SOE Reforms in Egypt

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MENA-OECD Task Force on Corporate Governance of State-Owned Enterprises
Paris, March 1\textsuperscript{st}, 2010
Outline

- Law 203 1991 – Overall Framework
- Capacity Building
- Ownership Unit 2010
The law aimed at reforming SOEs by making them subject to regulation similar to that of private sector companies.

It changed the status of SOEs from being “government units” into “companies”.

The law represents the framework of governance through a well-defined corporate structure.

The following are the key law highlights:
SOEs are companies controlled by boards, not by public servants

- No preferential treatment
- No legal immunity

- SOEs are grouped under holding companies in order to create ownership entities and to diversify risk

- Governance structure that guaranteed strong connection between HCs & ACs
The HC has a GA appointed by the Prime Minister, headed by the relevant minister.

The HC has a board of directors appointed by the PM, with recommendation from the responsible minister.

Board of the HC is the GA of all its affiliated companies.

HC board (GA of the AC) selects half the board of the AC.
- Half of the AC board is elected by employees
- A labor union rep attends all boards
- HCs and ACs prepare budgets and financial statements using the Egyptian Accounting Standards
- The HCs and Acs are audited by the most truly independent auditor in Egypt, the Central Audit Agency
Since law 203 lacks many of the details of CG, it was essential to issue a code of CG. Egypt has taken the OECD guidelines for Governance of State Owned Assets & adjusted them to suit Egypt’s laws & regulations. It covered all the details that were missing in the law such as the overall framework, ownership objectives, relationship between the board & management, control environment, transparency, stakeholder rights, etc.
Following the introduction of the code, the EIoD has conducted many awareness events and invited SOE leaders to all its conferences.

In 2007, the EIoD has cooperated with the EU in drafting an “implementation manual”.

SOE board members and top executives attend 2 types of courses; open courses with the private sector & courses tailored for SOEs.

Many SOEs come to the EIoD in order to evaluate their CG systems & set the priorities.

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Ownership Unit

- The latest development in Egypt in 2010 is the new idea to establish an “ownership unit”
- The unit is to act as the owner of all SOEs and assumes all ownership responsibility
- It aims to create a “single owner”
- The idea is still young and under consideration, no concrete information is available on it

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Lessons Learned

- Each MENA country must have its own framework of CG
- OECD has excellent guidelines that each country can build on
- SOEs need plenty of awareness and training for their current & potential directors
- SOEs can never be totally separated from government policies, but that can be handled
- Listed companies are important, however, it is essential that we do not forget SOEs when we talk about CG
- Political commitment is the key to CG in SOEs

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Thank you,

Any questions?

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