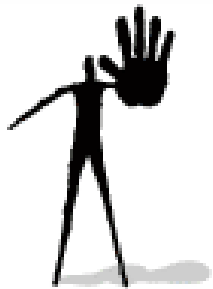


Corporate Governance for Small and Medium Enterprises (SMEs)



NO CORRUPTION
THE LEBANESE
TRANSPARENCY
ASSOCIATION

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Muscat, Oman
March 24, 2007

LEBANON
CORPORATE
GOVERNANCE
TASK FORCE

SMEs in the MENA Region

- SMEs constitute over 85% of companies in the MENA region.
 - SMEs are dominant in MENA economies.
 - Absence of regulatory, monitoring, and enforcement mechanisms.
 - Unlikely for MENA SMEs to be publicly listed.
- Necessary to develop CG principles for SMEs.



I- Micro Benefits

- Improving the quality of Board governance;
- Encourage positive competitiveness;
- Increase access to diverse forms of capital;
- Promote transparency, accountability, and disclosure;
- Enhance overall SME performance.

→ Long-term benefit: Sustainable growth of company.



I- Macro Benefits

- Modernization of MENA corporate sectors;
- Attract sources of investment to the region;
- Less political risk and dependence (esp. oil and gas) /economic performance.

→ Economic and Social reforms can happen.



→ *Need*: Code of CG for SMEs



Adopting a Code for SMEs

- Define role shareholders vs. managers;
- Setting standards for management procedures and checks and balances;
- Evaluate needs;
- Reduce legal risks, costs, and probability for conflicts of interest to arise.



The Lebanese Code of CG

I- Process

- Drafting: Nada Abu Samra and Norman Bishara, supported by LCGTF members.
- Consultation process with institutions, experts and owners/directors of companies.
- Legal context
- Using international benchmarks
- Prioritizing for Lebanon



II- Targeted Companies

- Private
- Joint Stock and Limited Liability Companies
- Family Owned Enterprises (FOEs)

NOTE: The Lebanese code is voluntary → Can be adopted and adapted



III- Components of Code

- 1) Shareholders' Rights and Obligations
- 2) Board of Directors: structures, rights, and duties
- 3) Auditing and Corporate Transparency



Shareholders: Rights and Obligation

- General Rights & Ownership Functions
- Shareholders' meetings
- Equitable Treatment of Shareholders
- Protection of Minority Shareholders



Board of Directors: Structures, rights, and duties

- Structure, membership, & functioning
- Fiduciary duties
- Accountability & Monitoring
- Remuneration
- Role of stakeholders



Auditing & Corporate Responsibility

- Internal audit
- External & Independent audit



IV- After the Lebanese CG Code for SMEs ...

- Presentations/Workshops with SMEs
- Case studies → Guidelines for Lebanon and the MENA region
- Code for PLCs



Conclusions & Recommendations

- Advocacy and Lobbying for legislations compatible with reform tools such as the code;
- Involve governments, promote the culture of transparency at the public and private level;
- Raise awareness → partnership between SMEs-Business Associations-CSOs;
- Regional cooperation and exchange.



THANK YOU

www.lcgtf.org

www.transparency-lebanon.org

