



**WORKING GROUP 5
HAWKAMAH INSTITUTE
FOR CORPORATE GOVERNANCE**

**Task Force on
Corporate Governance of
State-Owned Enterprises**

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OECD and the Middle East and North Africa (MENA)

The OECD, comprised of 30 member countries sharing a commitment to democratic government and the market economy, is dedicated to supporting economic development throughout the world, and has active relationships with some 70 other countries, NGOs and the private sector.

While its work spans a wide range of public policy concerns in Member countries, the OECD is particularly well known for its economic analysis and policy advice to non-Members. In 2004, the OECD established its MENA Investment Programme at the request of countries from the region in order to provide advice on implementing investment policy reform as driving force for economic growth and employment throughout the region. Successful implementation of the Programme is expected to make a substantive contribution to creating better conditions for economic growth and investment, helping create jobs, encouraging private initiative, promoting efficient, transparent and accountable public sectors and fostering regional co-operation. The Programme operates under a rotating chairmanship by a MENA and an OECD country. In 2006, the Programme's chairmanship was passed to the Arab Republic of Egypt and the United Kingdom.

A Steering Group composed of high level delegates from MENA and OECD countries, international organisations and the private sector, guides and monitors the Investment Programme. The Programme also relies on five Working Groups focusing on: (i) Transparent and open investment policies; (ii) Encouraging Investment Promotion Agencies and business associations to act as driving forces for economic reform; (iii) Providing a tax framework for investment and assessing incentives; (iv) Promoting policies for financial sector and enterprise development in support of economic/investment diversification; (v) Improving corporate governance.

As a part of the broader MENA-OECD Investment Programme, the Working Group aims to support the overall reform process by creating a regional network for policy dialogue on corporate governance, as well as to enhance capacity for policy reform and institution building. It is uniquely placed to do so, as it brings together a network of senior policy makers, regulators, market participants and representatives of academia from the region and OECD countries. Bahrain, Egypt, Jordan, Lebanon, Morocco, the Palestinian Authority, Saudi Arabia and the United Arab Emirates participate in the activities of the Working Group.

The Working Group builds on the initiative, which the Global Corporate Governance Forum launched in the region in 2003. Consistent with its usual policy for avoiding duplication, the OECD MENA Working Group works closely also with longstanding partners from the World Bank, the International Finance Corporation and the Centre for International Private Enterprise. The OECD ensures local ownership and relevance of its activities by closely co-operating with home-grown regional and country specific initiatives and institutions, such as the Regional Corporate Governance Institute – Hawkamah, the Egypt Institute of Directors, the Union of Arab Banks, National Country Teams, established within the OECD MENA Investment Programme, and others.

TERMS OF REFERENCE

TASK FORCE ON CORPORATE GOVERNANCE OF STATE-OWNED ENTERPRISES

Rationale

Given the important role of state ownership in MENA countries, there is a need for a clear policy for enterprise reform relying on improved corporate governance of state-owned enterprises. Such policy is important for enterprises to be privatised as well as for those remaining under total or partial state ownership. By improving the process of decision making and control by the state, good governance can improve SOEs performance and competitiveness, and level the playing field between state-owned and private enterprises. In many instances, better performing SOEs can have positive fiscal implications, insofar as government budgets are all too often called to the rescue of large SOEs.

Good governance provides better transparency in corporate structures and operation and reduces the opportunities for political interference in the interactions amongst government, management and stakeholders. Thus, good governance of SOEs is conducive to better public sector governance in general, and to reducing corruption.

An internationally recognised reference point for the project

In April 2005 the OECD approved its Guidelines on Corporate Governance of State-owned Enterprises, which are currently the leading international reference in this area. The SOE Guidelines can constitute a useful tool for MENA policy makers in addressing the specific corporate governance challenges of state ownership, including for enterprises they might ultimately wish to privatise. The Guidelines generated a lot of interest at the Rabat meeting of the MENA Working Group on Corporate Governance. Egypt has used the Guidelines to elaborate a Corporate Governance Code for Public Sector Enterprises. It is, therefore, proposed to the Working Group to include work on this matter into its programme of activities

Key milestones and outputs

To mobilise expertise and to conduct the work effectively, it is proposed to establish a **MENA Task Force on Corporate Governance of SOEs** (hereinafter called “Task Force”), which will bring together experts from all MENA jurisdictions participating in the Working Group. It will consist of approximately 20 representatives of the MENA region, OECD Secretariat and OECD member countries and will include representatives of MENA agencies exercising the state ownership function, regulators, SOEs, regional institutes/associations and academics.

The Working Group will be asked to designate a Chair for the Task Force.

The Task Force will develop a **MENA Policy Brief on Corporate Governance of SOEs**, identifying priorities and proposing concrete recommendations. The Policy Brief will be a consensus based document, resulting from the meeting and electronic consultations on an exposure draft. The policy brief will not aim at establishing a regional standard and will be a non-binding document.

In preparation of the Policy Brief, the Task Force will issue a **Comparative Overview of Corporate Governance of SOEs** in the MENA.

The Task Force will meet twice to discuss the draft **Comparative Overview of Corporate Governance of SOEs** and the draft **Policy Brief**.

On-going discussions of various drafts of the Overview and Policy Brief will take place electronically, around the year. The OECD and Hawkamah will serve as a Secretariat of the Task Force. Hawkamah

will be responsible for the first meeting of the Task Force and the preparation of the Overview on Corporate Governance of SOES, while the OECD will be responsible for the development of the Policy Brief and the organisation of the final Task Force meeting.

Tentative timeframe

1. Establishment of Task Force and circulation of fact-finding questionnaire	–	February 2007
2. Deadline for responses	–	end of May 2007
3. Circulation of outline of Overview	–	September 2007
4. <i>First meeting of Task Force to discuss first draft of Overview</i> and outline of the Policy brief	–	November 2007
5. Filling information gaps and summarising feedback	–	December 2007
6. Draft Policy Brief for written comments by Task Force	–	February 2008
7. Exposure draft Policy Brief	–	–June 2008
8. <i>Second Task Force meeting to finalise policy brief</i>	–	<i>–September 2008</i>
9. Working Group to launch the policy brief at its annual meeting	–	November 2008