



Possible Future Initiatives for WG5 and the MENA Regional Corporate Governance Forum

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Future MENA outputs

- OECD-MENA Survey of Corporate Governance
- Work on CG of Banks
- Work on CG of State-Owned Enterprises
- Work on CG of Non-Listed Companies, including Non-Listed Family-owned companies
- Work on Corporate Governance Codes
- Other national initiatives

New OECD initiatives in three of these areas

- MENA Survey can build on new database of OECD countries that is based upon OECD Principles of Corporate Governance
- Work on State Owned Enterprises can build on new OECD Guidelines on Corporate Governance of SOEs
- Work on non-listed companies can make use of new OECD activity on corporate governance of non-listed companies.

OECD Guidelines on Corporate Governance of State-Owned Enterprises

- OECD Working Group on Privatisation and Corporate Governance of State-Owned Assets is developing Guidelines for Corporate Governance of SOEs.
- Consultation with non-members, including participants from some MENA countries, was held with OECD Working Group in October, 2004, followed by public Web consultation.
- Working Group will meet Feb. 18-19, followed by Steering Group on Corporate Governance 22-23 March, to consider final version of Guidelines.
- Guidelines could form basis for a focused MENA regional meeting (or sessions) in future



OECD Guidelines on SOEs continued

- Guidelines are based on OECD Principles of Corporate Governance, but take into account special role of state as owner.
- Not intended to discourage privatisation, but recognises that SOEs are a significant part of many economies, and therefore good corporate governance of SOEs is important.
- Guidelines intended to assist governments in improving the performance of SOEs

Core Elements of the SOE Guidelines

- Divided into six chapters, paralleling the OECD CG Principles:
 - Ensuring an effective legal and regulatory framework
 - The State acting as an owner
 - Equitable treatment of shareholders
 - Relations with stakeholders
 - Transparency and disclosure
 - Responsibilities of Boards of SOEs

OECD activity on Corporate Governance for Non-Listed Companies

- The OECD CG Principles are relevant for both listed and non-listed companies.
- Yet, the legal and regulatory framework for non-listed companies is different, involving fewer investors/owners and less regulatory oversight.
- Consultations in our Corporate Governance Roundtables as well as in MENA region revealed strong interest in applying corporate governance principles to non-listed companies, as large share of emerging and developing economies.
- OECD is launching work on this issue with a “global” meeting in Istanbul on 19-20 April, 2005.

Perspectives on Corporate Governance of Non-Listed Companies

- SMEs with a single owner and no outside investors do not face the same principal-agent problem that the OECD CG Principles seek to address: ownership and management interests tend to be fully aligned. No issue of protection of minority shareholder rights.
- Therefore, OECD is less concerned with corporate governance for SMEs, particularly those with single ownership.
- OECD is more focused on non-listed companies that draw upon or may wish to seek outside financing, including through private equity and/or creditors.

Issues for first meeting in Istanbul

- Increasing understanding of ownership, board and management structures for non-listed companies.
- How might transparency requirements differ for non-listed companies?
- What are the driving forces for improving corporate governance in NLCs, and what are the lessons that can be learned from companies?
- What are some of the special characteristics and requirements of non-listed, family-owned companies (planning for succession, conflict resolution)?
- How can the public policy framework support good cg of non-listed companies?
- Global participation sought, including from MENA, with possibility for follow-up in the region in the future.