

Wednesday, June 14, 2006

## **Lebanon gets first 'code of corporate governance' Document seeks to boost performance, competitiveness**

---

**By Raed El Rafei**

Daily Star staff

BEIRUT: The first "Lebanese Code of Corporate Governance" was released by the Lebanese Transparency Association (LTA) Tuesday to encourage companies to adopt a set of standards and practices that could improve their performance, competitiveness, and access to foreign markets and diverse forms of capital.

Though targeted toward joint-stock companies but applicable to all types of businesses, the code defines shareholders' rights and obligations; describes the structure, responsibilities, and prerogatives of a company's board of directors; and outlines auditing procedures and corporate transparency principles.

The 47-page document also includes several appendices that tackle issues specifically related to the local economy, such as the governance of family owned enterprises - the majority of businesses in Lebanon - and minority shareholders.

Economy and Trade Minister Sami Haddad said that integrating corporate governance principles will help attract investment in Lebanon.

"The code is a reference for public institutions and private enterprises to adopt in order to improve their performance," Haddad told reporters.

LTA chairman Mohammad Matar said that the code was part of the organization's fight against corruption.

Gerard Zovighian, LTA's vice chairman, said that adopting the code would "improve businesses' access to capital and financial markets."

"It will help them survive in an increasingly competitive environment through mergers, acquisitions, partnerships, and risk reduction through asset diversification," he added.

Zovighian also said that raising awareness of corporate governance will safe-guard shareholders rights and the security of their investments, by helping them to make decisions based on market fundamentals.

Drafted by Nada AbdelSater-AbuSamra, a corporate and finance attorney and Norman Bishara, a US business law academic, the code was the result of lengthy research on corporate governance and discussions with companies, accountants, international organizations and lawyers.

Abu Samra said that the code has been adapted to the Lebanese system and can be used as "a reference in summary proceedings courts."

She added that the code will reduce the occurrence of conflicts of interest because it "clarifies an exit policy for companies and ensures a smooth inter-generational transfer of wealth and divestment of family assets."

Bishara called the code the "best and most comprehensive one in the region," and touted the benefits it will have for the entire Lebanese economy. He said the code will catalyze economic growth by securing international economic and political support and by helping small family owned enterprises adopt international market standards.

According to Bishara the code will also boost investor confidence in the country and solidify

Lebanon's regional reputation as an attractive venue for foreign investment.

The code was funded by the Washington-based Center for International Private Enterprise as part of a project launched by the Lebanese Corporate Governance Task Force, an LTA initiative, chaired by Zovighian. This task force is composed of private and public sector representatives as well as civil society members. Since 2002 It has been working on assessing the current status of corporate governance procedures in Lebanon, raising awareness and transparency in the private sector, and implementing better standards at the private, public, and financial market levels.

Following the release of the code, LTA will next be organizing workshops for companies and business associations to help them implement its principles and regulations.

Established in 1999, the

LTA ([www.transparency-lebanon.org](http://www.transparency-lebanon.org)) is a non-governmental organization that aims at curbing corruption and promoting transparency in Lebanon. The LTA is the Lebanon chapter of Transparency International, a global civil society organization that fights corruption.

**THE DAILY STAR**

**Copyright (c) 2006 The Daily Star**