



SOE Reforms in Egypt

Ashraf Gamal,
Executive Director, EIoD

**MENA-OECD Task Force on Corporate Governance of
State-Owned Enterprises
Paris, March 1st, 2010**

Outline

- **Law 203 1991 – Overall Framework**
- **Code of CG, 2006 – Detailed Provisions**
- **Capacity Building**
- **Ownership Unit 2010**

Law 203, 1991

- 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:

Highlights of 203

- 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

SOEs Governance Structure

- 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

SOEs Code of Corporate Governance

- 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.

Capacity Building for SOEs

- Following the introduction of the code, the EloD has conducted many awareness events and invited SOE leaders to all its conferences
- In 2007, the EloD 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 EloD in order to evaluate their CG systems & set the priorities

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

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

Thank you,
Any questions?

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