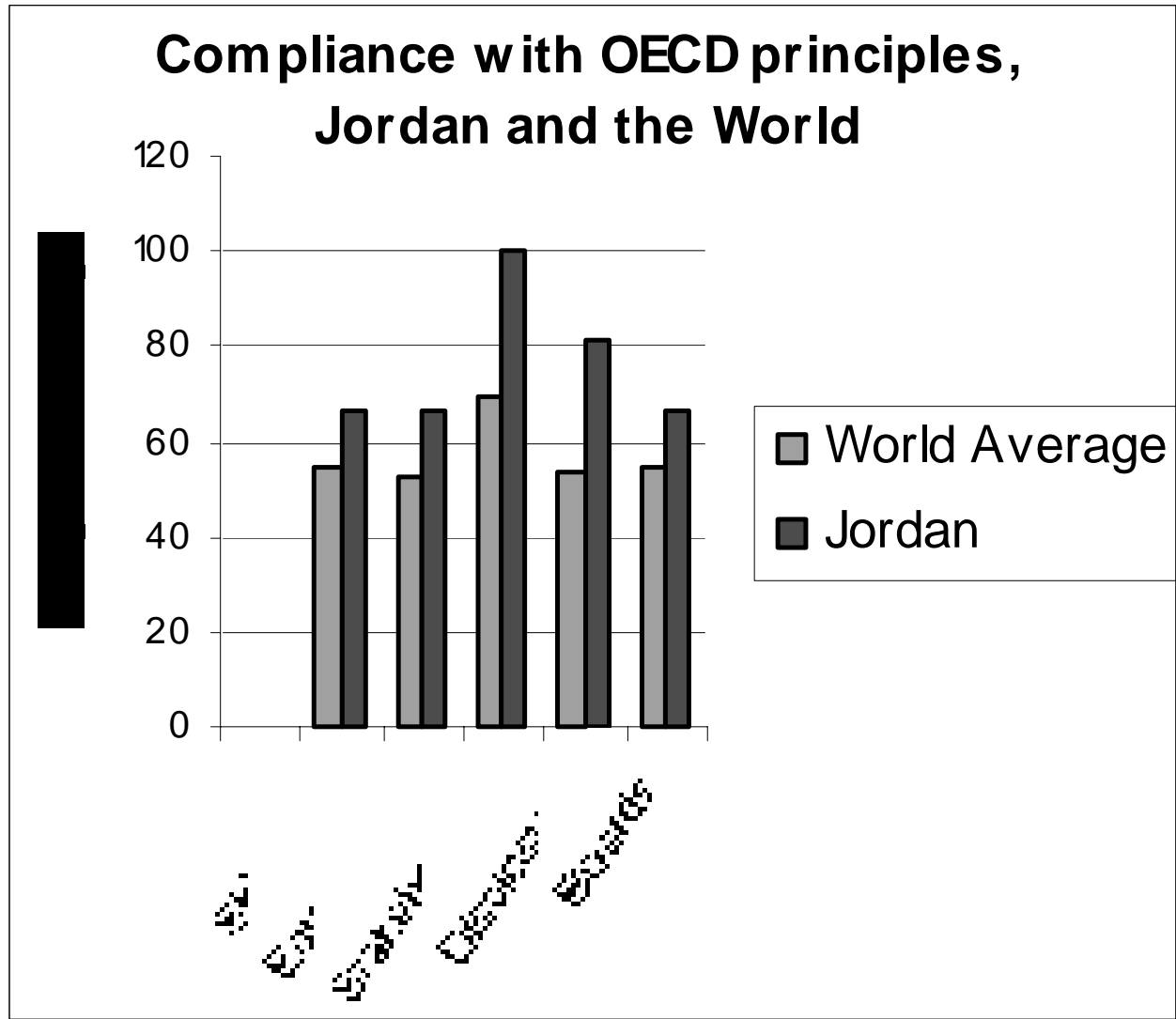


Overview of World Bank Corporate Governance Assessments

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- 31 country ROSC published, 38 completed
- In MENA:
 - Egypt (2001, updated 2003)
 - Morocco (2002)
 - Jordan (2004)
- Next steps
 - Lebanon, Bahrain, Saudi Arabia, Tunisia, Kuwait, Iran
 - Integration into Bank lending, advisory services and actual reforms
 - SOE and financial sector modules to ROSCs

Jordan ROSC Comparative table



Jordan ROSC Overview

- Jordan's Corporate Governance framework compares well in many areas
 - Further improvements can be made in shareholder rights
 - Board practices and development is at an early stage.
- Significant advance in the regulatory environment:
 - considerable increase in the powers of the JSC with the Securities Law of 2002.
 - The JSC is already making use of these powers to improve disclosure
- Disclosure practices are relatively advanced. Jordan is fully compliant with IFRS / ISA.

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Key Issues and Policy Recommendations

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1. A Code of Corporate Governance
2. Director Training
3. Board functionality / due care and diligence
4. Ownership disclosure
5. Disclosure of RPTs
6. Coordination of information / Development of electronic filing



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Code of Corporate Governance

Director Training / Board functionality

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- The creation of a Code of Corporate Governance would be helpful in:
 - Setting best practice recommendations for board functionality. The Code should provide a detailed guidance for boards, including duties, legal responsibilities, functions.
 - Developing the concept of an “independent director, particularly for the financial sector.
 - The Code process could also result in recommendations for amendments to the law.
- Further defining the fiduciary duties of directors, and Introducing the notion of a business judgment rule



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Code of Corporate Governance

Director Training / Board functionality

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- A director training program should also be made available, with support from government and the private sector.
 - Training will give directors an understanding of their role and duties and educate them in financial, business, and industry practices.
 - Director training can be provided, per international best practice, by an Institute of Directors.
 - Alternatively, note the experience of Pakistan: mandatory or recommended director certification / training, with freedom of choice as to the training institution.



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Disclosure of Ownership and RPTs

- Enforcement of disclosure rules should become a top JSC and ASE priority:
 - Even greater emphasis on a review of content;
 - Strengthened JSC capacity to monitor disclosure;
 - New emphasis on the disclosure of ownership - There are no requirements for significant shareholders to disclose ownership.
 - Greater efforts on disclosure of related-party transactions and enforcement of related regulations.

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Coordinating information flows / development of an electronic filing system

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- Relatively high priority should be placed on finalizing the development of an Internet-based electronic filing and data retrieval system to improve information dissemination.
- ASE, SDC and JSC should coordinate system development planning to avoid duplication of effort.
- SDC should assume responsibility for ownership disclosure dissemination.
- A high-level strategic review of the different functions of the JSC and the Controller, in order to propose a rational alignment of functional responsibility, that minimizes the duplication of regulatory effort, and minimizes the regulatory burden on companies.

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Independent accounting oversight board

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- Creating an independent accounting oversight board with real enforcement powers should be a top priority.
 - In most if not all countries enforcing audit rules has proven a challenge.
 - The Commission has no staff to enforce audit standards. The Association of External Auditors, created in 1991, has limited enforcement capacity.
 - The draft reform proposal to the Accounting Law envisions the adoption of peer monitoring. Peer review systems are not considered to work too well – although there is debate on the issue.
 - International best practice suggests an independent accounting oversight board.

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Reform of the Company Law

Several areas exist where changes to the Company Law would increase compliance with OECD guidelines. Examples:

- AGM approval for large asset sales.
- Pre-emptive rights.
- Lower percentage to call an EGM.
- 30 days meeting notice
- Ban on ad-hoc item decisions at AGM with no prior notice, as well as generic agenda items.
- Standardized proxies. Availability of postal voting.
- Withdrawal rights.
- Controller powers to issue fines.
- Creation of a supervisor with authority to provide administrative shareholder redress.

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Thank you.

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