



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

## Meeting Agenda

5-6 April, 2011

Centre d'Accueil et de Conférences (CAC) of the  
Ministry of Equipment and Transport  
Avenue Essanaoubar, Hay Riad  
Rabat, Morocco

With the support of:

**MENA-OECD  
INVESTMENT  
PROGRAMME**



## **Background and Objectives**

The case for reviewing the governance of state-owned entities remains strong in countries of the Middle East and North Africa (MENA). The state-owned sector in many countries represents a substantial share of the overall production, investment and employment. State-owned enterprises (SOEs) in the region are active across key sectors of the economy, including utilities, transportation, real estate, telecommunications and energy. Increased efficiency and productivity of SOEs is a key goal pursued by policymakers in the region.

Considering the strategic nature of some SOEs - their role in the provision of public services and their contribution to government budgets – introducing governance arrangements that optimise SOE performance is essential. Better corporate governance of SOEs would also contribute to increasing their integrity. In view of increasing recognition of the need to improve corporate governance arrangements in regional SOEs, the *Task Force on Corporate Governance of State-Owned Enterprises in the Middle East and North Africa* was established in 2008 by the OECD and the Hawkamah Institute.

The Taskforce comprises representatives of holding companies, state audit institutions, relevant Ministries, regulatory authorities, individual SOEs and academics. 18 countries from the Middle East and North Africa region were invited to participate in the work of the Taskforce. Governmental and non-governmental stakeholders with an interest in improving corporate governance of SOEs in the MENA region are invited to contact the OECD in order to participate in the work of the Taskforce.

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*;
- provide a forum where policymakers 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.

So far, the Taskforce has held two consultations. The first was held in Paris on March 1, 2010 and acted as a launching meeting of the Taskforce. The second regional meeting took place in Cairo 23-24 June, 2010. It was hosted under the patronage of H.E. Mahmoud Mohieldin, Minister of Investment of Egypt and was attended by over 60 participants from across the region. The meeting focused on issues related to ensuring an effective legal and regulatory framework for SOE and the responsibilities of the state acting as an owner. Meeting documents have not been posted on the OECD website to respect the confidential nature of the discussions between policymakers, but are available from the OECD Secretariat.

## **Organisation of this Taskforce meeting**

This meeting will focus primarily on specific elements of the *OECD Guidelines on Corporate Governance of State-owned Enterprises* (available in English, French and Arabic), namely those evoked in Chapter 4 on "Responsibilities of the Board of Directors of State-Owned Enterprises" and in Chapter 3 on "Relations with Stakeholders". Specifically, the panels will examine the following issues: 1. improving the quality of SOE boards: nomination, competence and functioning, 2. empowering SOE boards: their mandate and functioning, 3. holding SOE boards accountable through effective evaluation, 4. the role of stakeholders in SOE governance. The meeting will also provide an opportunity for meeting participants to present and discuss the latest developments in the region related to corporate governance of SOEs.

An introductory session will examine the progress of the *Regional Publication on Corporate Governance of State-Owned Enterprises*, launched on the occasion of the last meeting of the group. The OECD Secretariat will provide an update on this publication while the individual contributors will present their research and preliminary findings. At the request of the host country, a separate panel will be dedicated to discussing the initiative the Moroccan government to establish a corporate governance code or guidelines specific to state-owned enterprises.

Speakers are asked to highlight key challenges and progress related to the topic of their panel, illustrating them with national experiences. Speakers are requested to address the questions for their panel noted in the agenda. The objective is to stimulate reflection and encourage the exchange of views and experience among all Taskforce participants. Each presentation shall be limited to 10-15 minutes in order to allow time for discussion. 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 discuss the issues raised in the presentations and related to the questions provided in the agenda. The objective of the discussions is to lead to a general understanding on what might be the relevant regional recommendations in a given area. To this end, the moderators of each of the panels are requested to actively engage with the speakers and to facilitate a discussion with all meeting participants following speaker presentations.

The meeting will be conducted in English, Arabic and French. As per the usual procedure, 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. Background documents will be made available to participants in advance of the meeting in English and in French. Background materials will include:

- The OECD Guidelines on Corporate Governance of State-Owned Enterprises;
- The OECD Transparency and Accountability Guide;
- Report on the size of SOE sectors in OECD member countries;
- Report on SOE Board of Directors;
- Report on SOE Governance Reform: an inventory of recent change;
- Concept note on the regional publication on corporate governance;
- Draft chapters prepared for the publication;
- Any other materials made available by Taskforce participants.

**APRIL 5, 2011**

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

**9:00 – 9:45 WELCOME REMARKS**

- H.E. Mr. Nizar Baraka, Minister, Ministry of Economic and General Affairs, Morocco
- Mr. Samir Mohammed Tazi, Director of the Public Enterprises and Privatisation Department, Ministry of Economy and Finance, Morocco
- Dr. Grant Kirkpatrick, Deputy Head of Division, Corporate Affairs, OECD
- Dr. Nasser Saidi, Chief Economist, DIFC Authority; Executive Director, Hawkamah, the Institute for Corporate Governance

**9.45-11.15 TOWARDS A REGIONAL PUBLICATION ON CORPORATE GOVERNANCE OF SOEs**

This session will provide an overview of the regional publication currently being compiled by the OECD. Unlike other sessions which will be discussion oriented, this session will be structured around short presentations by individual chapter authors in order to provide the participants with a better understanding of the scope and structure of the book. Participants' feedback will be sought at the end of this session.

**Moderator:** Ms. Alissa Koldertsova, Project Manager, Middle East and North Africa, Corporate Affairs, OECD

**Panelists:**

- Ms. Nathalie Potvin, Director, GCC Institute of Directors  
*Case study of the IPO of Saudi Kayan (a SABIC subsidiary)*
- Dr. Ibrahim Akoum, Dean College of Business Administration, Hariri Canadian University, Lebanon  
*Political economy of SOE reform in Lebanon*
- Mr. Ahmed Belfahmi, Director, Restructuring Division, Department of Public Enterprises and Privatisation, Ministry of Economy and Finances, Morocco  
*SOE governance in Morocco: current situation and perspectives*
- Mr. Ahmet Kusat Yazicioglu, Expert, Turkish Privatisation Administration, Turkey  
*Comparison of privatisation experiences between Turkey and MENA countries*

**11.15-11.30 COFFEE BREAK**

**11.30 -13.00 IMPROVING THE QUALITY OF SOE BOARDS: NOMINATION AND STRUCTURE**

A prerequisite for improving the performance of SOE boards is optimising their composition, so that they can effectively exercise objective and independent judgment in fulfilling their responsibilities. To this end,

the state should establish a well-structured and transparent board nomination process and actively participate in the nomination of SOE boards. This nomination process should be based on a thorough evaluation of candidates' competencies and experience.

In addition to establishing an effective nomination process, the state should endow boards with necessary independence. Board nominees should not be pressured to use their position to pursue political or social objectives of the government at the expense of the company. For commercially oriented SOEs, their board practices and structure should not differ substantially from good practices adopted by private sector boards. For example, SOE boards should develop specialised committees to better fulfill their functions.

**Moderator:** Dr. Grant Kirkpatrick, Deputy Head of Division, Corporate Affairs, OECD

**Panelists:**

- Mr. Ahmed Al Sheikh, Head of the Corporate Governance Department, Saudi Arabia  
*Experience with nomination and training of Saudi SOE boards*
- Dr. Harilaos Mertzanis, Director of Research, Capital Market Commission, Greece; Member of the OECD Corporate Governance Committee, Greece  
*Improving the independence of SOE boards*
- Mr. Sertac Keles, Chief of Section, General Directorate of SOEs, Treasury, Turkey  
*The Turkish experience in improving the competence of SOE boards*
- Mr. Yahya Hakim, Managing Director, Lebanese Transparency Association; Former Advisor to the President, Lebanon  
*Challenges in removing political considerations in the nomination process*

**Issues for discussion:**

1. How can a structured and transparent nomination process for SOE board posts be ensured?
2. What are the challenges and best practices in selecting and nominating board members with the necessary independence of mind and technical competencies?
3. What should be the main characteristics of SOE boards in terms of size and composition?
4. How can the independence of SOE boards be improved? How can boards be better insulated from undue political interference?
5. What specialised committees should SOE boards have? What are the key factors to consider in deciding to establish board committees?

**13:00-14:30 LUNCH**

**14.30-15.30 UPDATE ON OECD'S WORK AND INITIATIVES IN THE MENA REGION**

- Mr. Hans Christiansen, Senior Economist, Corporate Affairs Division; Secretariat of the OECD Working Party on State Ownership and Privatisation Practices  
*Update from the OECD Secretariat on key areas of work*
- Updates from MENA country representatives on relevant initiatives

## 15.30 -17.00 EMPOWERING SOE BOARDS: THEIR MANDATE AND FUNCTIONS

Boards of state-owned enterprises should have the necessary competencies, authority and objectivity to fulfill their functions of strategic guidance and monitoring management. SOE boards should be assigned a clear mandate and an ultimate responsibility for the company's performance. For instance, SOE boards should have the authority to monitor management and to appoint or dismiss CEOs if necessary. Accordingly, responsibilities and liabilities of SOE board members should be the same as those in the private sector. In order for boards to exercise their responsibilities appropriately, SOE objectives need to be clearly established in advance.

On the other hand, the board should limit its activities to monitoring and approving company strategy and not interfere in issues which normally lie in the purview of management. In order for SOE board members to act as their private sector counterparts, it might be necessary to clarify personal and state liability in cases where state officials are appointed to SOE boards. The remuneration arrangements for SOE board members need to be carefully considered to align their incentives with company performance.

**Moderator:** Dr. Nasser Saidi, Chief Economist, DIFC Authority; Executive Director, Hawkamah, the Institute for Corporate Governance

### Panelists:

- Mr. Slim Othmani, President, Algerian Corporate Governance Association, Algeria  
*SOE Boards in Algeria: responsibilities and challenges*
- Dr. Ashraf Gamal, Executive Director, Egyptian Institute of Directors, Egypt  
*Raising awareness of good governance practices in MENA SOE boards: specificities of SOEs*
- Mr. Abdulhadi Farhan Al Hachami, Vice-President, Board of Supreme Audit, Iraq  
*Nomination of board members in Iraqi SOEs: experiences and way forward*
- Mr. Larabi Jaidi, Professor, University Mohammed V Rabat, Morocco  
*Board structure and responsibility of Moroccan SOEs*

### Issues for discussion:

1. What should be the responsibilities and liabilities of SOE board members? Do they differ from the ones of private sector board members?
2. How can clear mandates for SOE boards be established and where should these be spelled out?
3. Do SOE boards fulfill their function of providing strategic guidance? What might be the challenges in this regard?
4. Are SOE boards entrusted with nominating CEO and senior management and monitoring their performance? What steps should be taken to empower SOE boards in this respect?

APRIL 6, 2011

**9.00-9.30 WELCOME REMARKS AND SUMMARY OF FIRST DAY**

- Mr. Samir Mohammed Tazi, Director of the Public Enterprises and Privatisation Department, Ministry of Economy and Finance, Morocco
- Dr. Grant Kirkpatrick, Deputy Head of Division, Corporate Affairs, OECD
- Dr. Nasser Saidi, Chief Economist, DIFC Authority; Executive Director, Hawkamah, the Institute for Corporate Governance

**9.30-11.00 HOLDING SOE BOARDS ACCOUNTABLE THROUGH EFFECTIVE EVALUATION**

Enhancing SOE boards' professionalism requires putting in place a systematic evaluation process to examine the performance of individual board members and the board as a whole. Of course, for board evaluations to be productive, clear objectives for SOEs must be set in advance. The practice of evaluating board members individually or the board as whole is for the time being not common in most MENA countries, in private and public sectors alike.

This issue needs to be addressed since board evaluations encourage board members to devote time and energy in exercising their functions. They also help in reviewing board size and composition, thus in identifying necessary competencies and required new board profiles. Evaluations should focus on the overall board performance as well as on the contribution of individual board members, without damaging the required collegiality of board work. They can be done with the help of external and independent experts.

**Moderator:** Dr. Grant Kirkpatrick, Deputy Head of Division, Corporate Affairs, OECD

**Panelists:**

- Dr. Harilaos Mertzanis, Director of Research, Capital Market Commission, Greece; Member of the OECD Corporate Governance Committee, Greece  
*The role of the chair and external consultants in the evaluation process*
- Mr. Mohamed Grine, Secretary General, Moroccan Institute of Directors, Morocco  
*Board evaluations in Morocco: public and private sector differences*
- Ms. Nathalie Potvin, Director, GCC Institute of Directors  
*Evaluating SOE boards in the Gulf: private and public sector practices*
- Mr. Bassam Al Talhouni, General Controller of Companies, Ministry of Trade and Industry, Jordan  
*Jordanian corporate law: board appointment and evaluation procedures*

**Issues for Discussion:**

1. What procedures need to be put in place to properly evaluate SOE board members? How can they be best introduced?
2. What should be the role of the Chair in board evaluation?
3. How can board evaluations be best leveraged to enhance board performance?

4. What role should outside consultants and State Audit bodies play in board evaluations?

**11.00-11.15 COFFEE BREAK**

**11.15 -13.00 THE ROLE OF STAKEHOLDERS IN SOE GOVERNANCE**

As private sector companies, SOEs have a variety of stakeholders, ranging from employees, suppliers, customers and other third parties that might be affected by their operation. Stakeholder relations might be particularly important for improving or protecting the reputation of SOEs and for fulfilling the general service obligations that they may have. In addition, there is an increasing risk of litigation linked to stakeholder issues that SOEs need to address. The OECD Guidelines thus recommend that SOEs respect stakeholders rights established by law or through mutual agreements and otherwise recognise the contribution of stakeholders. This implies that at least listed or large SOEs need to report on their policies and relations with stakeholders.

**Moderator:** Mr. Hans Christiansen, Senior Economist, Corporate Affairs Division, OECD

**Panelists:**

- Mr. Abdesselam Abouddrar, Chairman, Central Organisation for the Prevention of Corruption, Morocco  
*Board of directors' responsibilities in dealing with stakeholders*
- Dr. Dawood Al Bulushi, Head of Corporate Governance, Qtel, Algeria  
*Dealing with stakeholders in a subsidiary context*
- Mr. Ahmet Kusat Yazicioglu, Expert, Turkish Privatisation Administration, Turkey  
*Addressing stakeholders' concerns in the privatisation process*
- Dr. Ibrahim Akoum, Dean College of Business Administration, Hariri Canadian University, Lebanon  
*Mechanisms to protect stakeholder rights in the MENA region: theory and practice*

**Issues for discussion:**

1. What should the responsibilities of SOEs towards their stakeholders be?
2. What is the extent of employee-specific rights in SOEs and how do these impact SOE governance? What should be the role of employee representatives on SOE boards?
3. What mechanisms should be in place to protect stakeholder rights and encourage co-operation with them?
4. How should SOEs communicate on their relations with stakeholders and what should be the main elements of such communication?

**13.00-14.30 LUNCH**

**14.30-16.30 TOWARDS A CODE ON CORPORATE GOVERNANCE OF SOES IN MOROCCO**

A national corporate governance code, based on the OECD Principles of Corporate Governance, was introduced in Morocco in 2007. It was subsequently followed by supplementary guidelines for small and medium size enterprises as well as for credit institutions. As a result, the awareness of good corporate governance practices has increased substantially in Morocco in recent years, especially among listed enterprises.



The authorities are currently examining corporate governance arrangements of state-owned enterprises and are in the process of introducing specific corporate governance guidelines for SOEs. This session will be dedicated to examining the progress in advancing corporate governance arrangements in the SOE sector with a view to determine what governance standards might be suitable in the domestic context and how the process of future governance reform in the SOE sector might be best structured.

**Moderator:** Mr. Samir Mohammed Tazi, Director of the Public Enterprises and Privatisation Department, Ministry of Finance, Morocco

**Panelists:**

- Ms. Amina Benjelloun, Advisor to the Prime Minister and Head of the Economic Development Department, Ministry of Economic and General Affairs, Morocco  
*Evolution of the Moroccan corporate governance framework*
- Mr. Abderrahmane Semmar, Deputy Director, Department of Public Enterprises and Privatisation, Ministry of Economy and Finance, Morocco  
*Presentation of the draft code of corporate governance for state-owned enterprises*
- Mr. Othmane Fassi Fehri, Director General, Autoroutes du Maroc, Morocco  
*Company perspective on the evolution of the corporate governance framework*
- Mr. Abdessamad Saddouk, President, Good Governance and Ethics Commission, Confederation of Moroccan Enterprises (CGEM), Morocco  
*Importance of an SOE code in Morocco: the private sector perspective*
- Mr. Mohammed Kamal Daoudi, Senior Magistrate, State Audit Institution, Morocco  
*SOEs and Corporate Governance in Morocco: perspective of the Court of Accounts*

**Commentators:**

- Ms. Alissa Koldertsova, Project Manager, Middle East and North Africa, Corporate Affairs Division, OECD
- Dr. Ashraf Gamal, Executive Director, Egyptian Institute of Directors, Egypt

**Issues for Discussion:**

1. What factors militate for creating a code or guidelines specific to state-owned enterprises in Morocco?
2. How should the process of drafting and consultations be structured? What stakeholders need to be engaged and in what roles?
3. What might be the key aspects to address in the SOE code which are not already addressed in the general code?
4. What timelines might be appropriate for the development and creation of an SOE code and for its application?
5. To what SOEs should the code be applicable to and what entity might be charged with monitoring?

**16.30 -17.15 CONCLUDING REMARKS AND NEXT STEPS FOR THE TASKFORCE**

- Ms. Amina Benjelloun, Advisor to the Prime Minister and Head of the Economic Development Department, Ministry of Economic and General Affairs, Morocco
- Dr. Grant Kirkpatrick, Deputy Head of Division, Corporate Affairs, OECD