Corporate Governance for Small and Medium Enterprises (SMEs)

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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.
Benefits of CG for SMEs in MENA

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
The Lebanese Code of CG

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
The Lebanese Code of CG

Auditing & Corporate Responsibility

- Internal audit
- External & Independent audit
The Lebanese CG Code for SMEs

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