Our mission is to discover & produce Oil & Gas efficiently, safely, observing the environment and contributing to the social welfare of the communities we operate in. We are TIMGAD ENERGY.

Growing Professionally With Confidence

16 El khartoum St., Heliopolis, Cairo, Egypt  Tel.: +20(2) 2691 0023-6  Fax.: +20(2) 2691 0027
Executive Director’s Letter

Internal Audit Systems

You may wonder why the EIoD chose the theme of internal audit for its Third Annual Conference, held in June 2009. The reason is that despite the importance of internal audit systems, they are rarely looked at or implemented properly. Some practitioners think that the objective of audit is to fish for mistakes in order to punish the management. This is quite far from the truth.

Internal controls and audit systems compose a one integrated system designed to protect the company, rights of shareholders, and all stakeholders in both the short and long term.

The system begins with establishing a system of work and internal oversight at each unit in the company or financial institution. The system should be based on the principle of separating the executive authority from the supervisory one within each department using a proper documentation system. Hence, the role of the head of internal control/audit is to verify the completeness of the system and the correct application on the departmental level. In doing so, the head of internal audit directly works for the interest of the CEO to ensure that the company’s control system is functioning.

After that comes the role of the Audit Committee, one of the major Board committees. The committee has oversight on the overall internal control and audit system adopted by the company, as well as the company’s risk management system. Audit Committees have many other tasks to perform. We, however, do not have enough space to mention those tasks here, but they are detailed in the EIoD audit committee manual released in 2007 and posted on our website.

Consequently, the audit committee assists the board to play its role in the follow-up and supervision over the management. Furthermore, the audit committee highly depends on the work of internal control/audit director. The committee shields him/her in the event of any irregularities or deviations from the management, for he/she may be changed only by a reasonable and acceptable decision issued by the Audit Committee.

And in order for the control system to be complete, shareholders need a mechanism to verify that the company is being managed in a way to maximize returns on their money. This mechanism is the external auditor. This illustrates the importance of the external auditor being highly qualified as well as totally independent of the management and the board. He/she should be sufficiently qualified to comment on the integrity of the financial statements as well as on the company’s status in general.

Finally, the audit and internal control system must operate in a harmonious and coordinating way, for the imbalance in any part of it may lead to gaps in the internal control system. This would then increase the level of risks faced by the company.

Ashraf Gamal El-Din

Executive Director
Egyptian Institute of Directors | Egyptian Corporate Responsibility Center
Businessmen: patriots too?

“The community of businessmen in Egypt is not new, nor is the private sector a foundling without a legitimate father. And there were many national models of the pioneer spirit of business before the 1952 Revolution."

Nahla Kamal
Assistant Executive Director
Egyptian Institute of Directors
Top Ten Things Egyptian Bankers Should Know About the U.S. Bank Secrecy Act and Money Laundering

Gift from the Ministry of Investment to Cairo University: The Land of Al-Ahram Beverages...Scientific Research Center

CSR Partnerships: Getting a Head Start to a Meaningful End

Towards a "Business Case" for CSR in Health

International and Arab tourism sector decline seen as result of financial and epidemic crisis

Banks’ BoDs and the Financial Crisis

"Talaat", the Pasha who provided the poor with a real leg to stand on...
The Third Annual Conference on Corporate Governance
Audit & Business Sustainability
15th June 2009

The Egyptian Institute of Directors organized its third annual conference on corporate governance in cooperation with the UNCTAD and the OECD. It was held on 15th June, 2009 at the Four Seasons Hotel, Nile Plaza, Cairo, Egypt. This year’s conference focused on “Audit & Business Sustainability”. It aimed at strengthening the audit tools (Internal, External and Audit Committee) within corporate governance best practices and the business sustainability. The conference discussed the current global financial crisis and the role that the audit function could have played to prevent it.

The opening session began with the speech of Dr. Ashraf Gamal – the Executive Director of the EIoD. He started his speech by welcoming the guests and speakers, and he noted that this year’s conference comes in a period of an unprecedented economic crisis, which shed light, again, on the theme of corporate governance. Dr. Ashraf also noted that many countries and international organizations started to revise all corporate governance codes and applications, after they were assured that part of the crisis was caused due to the failure of applying these codes, especially auditing and disclosure codes. He highlighted that there are are good indicators that corporate governance applications is growing inside Egypt and receiving good corporate attention, as reflected from an initial result of a current study attempted by the EIOD.

Dr. Ashraf mentioned that corporate governance applications are still facing some difficulties and challenges, on which the EIOD is working. He stated that the total number of Egyptian directors who acquired a “Certified Director” certificate by taking the Board Development Series Program - provided by the EIoD - reached 116 directors from both public and private sectors. This is in addition that the EIOD provides training programs, most of which are accredited by the National Association of Corporate Directors (NACD), and the total number of trainees, since January 2008, reached 680 participants, and who are considered as corporate governance pioneers in their companies.

The key speakers of the opening session were Dr. Djordjija Petkoski, Head of the Business, Competitiveness and Development team at the World Bank Institute; Dr. Hala El Said, Executive Director of the Egyptian Banking Institute; Mr. Hazem Hassan, Chairman of the Egyptian Association for Accountants and Auditors.

Dr. Petkoski talked about the economic crisis and how it makes people feel they are in the middle of a natural disaster, and in this context there are several trials to find simple technical solutions to face the financial crisis, which is not easy. He also noted that corporate governance is a part of much broader engagement of corporations, which could link - together with corporate social responsibility - business to the society. He mentioned that contributing to develop a flexible arrobas business strategy is what is needed for progress. And that the new challenge is to conjoint the roles of the governments and the businesses, in order to build a partnership. And that this new challenge requires new knowledge, which is obviously created by the Egyptian Institute of Directors that has been very well known by creating new training programs to build new knowledge of dealing with such issues through intensive work with other international partners.

Dr. Hala El Said’s speech focused on the impact of the economic crisis and that it led to an urgent need for dealing with corporate governance issues in an objective way and re-evaluating the its codes, rules, and applications. She noted that there is a strong relation between applying corporate governance principles and the existence of an efficient and effective internal and external audit system. Dr. Hala also mentioned the fact that the crisis revealed a severe negligence in the practices of risk rating business, receivables management, corporate governance rating, the independency of the supervising and auditing authorities, and finally the human resources and capabilities in this field. She highlighted the importance of the application of corporate governance principles to the financial sector and how it is very critical for its protection.

During his speech, Mr. Hazem Hassan mentioned that there are many hindrances affecting the authorities of Egyptian corporate audit committees. He explained that audit committees support boards in applying corporate governance through four key areas: financial reporting, internal control and risk management, internal and external audit. Mr. Hazem also noted that audit committees in many Egyptian companies are lacking effectiveness because of the unclear nature of committees’ roles, tasks, and practices. In addition that committee members are not fully qualified. And there is no regular and systematic preparation for committees’ meetings. Finally, most committees are in need of sufficient resources. He mentioned that the basic issue is that the
board does not fully understand the role and importance of the audit committee in corporate governance application. Added to that, the lack of communication between the committee, the board, and the management of the company.

At the end of the opening session, H.E. Dr. Mahmoud Mohieldin – the Minister of Investment, overviewed in his speech the development of corporate governance understanding and awareness over the past years mentioning that the first conference emphasized on corporate governance principles, and the application of transparency, disclosure, equitable treatment, and accountability. H.E. also noted that Egypt is the first country in the Arab and African world to issue and apply corporate governance codes, according to the OECD standards. H.E. mentioned that the second conference emphasized on the role of companies’ board of directors in corporate sustainability. The performance of the EIOD, by the date of organizing that conference, was developed after benefiting from the international experience in training programs. New dimension was reached, by which corporate governance was linked to corporate social responsibility, in order to protect environment, human rights, labor rights, and to stand against corruption. That development in applying those principles and standards was a part of the comprehensive economic and financial reform process. In the context of the third conference, Dr. Mahmoud Mohieldin mentioned the impacts of the international economic crisis and how it showed that corporate governance and disclosure principles were not efficiently applied. This non-effective application of corporate governance codes was the main reason that boards were not aware of the severe financial situation, the instable liabilities, and the mismanagement of risk. There was negligence and violation of corporate governance codes concerning boards and general assemblies. In addition that audit and control authorities were not efficient too. H.E. noted that credit and risk rating was provided for markets by organizations with no supervising entity or effective control system on their works and their ratings. And that The most important thing is to enforce a control of a high quality, and not to tighten the control rules to a degree crippling economy and not sustaining the market efficiency or the effectiveness of the supervisory system. Dr. Mahmoud Mohieldin highlighted the importance of revising and developing corporate governance codes in light of the international events and situations, as well as activating the role of the internal and external audit, and the reporting system. The Minister mentioned at the end of his speech that the Government is deliberating a comprehensive corporate draft law, “New Unified Company Law”, which is the result of two years efforts. The law aims to unify the rules controlling all Egyptian companies, taking into account corporate governance principles, shareholders rights, transparency and disclosure, boards’ responsibilities and commitments, and external and internal audit systems. It is expected to solve problems facing the current law’s application. Dr. Mahmoud Mohieldin also mentioned that this month witnessed many activities related to companies, in addition to this conference and the draft law, as Mr. President decreed the bylaw of the Egyptian Financial Supervisory Authority, taking effect in the 1st of July 2009, in addition to a decree for a new regulation for the Egyptian Stock Exchange.

After the Minister’s speech, the graduation ceremony of the 39 participants of the 6th, 7th, and 8th intakes of the “Board of Directors Series Program” took place. The graduation ceremony was followed by the speech of Mr. Philip Armstrong, Head of Global Corporate Governance Forum – the Keynote Speaker; and Dr. Mohamed Omran, Vice Chairman of the Egyptian Stock Exchange – the Commentator on the Keynote Speech.

Mr. Philip’s keynote speech was focused on the financial crisis and lessons learned. He highlighted the missing aspects of corporate governance in companies, which is the idea of director development in terms of board training. He showed his perspective on some of the background of the financial crisis, and gave an outline of some of the issues that arise from this background. At the end, he mentioned some issues concerning corporate governance which, regardless the crisis, are important to think about.

Dr. Mohamed Omran mentioned that corporate governance is not only about respecting codes and literally explain them, but it is a culture and a system of controlling the relationship between owners and executive management and all stakeholders. Thus, the more corporate governance is applied, the more society is benefiting. He noted that the main consequence of the current economic crisis is discovering the gap between corporate governance principles and their application.

The conference was composed of three sessions, the first one focused on the “Role of Internal Audit and Audit Committees in supporting Business Sustainability”. The moderator of this session was Dr. Hala El Said, Executive Director of the Egyptian Banking Institute. And the speakers were Mr. Khalid Deeb, Director General of Abu Dhabi Center for Corporate Governance; Mr. Hesham Guemeih, Director – Internal Audit Division at Piraeus Bank – Egypt; Mr. Mohamed Nassar, Group Internal Audit Director at Alfan Holding; Mr. Omar El Sayeh, Chairman of Barclays Bank Egypt; and Dr. Samir Hassan, Head of Internal Audit at Amer Group. The session discussed issues related to the internal audit such as the selection of the chairperson and members of the audit committee; the identification of the stakeholders and qualifications of committee members; meetings schedule; the effective communication between the audit committee and board members; the evaluation of the committee and the board; and the risk-based audit. Mr. Khaled Deeb discussed the role of the internal audit in sustaining corporate governance principles. He also discussed the role of the audit committee, based on independency and
objective evaluation of company’s procedures. He highlighted the importance of the audit committee as a change and education tool inside the company.

Mr. Hesham Guemeih mentioned the importance of the internal committee and its tasks and responsibilities, in addition to the role of the board in specifying clear authorities and responsibilities. He noted that there are steps of structuring the internal audit plan, according to a risk based method.

Mr. Mohamed Nassar discussed the role of the internal audit in fighting corruption. He talked about the corruption phenomena and the reasons behind this phenomena.

Mr. Omar El Sayeh gave an example on the role of the internal audit in banking institutions to be able to be sustainable.

Dr. Samir Hassan discussed risk-based audit committees. He explained that there must be a link between the audit committee strategy and the detailed objectives of company’s main objectives. He mentioned that there are challenges facing the committee in light of limited information.

The second session focused on the “External Auditors and Business Sustainability”. The moderator of this session was Mr. Graham Minter, OECD. The speakers were Mr. Mohamed Tarek Yousef, Principal Partner - Grant Thornton; Mr. Pietro Fioruzzi, Partner - Cleary Gottlieb Steen & Hamilton LLP; Mr. J. Christopher Razook, Senior Operations Officer at the IFC- World Bank Group; and Dr. Ashraf ElSharqawy, Senior Advisor of the Chairman at the Capital Market Authority.

The speech of Mr. Mohamed Tarek Yousef focused on the traditional and modern audit tools in banks and companies. He also highlighted the importance of the external auditor.

Mr. Pietro Fioruzzi’s was about forwards-looking statements and updates in times of crisis. He compared between the approach to the forward-looking statements of the United States and the European Union.

Mr. Christopher Razook explained the IFC methodology as defining the key dimensions of corporate governance. He mentioned that there are principles that should be encouraged in the environmental management control. In addition of the importance of having consistent standards

Dr. Ashraf ElSharqawy talked in his speech about the Egyptian Capital Market Authority’s auditors’ quality control unit and its authorities and responsibilities. He mentioned the international principles governing this unit, in addition to its structure and achievements

The third and last session of the conference focused on “Disclosure and Accounting Standards”. The moderator of this session was Mr. Mohamed Yehia, Partner – KPMG. The speakers were Dr. Anthony Miller, Corporate Transparency and Accounting Program – UNCTAD; Ms. Alissa Koldertsova, Policy Analyst, Corporate Affairs Division – OECD; Mr. Ahmed Ragab, Executive Director - Egyptian Transparency Center – Ministry of Investment; Dr. Djordija Petkoski, Head of the Business, Competitiveness, and Development team - World Bank Institute.

Dr. Anthony Miller focused on the auditing procedures and corporate governance disclosure. He mentioned that auditing functions are a cornerstone of corporate governance and that the disclosure of these functions is the key to building investor confidence. He noted that the disclosure of auditing issues is relatively poor in many markets. He also stressed on the fact that strengthening disclosure in Egypt, particularly in the area of auditing, remains a key objective.

Mr. Ahmed Ragab’s speech focused on the role played by the Egyptian Transparency Center in spreading awareness about transparency and anti-corruption issues. He highlighted the importance of having indexes that calculate the progress done by the companies concerning the implementation of anti-corruption and transparency procedures.

Ms. Alissa Koldertsova talked about the internationally accepted OECD standards of corporate governance and the importance of having accounting and auditing standards as well as benchmarking disclosure practices in Egypt and in the MENA region.

At the end of this session, the annual disclosure competition ceremony took place where the winners from different participating companies were awarded trophies for the best annual reports and websites. These companies were Telecom Egypt at the first place, Mobinil at the second place, and EGYTRANS at the third place. And the trophies and certificates were given to the chairmen of these companies.
At the outset, we want to approach the strategy of Mobinil, which made it rank second in the competition for the annual disclosure prize.

We have a disclosure department responsible for making ongoing comparisons between the position of our company and other companies. Another of its duties is to reconcile the laws through which the company is operating or the general laws governing the work of private institutions. On the other hand, it does monthly as well as quarterly reviews to keep up with those changes, in addition to applying all updates for disclosure and to publish this on the company’s website. We also release annual reports in addition to monthly meetings for the presentation of our financial position.

How do you explain the decline from first to second place in the competition of this year?

Of course, I would prefer to maintain the first place, but I imagine that the difference between the two ranks is not great, and we are in a market that is full of moving variables, so you can expect more changes than that. Therefore, if there was a decline, it is a very limited one.

Some people imagine that disclosure is limited to only financial information. What is your comment about that statement?

Mobinil discloses non-financial information as well, such as its activities. Since Mobinil is a services provider company and rates of subscribers range around 45% of the market, we therefore allocate a portion of profits to activities. We are also working to provide social services such as health, education and culture services.

Mobinil is interested in projects and services that increase the rate of participation among employees, such as volunteer projects and convoys. By this is meant medical convoys and social convoys sent, for example, to contribute to the rebuilding or renovation of houses in the Egyptian countryside. Another example is our volunteers who help in schools in crowded areas such as Imbaba.

In addition, young people form working groups that present ideas such as “desert tourism” and “Laptop suitcase”. These youth groups were one of the most important and successful ideas and projects under the global “achievement” projects.

Are these programs still seasonal?

No. These are ongoing programs with specific plans, not seasonal at all. We have special programs for educational activities not just during the school year.
How do you balance between disclosure and the company’s red lines?
There are many matters that are disclosed, such as financial results: quarterly, half annual and annual results. But there are investors who interfere in the details to find out more, and here we enforce red lines to preserve trade privacy and competition. But all results are generally disclosed.

Do community, market conditions, competition, and the future of service help this trend toward disclosure?
There is no decisive answer to this. I would say yes and no at the same time. Yes, as the market is still promising, and there is an increase in services, income, and the number of consumers, and the company continues to grow. But no, when we segment the market to business, geographical areas, and the company continues to grow. But no, when we segment the market to business, geographical areas, and the company continues to grow. But no, when we segment the market to business, geographical areas, and the company continues to grow. But no, when we segment the market to business, geographical areas, and the company continues to grow. But no, when we segment the market to business, geographical areas, and the company continues to grow. But no, when we segment the market to business, geographical areas, and the company continues to grow.

How does Mobinil, the first mobile telephone company in Egypt, maintain its position on top?
Mobinil is the only mobile telephone company listed on the Egyptian Stock Exchange. Of 11,000 shareholders, 99% are Egyptians, though a small proportion of foreign investors are involved.

The majority of the company owners are Egyptians, and you can see that the second part of the company’s name is the name of the Nile River, with all its emotional implications.

This is in addition to the sophisticated services, network quality, and advanced technology, along with special emphasis on customer service.

What about companies’ evaluation reports?
These reports disseminate awareness and disclose corporate services in a clear and unbiased manner. The advantage of such reports is that they regularly re-measure performance nationwide. They are objectively dealt with, as they are issued by neutral authorities.

There were some reservations on the establishment of a third mobile telephone company. Do you have any comments about this?
There were two companies providing a good service, prices were not as now. The emergence of a third company led to competition and improved services with lower prices. Therefore, I did not have any reservation on the establishment of the company, for now we have diversity of services, lower prices with technological growth, and all of these are positive effects.

How did the problem of shares acquisition affect the company performance?
I would imagine that the dispute between “Orascom Telecom” and “France Telecom” will not lead to significant negative effects, and I think that this partnership is good for Mobinil as each of them has its own particular experience. Orascom is able to utilize its experience in developing countries in Middle East and South Asia, while France Telecom has experience in commercial distribution and technology.

How many employees are in the company, how are they being trained, and what about the size of investment?
The number of employees in the company ranges between 3200 and 4000. Training of personnel is a continuous process, and we pay 1% of revenues to the State for the purpose of training and qualifying. As for the budget, it is reviewed every 13 months.

What are the characteristics of a successful manager in your opinion?
The success of any manager is based on how to manage. He/She must love people and be happy with himself, and to listen more than speak.

When should one be a democratic director and when a dictator?
He/She must be democratic at all times and to be able to understand people around him. If each individual is in the right place, he/she shall work without the need to be a dictator.

What does modernity mean to Mobinil?
Modernity is when mobile telephone networks are different from the TV networks or other devices, when there are four thousands sites, when state-of-the-art technology is adopted, when the company is a good, reliable network.
In line with the continuous cooperation between the Ministry of Investment’s Egyptian Institute of Directors (EIOD), the Egyptian Stock Exchange, and Misr Clearance (MCSCD) which has aimed to create a national environment promoting the principles of corporate governance (CG) and corporate social responsibility (CSR), new efforts are being made to design a special index for corporate governance and corporate social responsibility (ESGI). Such an index is desirable in order to study the degree of consistency of the companies’ strategies with the State’s development goals and to evaluate the companies’ performance at the basic elements of good governance, protecting the environment, participation in societal development and the anti-corruption efforts, in addition to protecting the rights of all company’s stakeholders.

The understanding of CSR has greatly evolved in order to reach the current index concept due to belief in: The possibility of measuring business performance using environmental and social standards in a method similar to financial standards.

The close relationship between the ESG application and future financial performance (either long- or short-term).

**ESGI Constituents:**
Companies’ volume of activities is ignored, and only the EGS performance is taken into account.

The index structure differentiates between the levels of performance and profitability based on the standard capital market and the levels of performance and profitability based on the ESG index.

The last three years are fixed as the “comparable period”.
Companies are ranked in descending order, based on degrees of EGS performance.

In order to stabilize the companies constituting the index, no companies are to be de-listed during the year in case its degrees dropped by 10% or less, compared to the year in which the company was first listed on the index.

The index is to be annually restructured on the first business day of the year.
Results are counted for the index companies, which are annually selected from 70 companies. The index companies are quarterly evaluated in order to adjust their rankings.

In case degrees of one of the index companies are adjusted, then its index weight will be decreased or the company is to be delisted if necessary.

In case an index company was de-listed during the year, then no other company is to replace it during the year. The index will be counted without the delisted company.

**ESG Evaluation Model**
It is possible to identify a group of measurement elements by which the company’s ESG performance is evaluated:

-the degree of disclosing the ESG policies.
-the degree of complying with the CSR and CG principles.

Based on the above-mentioned criteria, the methodology of companies’ evaluation of ESG performance will be as follows:

**Pyramid Base: Disclosure & Transparency:**
Pyramid Middle: Quantitative Evaluation

Analyzing the information and data collected from independent sources (NGOs, NG Media) and also the company's sources (website and CSR reports).

Pyramid Top: Relationship with Stakeholders

This is to be evaluated through a tailored survey.

127 indices of CG disclosure
70 indices of CSR disclosure

Inquiries & Surveys

Community, government, media, and company statements

Annual reports (and also other reports) issued by the company/70 indices of CSR disclosure
Focus on Narrow Measures
Prior to the financial failure, many Western financial institutions used a system of monitoring risk which focused on daily measures. However, this narrow focus led to severe problems when assets couldn’t be sold quickly. This method didn’t actually measure risk at all; it poorly predicted an institution’s actual overall financial health. While many companies thought they were well off with only a few risks, they were actually in far worse trouble than their measurements showed.

Disregard of Knowable and Concealed Risks
Risk management is dependent upon discerning which risks are the most volatile, and dealing with these accordingly. When risks are ignored, disastrous results follow. This scenario was played out with many Western financial institutions which mismanaged risk by

Lack of Communication
Communication is a key factor. As was the case with the West, no matter how advanced a company’s risk management software or capabilities are, if this knowledge cannot be clearly translated to its Board of Directors and Chief Executive Officer (CEO), failure is the only possible result.

Failure to Manage in Real Time
Risks are in a state of constant, daily fluctuation. When institutions view risk management as a task rather than a process, they face severe repercussions. This is exactly what happened to a large number of Western banks which failed to consistently monitor their evolving risk profile. Sudden fluctuations in the market were ignored, neglected, or noticed too late, leading to severe repercussions.

Capital Reserve Requirements
One of the leading factors behind the mismanagement of risk experienced in the Western financial sector was the lack of adequate capital reserve funds. In many instances, increased risk led to increased profit. However, instead of saving this profit as capital, the money was distributed in the form of bonuses to top executives and managers. When these risks began to falter, there was no back up, leading to the turmoil currently being experienced by financial institutions across the globe.

Risk Management in Egypt
Within Egyptian financial institutions, the implementation and focus on risk management is still in development. Nevertheless, the importance of risk management cannot be overlooked. After a 50 percent rise in net profit, Egypt’s National Societe Generale Bank (NSGB) stated that to continue on a path of productivity, they will continue to focus on risk management. Likewise, Ahli United Bank Group made risk management one of its main priorities after buying Delta International Bank in 2006.
And, unlike the West, Egypt is better positioned to successfully implement risk management procedures. The top three reasons for this are:

- **Risk management is young.**
- **Adherence to Basel II.**
- **Islamic banking.**

**Risk Management is Young**

In Egypt, risk management is still a fairly young science, only gaining wide acceptance within the last few years. Although this poses a few problems, mainly, that risk management knowledge is still developing, it also allows for many advantages. Without an existing foundation, risk management in Egypt is better able to evolve with the times and address the current and future risks that challenge the industry.

**Adherence to Basel II**

Many U.S. institutions didn’t adhere to the strong capital reserve standards implemented by Basel II to employ strict laws and regulations specifying how much capital should be held to protect institutions from risks. Egypt, on the other hand, is Basel II based, and because of this, is further protected from one of the most important factors that led to risk mismanagement within the United States.

**Islamic Banking**

Finally, Egypt is populated with many Islamic banks, which allows for a clear advantage when it comes to risk management. While Western banks are mainly credit-based, Islamic banking is more reliant on an asset-based banking system. Because of this, Islamic banks do not have the same risks that conventional banks have, due to the fact that risk is largely a function of credit.

**So What’s the Risk?**

Although Egypt stands in a better position to avoid risk mismanagement than the West, there is still a great deal to be learned from the mistakes of others. Once risk management develops within Egypt, it will become susceptible to all of the same issues and problems that have recently devastated the Western financial sector. To prevent this, Egyptian financial institutions must develop quality training programs throughout the organization to help manage risk. What Egyptian banks and financial institutions need to remember is that although learning sometimes involves making mistakes, it is always better to learn from the mistakes of others, than from your own.

---

**Egyptian Corporate Responsibility Center**

Our mission is to engage, increase and empower businesses with responsible conduct and encourage their true commitment to the principles of United Nations Global Compact.

Junction of Salem Salem & Abdel Azim Rashid St., Aouza, Cairo, Egypt
Tel: 002-02-33352765/37482769
Fax: 002-02-37629028
Website: www.eiord.org
The internal audit profession was for many years neglected and ignored as being of little importance. It was tasked to persons with no aspiration or persons transferred from other departments for one reason or another.

The profession was conducted as a simple or low-level routine whose scope might include examination of invoices and daily logs, in search of any error here or there, lost documents or an unclear signature. As a result, the issued reports were ignored by senior and even medium-sized management.

But with the massive and rapid developments in the business world since the 1990s, especially after the serious collapse of several major American companies in 2001 which resulted in the American Congress issuing the Sarbanes Oxley legislation, the interest in the internal audit profession amazingly increased and the American Society of Internal Auditors became very active and was successful in attracting attention to the profession, its assets and standards.

Boards of directors and businessmen are now aware that they need an internal line of defense in order to follow up, test, analyze and then monitor the alarm bells ringing in a timely manner before any incident, and before the “disease” spreads in the body of the patient and treatment becomes difficult and costly.

Unfortunately, this interest and need from boards of directors and businessmen has not grown enough in the Arab world; it only tentatively appears in some international companies because the foreign partner is the one who requests a review of internal management along the lines of the parent company in Europe and America. Such upper level interest may also appear in a few large economic entities.

In general, however, the majority of local companies’ boards in the Arab region consider the establishment of the internal audit department pointless and without benefit for them. This occurs despite suffering long years of administrative disorder, absence of proper procedures, low or lack of profitability, liquidity problems, and financial deviations or thefts. Only a small number of companies --especially in Egypt and generally in the Arab world-- have established internal audit departments.

Man, by nature, is the enemy of the unknown. That’s why there might be an excuse for the owners of companies and the boards, as they do not know what an internal audit department can do for them, and what the internal audit profession can accomplish for the business community at large.

Imagine a sick person suffering from serious pain, trying hard to treat himself while avoiding seeking advice from a specialized doctor. Imagine how many attempts, and the amount of random drugs he would need to use to alleviate and mitigate the pain. However, bringing a specialist doctor would shorten the time and effort and lessen costs. Continuation of the policy of trial and error assuredly increases the vulnerability of the patient to increased risks, while he ignorantly believes he is on his way to recovery.

The qualified and experienced internal auditors, professional and armed with international certificates, are the companies’ doctors. They do check-ups and preventive tests, and they describe appropriate tonics and vitamins--for prevention is better than treatment and/or cure. If the disease is detected early, it may be eliminated before it spreads, even if it becomes a matter of eradication of poisoned parts, in order to avoid the contagion of other vital units.

Therefore, there is an essential duty that the internal audit department must complete, which is to identify itself by all possible and necessary means, in order to communicate with the rest of the company’s departments, including senior management, through the following channels:

Workshops and seminars.
Training courses about internal controls, business risks, corporate governance... etc.
Website and e-mail on the company’s internal network.
Awareness leaflets to be distributed to the departments.

These procedures aim to establish mutual trust and ensure the internal audit accomplishes its mission efficiently, easily and effectively.

"Good selection of working cadres in the internal audit is a key element in determining the extent of its success in the defense of the company, and the guarantee to its sustainability, despite internal and external risks."

No one disputes that all companies work to achieve the goals for which they were established. Whether profit-making companies or non-profit entities, boards of directors and managers are in constant need to find and identify the risks of the business they manage, and
which may prevent them from reaching their goals. However, in this context the means and tools vary according to the different cultures and references of the decision-makers, and in the absence of methodology or guidance, everyone may go astray.

Risk identification and assessment is the core role of senior management, to maintain the sustainability and the entity of the company. On the other hand, the presence of a method and a guide is essential, and these are, in my opinion, demonstrated in internal audit experts and specialists in the science of risk assessment and management. This leads us to the fact that senior management should seek advice from internal auditors in the development of a strong framework which enables the management to:

Follow up risks in all departments and on the company level.

Know the reasons of their occurrence, and Their impacts.

The internal auditor’s strong point appears when there’s a need to control the risks. By developing procedures for control and follow up, since they are specialized in the analysis and design of internal control systems, they can enable the prevention and control of errors, or irregularities and deviations in a timely manner.

Internal auditors are characterized by their ability to follow up the progress of work in the company. They are completely dedicated to the test, the evaluation, the access, the analysis, the reach of results and the development of solutions, as well as the follow-up of their execution. They are thus prepared to update the management on the company’s situation, the problems it faces, and the degree of discipline needed in the application of its policy and regulations.

It might be said that senior managers are able to perform this task within their daily work. Be assured, however, that this is quite difficult because the burden of detailed daily operational and communication problems between departments, problems in dealing with suppliers, customers, banks, government agencies and contractors, constitute an obstacle when compared to what auditors are able to provide. The ability to study, mediate examine and analyse, is available to internal auditors because they are independent and not required for any operating functions within the framework of the routine work of the company.

Similarly, it may be remarked that external auditors (legal accountants), or external consultants are able to accomplish such a task. This may be true, but only for a limited period of time equal to the duration of the assigned task. In addition, they are not dedicated to one customer—they are committed to a specific time and a specific cost of work which cannot be exceeded during the advisory service. On the contrary, full-time internal auditors can fully service their companies regardless of the degree of depth it requires, in terms of time and effort, for the completion of the audit examination or analysis.

Then what are the specifications required for the internal auditor in order to be eligible for the role of Senior Advisor to the management, and the basic reference for guidance and awareness to all departments?

The Internal Auditor, in order to be convincing to the management and the surrounding business community, should be:

1. Academically qualified by professional certificates
2. Possessing the following basic skills:
   - Communication and presentation skills
   - Report writing
   - The analysis of problems

and their resolution through a scientific method
- The ability to make decisions

3. Keen to ongoing training in various management specialties
4. A good monitor for the various sources of public education (a minimum of daily newspapers),
5. Characterized by good personal qualities, such as courtesy and good appearance.
6. Knowledgeable of various sources of public information, in specific daily newspapers.

In this regard, it must be noted that the department should have a role in the search for such a model of auditors, then a delayed role in the maintenance of its existence if it is serious about the treatment and prevention of future problems.

The key to the gate of the treatment and prevention is essentially in the hands of senior management, which must ensure the establishment of a working environment characterized by the following:

1. Transparency and disclosure
2. Design and implementation of an easy and practical organizational structure, comprehensive for all the departments
3. Autonomy and adequate support for the Department of Internal Audit
4. Composition of a strong and effective Review Committee
5. Foundations of corporate governance and the training of the staff, according to their different levels, on its concepts and requirements.
6. Good and fair practices of the policies and the applications of human resources
7. Decentralization and delegation of authority
8. Training and development of staff and workers.

9. Effective and continuous channels of communication between the different administrative levels, and the consolidation of the principle of “open doors” to senior management, to ensure the non-isolation from the company’s activities.

10. Activated code of ethics and professional integrity.

In the end, the human element was, and will continue to be, the key player in the system. Physical or technological means alone will never be the key to success, no matter how abundant they are.

Therefore, good selection of working cadres in the Department of Internal Audit is a key element in determining the extent of its success in the defense of the company, and the guarantee to its sustainability, despite internal and external risks. In fact, it can be not only the first, but also the last line of defense.
Creating an Effective Board for an Islamic Bank

The board of an Islamic bank is no exception. In any bank, the board cannot perform its role effectively if its members do not have a reputation for moral integrity and are not technically qualified. They must be aware of the risks and complexities involved in the banking industry. In an Islamic system, they must have the additional qualification of being aware of all Islamic teachings related to business and finance.

The board, CEO and management team should develop a clear understanding of the board’s role, responsibilities, authority and organizational relationships. Lack of clarity and/or misunderstanding of the role of the board often lead to governance problems.

• Clear vision, strategy and corporate values. This should be done through rigorous and diligent oversight, establishing Shari’ah compliance and the corporate values, vision and strategy that will direct the activities of the Islamic bank. The board of Islamic banks, in particular, should set the “tone at the top” that establishes a culture of high ethical standards, integrity and professional conduct.

• Support and leadership of the CEO. The CEO should be committed to building a strong governance structure meeting materials, and taking minutes. This simple support model is largely inadequate today. The quality of board performance is enhanced by top-quality staff support. For some board committees – such as the audit committee – independent advice and counsel by persons or firms with direct responsibility to the committee is very important.

• Adequate resources to assist the board and its committees. It is not possible for a board or its committees to function efficiently without staff and logistical support. Boards need good secretarial, technical and consultative assistance. Unfortunately, in many banking organizations, support is still limited to scheduling meetings, packaging and mailing existing infrastructure and be prepared to invest more resources to support the board and its committees.

• Ongoing access to important information. Effective boards should have well-constructed board and committee agendas that focus the members time and energy on key governance priorities. The board should receive accurate and relevant information (not excessive and/or unanalyzed data) in a timely fashion. They also require board and committee agendas that are linked directly to key strategic issues and governance priorities.

Effective board meetings should focus on matters that involve interactive deliberations, rather than passive listening to

Key features of Effective Boards in Islamic Banks
• Clear Understanding of roles and responsibilities.
• Solid board development program.

The concept of “board development” is not defined consistently in either conventional or Islamic banking organizations. A comprehensive board development program should include the following:
• A constant process for measuring the board’s changing needs for expertise.
• An active effort to attract board members who can meet those needs.
• A well-planned orientation program for new board members.
• A comprehensive, needs-based board education.
• An ongoing board evaluation process.
• A “governance committee” to take responsibility to oversee the board development program.

• Adequate resources to assist the board and its committees.

“The CEO should be committed to building a strong governance structure and practices.”

Hany Abou-El-Fotouh
Director Policy & Corporate Affairs/Board Secretary – CI Capital Holding

Articles
presentations. Moreover, they should use “consent agendas” for routine items that require formal board action but no deliberation, and for which the essential information can be read before the meeting. Board meetings should not start with routine reports, which is often boring and a waste of the board’s energy. Effective meetings also minimize repetition of matters that can and should be handled at the committee level. Board committees can be designated to perform certain functions on behalf of the board as long as delegation of responsibility and accountability are clearly defined.

- **Sound board culture.**

  A Good board culture is characterized by proactive engagement of its members, a consistent pattern of constructive dialogue and debate, and lively decision-making processes. Effective boards should be inquisitive and dynamic in carrying out their fiduciary responsibilities. Many boards have developed a culture of passivity but they should be engaging in active, independent and informed oversight of the bank’s business and affairs, including its senior management.

  All boards have a culture that has developed over time and each culture has many elements. Governance cultures vary to a great extent from bank to bank and strengthening that culture is extremely important to improving board effectiveness. Banks whose boards are involved, interactive and proactive are more likely to perform better than similar banks with less engaged boards.

**Suggestions for board members and CEOs**

  Boards who share a commitment to improving the quality of governance may wish to consider the following steps. They are encouraged to initiate and complete a serious examination of their board, including how it is organized, what it does and how it does it. To be useful, such a review should be close and thorough. This requires a strong board chairman and CEO leadership, the board’s willingness to look at itself objectively, and readiness to make changes.

  Directors need to reflect on their review findings and decide what kind of board they want to have and what it will take to achieve that vision. Boards and CEOs should set clear priorities and timetables for strengthening their governance. The priorities and timetables for these changes should be practical; responsibilities and expectations should be clearly defined, with specific target dates for progress reports and formal recommendations. The board chairman should assign Long-term responsibility for building (or refining) a board development program to a standing committee (preferably a corporate governance committee). Board development should be viewed as an ongoing process.

  Relate the remuneration of directors to their performance in the way required by Murabaha contracts. The directors should be compensated for their actual expenses and not be entitled to a fixed fee. The remuneration should be a certain percentage of the profit made by the Islamic bank, if the bank has made a profit. If the bank takes a loss, the directors do not get a fee for their management services, as in Murabaha contract. This should be clearly specified in the terms of the appointments of directors.

  Strong leadership by board members and strong support from the CEO and management team are essential. Effective governance is rewarding in many ways, but it is hard work and requires sustained leadership and organizational support. Boards that embrace a real commitment to continuous improvement and that invest the necessary effort will increase their ability to provide effective governance for their organization.
In 2005, the Arab Bank Group received a 24 million dollar fine after failing to comply with AML regulations. The United States Office of the Comptroller of the Currency (OCC) and the United States Financial Crimes Enforcement Network (FinCEN) found the Arab Bank Group guilty of violating the U.S. Bank Secrecy Act (BSA). The Jordan-based Arab Bank Group, which was operating a branch in New York at the time, was charged for not reporting suspicious and/or large transactions, as required by the BSA. The fine was imposed shortly after the OCC ordered the Arab Bank Group to take steps to preserve asset levels, pay off depositors and improve internal money laundering controls. The Arab Bank Group claimed that it applied appropriate AML controls to its direct branch customers, but was unaware that the same laws applied to wire transfers, for which the Arab Bank Group acted as an intermediary. In addition to the fine, the Arab Bank Group was forced to turn their New York branch into a federal banking agency, prohibiting the Group from conducting wire transfers.

The Arab Bank Group’s situation serves as an example for the many challenges that institutions encounter in their compliance efforts. Egyptian financial institutions can use the points below as a guide to remain complaint and prevent money laundering.

**The Global Significance of the Bank Secrecy Act (BSA)**
Passed in 1970, the BSA is intended to protect financial institutions from being used as intermediaries to hide the origin and movement of criminal funds. The procedures and processes outlined in the BSA govern everything from wire transfers to information sharing. Compliance with the BSA is essential for companies doing business within the U.S. or using U.S. currency.

**International Money Laundering Standards**
The Financial Action Task Force (FATF) is an example of an international organization that plays a significant role in money laundering prevention. The FATF has issued two sets of money laundering regulations with international reach. The FATF’s Recommendations outline the basic processes and procedures that institutions should follow to protect themselves from money laundering. The Recommendations have been integrated and implemented in countries all over the world as AML best practices and even law.

Egypt is not a member of the FATF; however it is a member of a FATF-style organization called the Middle East and North Africa Financial Action Task Force (MENAFATF). The MENAFATF provides similar guidelines and regulations to the FATF.

**Identifying and Defining Money Laundering**
Money laundering in its most basic form is the attempt to conceal criminal proceeds. Most countries recognize three different forms of money laundering: placement, layering and integration. Placement is the process of physically placing bulk cash derived from criminal activities into the financial system or legitimate commerce. Layering is separating of the source of cash from its criminal origins by passing it through several financial transactions. Integration is the process of combining illegal funds with legally obtained funds and providing a legitimate explanation for its ownership.

**Preventing Money Laundering**
The best method of prevention is to train all employees on the laws and regulations governing AML with regard to their positions. AML training serves as a twofold purpose in terms of immediate and future prevention of money laundering.

Egyptian law requires institutions to establish an internal system to ensure compliance with money laundering legislation, as well as a detailed system of reporting requirements and what qualifies as money laundering.

**Importance of Customer Identification**
Customer identification processes included in the BSA, and most other global AML regulations, assist institutions in recognizing both a customer’s normal business activities, and conversely, highlighting attempts at suspicious transactions.
Egyptian legislation outlines requirements for Know Your Customer (KYC) programs which dictate the mandatory documentation each customer and/or entity must provide in order to conduct business with the institution.

**Reporting Money Laundering**
Egyptian law requires suspicious transactions to be reported using a Suspicious Transaction Report (STR). STRs must include certain information including the nature of the transaction and parties involved, as well as how the suspicious transaction was detected. STRs assist governments in criminal prosecution purposes by providing clues to the evolving patterns of money laundering schemes.

**Reporting Bodies**
In most countries, STRs are sent to reporting bodies classified as Financial Intelligence Units (FIUs). The job of most FIUs is to receive, analyze and distribute reports of suspicious transactions to various government regulatory bodies.

Egypt’s FIU, the Money Laundering Combating Unit (MLCU) is charged with not only the basic roles of an FIU, but is also responsible for creating customer identification standards and educating the public and financial institutions regarding money laundering.

**Foreign Relations Risks**
The BSA restricts U.S. financial institutions from establishing, maintaining, administering or managing a correspondent account for a foreign shell bank. Institutions must also ensure that accounts held with foreign financial institutions are not being used for criminal or illegal purposes.

Similarly, Egyptian financial institutions must abide by this regulation if they have branches in the U.S. or relationships with U.S. banks. In general, when starting a relationship with a foreign financial institution, it is vital to ensure that the institution has adequate bank secrecy and AML regulations and is compliant with those outlined by its country’s government.

**High-Risk Relationships**
High-risk customers pose a heightened risk of money laundering due to the types of transactions they use and the type of business they conduct. Examples of high-risk customers include Politically Exposed Persons (PEPs), non-residents, private banking customers and those who frequently conduct non-face-to-face transactions.

Egypt’s AML laws stipulate that extra caution must be taken by Egyptian banks when conducting business with high-risk customers. In addition to high-risk persons and entities, some relationships in certain geographical regions are considered high risk. Conducting business with institutions that lack adequate AML procedures or governments with unstable financial systems pose a threat to the bank.

**International Cooperation**
The fight against money laundering has evolved in recent decades due to an increase of cooperation and information sharing between nations. For instance, when FinCEN receives a report of a suspicious transaction, the information in that report is forwarded to the appropriate authorities for further investigation. FinCEN can also receive a request from a foreign entity for information regarding suspicious transactions.

In Egypt, the MLCU receives and shares reports of suspicious transactions. If the MLCU receives a request from a foreign entity regarding a money laundering report and if Egypt has an agreement with that foreign entity, the information is shared.

Money laundering continues to evolve with the financial climate. This evolution must therefore be reflected in the laws, regulations and guidelines that govern. It is vital for financial institutions to understand their domestic AML requirements, as well as the legislation regulating AML in the countries with which they have relationships. Education continues to be the best form of prevention.
Banks’ BoDs and the Financial Crisis

There is no doubt that the global financial crisis has been a shock that strongly wobbled the thrones of many venerable banking institutions. We have seen in recent months many of the repercussions of that crisis, such as changing the ownership structure of some of those banks and government intervention to save others. The world is still learning the lessons of this crisis, which will inevitably affect this vital industry forever.

In an attempt to draw lessons from the current crisis, and also to develop some guidelines to avoid similar crises in the future, the Global Forum for Corporate Governance held the first meeting of the Consultative Group set up by the Forum to discuss the implications of the financial crisis on banks. The meeting was attended by 24 corporate governance and banking experts worldwide. Egypt had the honor to attend this conference and was represented by the EIOD and the Egyptian Banking Institute. Since this meeting was the first, talks touched on a wide variety of topics in order to be discussed at the meetings to come.

But there were many lessons which have already become clear from these discussions, which largely focused on the boards of directors. The entire audience agreed on the importance of careful selection of members of banks’ governing bodies who have the appropriate expertise, as well as the seriousness and enough time to carry out membership functions. New members of the board must also be given “Orientation” about the bank, the nature of its work, products, branches and so on in order to be able to contribute effectively in the decision-making process. In addition, cooperation and communication between executive management and the board is essential to the success of any bank in predicting a crisis and dealing with it. This does not diminish the importance of a good regulatory system, and specific performance indicators for executive management to enable the board to deal efficiently with the management.

In a number of banks that failed due to the crisis, there was a clear weakness in the selection of independent board members such as the selection of unqualified celebrities or the elderly over eighty years of age. The nomination of independent directors was often left to the CEO, who was not keen on the nomination of independent, qualified members. Therefore, a more positive role must be played by shareholders and investors in order to control banks’ activities and to question the accountability of the board.

The chairman of the board plays an important role in the success or failure of any bank. In a study by “Nestor Advisors” on the performance of the governing bodies of 25 European banks, it was discovered that banks headed by experts in the banking industry resulted in much better results than those headed by non-specialists. It is obvious that a bank must understand all financial products provided by the bank and the degree of risk associated with each of them. Though to separate between Chairman and Managing Director is not always the optimal situation, it should be understood that the managing director may become the Chairman of Board and not the other way around. As for the non-executive board members, they must become familiar with all laws and regulations governing the work of banks, and they must understand their duties and responsibilities. Furthermore, the banks’ audit committees should play a vital and important role in the verification of effective internal control systems, therefore they must be aware of the technical work of the bank, its products, and the risks associated with each of them. There was also a reference to a study prepared by the INSEAD University, France, on the German banks affected by the crisis while taking the nature of ownership of these banks (public/private) into consideration. The study found that public sector banks have been more negatively affected because of the lack of seriousness of the board members and also because their qualifications were less than their counterparts on the boards of private banks.

Experts agreed that there was a clear imbalance in the risk management systems applied in banks that were hit by the crisis, to the extent that, in some cases, risk committees in those banks met only three or four times a year, while financial institutions that went beyond the financial crisis had good policies in risk management. Risk committees of those institutions sometimes met twice a week before and during the crisis. In this regard, auditors’ responsibilities and capabilities should be built to be able to audit and comment on the performance of corporate governance and risk management, and not only on the financial statements. It was also stressed that risk management and governance is not only a function of senior management, but there is a need for training middle management in banks because they have a role in application and in warning of malpractices in many cases.

Importance of information took a good part of the participants’ interest during the meeting where it was agreed that the board could not be left to the mercy of the executive management in the determination of what information should be obtained. There should be mechanisms for obtaining the information directly from the bank’s executive departments, including a plan to provide the board with full information as well as ways to check the information. In addition, this should be submitted in a form which serves and helps the board, provided that this is excessive in size, nor less than necessary.

One of the important observations made by some former bankers at the meeting was that the current crisis could have been avoided if new bankers had been more aware of the lessons learned from the experience of the thirties of the last century: Not to use any complicated financial instruments or products and to rely on cash and not on liquidity. Also, centers of directors are responsible for the provision of appropriate training programs for banks and all relevant parties, in order to provide an integrated governance system.

The meeting discussed in brief the experience of Brazil, where the law requires banks to establish audit committees with most members from outside of the bank’s board, which has adequately contributed to the experience of eight members, including from one to three members from the bank and the rest from outside the institution. The committee shall have the right to directly contact the auditor in case the board did not respond positively to the committee’s warnings. This is contrary to the experience of France, which prohibits the use of any bank from outside the members of the Governing Council of the committees for review.

Finally, there was a consensus that an obvious mistake being made during the current crisis is that countries and government are focusing on legislation and issuance of governance codes while neglecting control of the proper implementation of those codes.
Role of Banks:

New concept for an old meaning

Social work and corporate social responsibility are, for the State, civil society and various economic entities, new concepts of old meanings. Since the start of human existence, man has looked to the future, but found only co-existence and cooperation with others as a basis to ensure continuity and survival. This was the beginning of social work and concerted efforts of individuals, formed with the emergence of communities and evolved with the development of civilizations. With the advent of religions, social concepts became more developed in detail. The holy books are full of decrees that urge us to help others. Christians, for example, are taught to “do unto others as you would have them do unto you”. Islam focuses on social integration through the adoption of a set of religious “giving”, such as endowment, Zakat, and charity.

"Help one another in al-Birr and in al-Taqwa (virtue, righteousness and piety): but do not help one another in sin and transgression". (Quran-Surah Al-Maidah, Verse 2)

With the intricate development of interacting global bodies, such as the emergence of giant entities like multinationals, it has become necessary to develop criteria other than the standard of profitability through which companies might be evaluated. The most important of these are ethical and behavioral standards, without the abandonment of profitability goals. In the late nineties (20th century), the former Secretary General of the United Nations, Kofi Annan, launched an initiative which aims to activate the role of corporate social responsibility in the community. It was called the Global Compact and includes a set of 10 key principles which perpetuate the concepts of cooperation between the business sector and the communities in which they operate.

Banks and financial institutions in general, in the framework of this system, are to play a key role in the service of social goals alongside the economic goals. The increase of profitability while maximizing the equity rights of shareholders of a bank or a financial institution (the owners), assists the achievement of comprehensive development and influences the ongoing, long-term and desired goals and objectives. The change in the concept of the responsibility of banks and financial institutions has resulted in the recent emergence of social responsibility to be on the same level as economic responsibility. Similarly, the concept of representation of interests, which emphasizes the responsibility of the Bank’s management to take into account the interests of many parties, has evolved. New ideas include responsibility to clients and employees in addition to the surrounding environment of the workplace and the community as a whole. Thus banks and financial institutions (such as insurance companies) are believed to have more responsibility compared to commercial or industrial companies.

There are important indicators used to identify the success of a bank in fulfilling its role of achieving the overall satisfaction of the community, including the shareholders, in order for the bank to become socially acceptable. These indicators include, for example, an employment index, which measures the labor turnover and absentee rates as well as cases of delays and injuries. The community index measures the added value and the level of societal improvement, as well as measuring the ratios of the exhaust, noise, and waste, and so on, and the impact on the climate and the environment surrounding the workplace.

The State should encourage banks to allocate appropriate quotas for social finance. This may be done through the imposition of legislation or the enactment of certain laws, for example, taxes and duties. The development of tax legislation could allow either certain exemptions or reductions of taxes and fees, could encourage banks to contribute to social work, or could lower interest rates for financed social projects. In addition, attention is directed to the Social Fund for Development and its very important role in financing SMEs to contribute to the eradication of the most negative phenomena—high rates of unemployment in developing and least developed countries.

Financial institutions are responsible for long-term investment, a field in which private sector companies may be reluctant to be active and where there may be a part of its revenues from long-term investors. Housing projects, for example, and most of the old buildings in central Cairo are owned by insurance companies which lease units to individuals, families and businesses, a matter which could, if well-planned, contribute to the solution to housing problems.
Selling wave dominates: main index fell by 12.5%

Data stand until mid-July

A wave of substantial and progressive selling was recently witnessed by the Egyptian market. Last February recorded a selling high at 3389 points, but the peak was 6379 points mid-June. Though this action raised some eyebrows, many analysts were optimistic in light of the superior performance in most markets in the region.

However, there are no estimates for such a dream to continue based on a set of technical indicators in addition to the developments in the general economy as well as some unexpected events locally. Considering just two: The owner of a major real estate group in the country, Hisham Talaat Moustafa, is involved in a much-publicized murder trial. Also, there has been the problem of Mobinil vs. France Telecom. It seems only natural that a large combination of factors assisted in the corrective process of the market-which has indeed happened already!

The impact of the global financial crisis has been made clear through some of the indicators as reflected in the economy: rates have been declining in foreign direct investment (FDI), in some cases by as much as half, and increased the balance of payments deficits and, consequently, continued low volume of foreign investments in the Egyptian Stock Exchange. With volume given as around 6 billion Egyptian pounds, this is seen as small compared with the same period last year. But what provides some optimism is that the growth rates of GDP began to rise with low rates of inflation and cuts in the interest rate. It should also be pointed out that the majority of expectations and evaluations indicate an improvement in the financial performance of the major Egyptian companies. Since it is known that the components of the overall economy play a role in such assessments, it can generally be said that the investor still retains his confidence and hopes that things are bound to improve.

Closer look at market trading

What was the main concern of market analysts in determining whether the market had been seriously weakened as a result of the current spate of events? What has caused the market to alter prevalent trends seeing that such dramatic levels exceeded most expectations and raised fears of a repeat of last February’s decrease? Here we will try to answer these questions.

Market bounce

Most economists agree the reasons behind this decline in the Egyptian market in June may be attributed to both public and private sources. During the month of June, apprehension among investors prevailed towards the rhythm of economic recovery, particularly with the emergence of successive negative reports on the volume of industrial production and consumer confidence and unemployment rates.

The Dow lost 7.7% of its value before recovering again on the third day as the result of the outcome of the second quarter of 2009. This positive measure helped to allay some investor concerns, though we are still dealing with some suspens and caution in the atmosphere. At the level of public economies there has been a change in the composition of investors and the impact of depth on the performance of the market. By this is meant that the continued recovery and strength of the market depends on the continuity of the same pattern of behavior for investors. However, we find that Arab investors do not hesitate to draw the market down without having given an opportunity to other investors from other markets. Thus the sovereignty of the debugging process has been affected, with the addition of some groups of investors tending to waves of selling.

Perhaps the end of the second quarter of fiscal year 2009 will bring an important impact on the domestic market as well as foreign markets. There have been expressions of expectations following the completion of the imposed credit settlement, with the injection of funds to add additional pressure while the market is struggling to remain above the levels of support.

Expected in August

Emphasis will be put on the results of the second quarter of the year, that time being seen as a crucial element in determining the steady economic recovery with positive indicators. First, a low trading volume is anticipated during the summer holiday season as well as with the holy month of Ramadan, and yet it is expected that consumer spending will increase during this period. In addition, there is an increased volume of real estate and related activities—of which is reflected positively in the overall economy which will also continue to respond to fluctuations in world markets, especially with the continued publication of conflicting economic reports. Also expected during the month of August is a final decision in the trial of the former president of Talaat Moustafa Group - something that may affect the mood of investors in the the size and quality of transactions.

Checkpoints during July

EFG - Hermes

This company, ranked first among counterparts from companies trading in securities of Egypt, issued a report indicating that the market declined 1600 points since peaking in June.

Talaat Moustafa Group (TMG)

Expectations are that the stock might improve at the end of its association with the court case of Hisham Talaat Moustafa, causing a rise in share price performance in the real estate sector by 11%.

Gainers

Real Estate Bank (95.91, 63.3%)
National Housing (39.9, 79%)
Egyptian Real Estate Group (34.7, 51.5%)

Losers

Eastern Tobacco (113.0, 50.48%)
Pioneer tourist (98.09, 43.8%)
Orascom Development (374.3, 30.7%)

The most active sectors

Real estate: 4.7 billion Egyptian pounds. Household Products: 3.1 billion Egyptian pounds. Communications: 2.6 billion Egyptian pounds.

Oriscom Telecom

The problem between Mobinil and France Telecom had a negative impact on the market where the stock’s performance fell by 5.5%, with a general sector decline of more than 17%.

Talaat Moustafa Group

The problem between Mobinil and France Telecom had a negative impact on the market where the stock’s performance fell by 5.5%, with a general sector decline of more than 17%.

Talaat Moustafa Group (TMG)

Expectations are that the stock might improve at the end of its association with the court case of Hisham Talaat Moustafa, causing a rise in share price performance in the real estate sector by 11%.

Gainers

Real Estate Bank (95.91, 63.3%)
National Housing (39.9, 79%)
Egyptian Real Estate Group (34.7, 51.5%)

Losers

Eastern Tobacco (113.0, 50.48%)
Pioneer tourist (98.09, 43.8%)
Orascom Development (374.3, 30.7%)

The most active sectors

Real estate: 4.7 billion Egyptian pounds. Household Products: 3.1 billion Egyptian pounds. Communications: 2.6 billion Egyptian pounds.

Oriscom Telecom

The problem between Mobinil and France Telecom had a negative impact on the market where the stock’s performance fell by 5.5%, with a general sector decline of more than 17%.

Talaat Moustafa Group (TMG)

Expectations are that the stock might improve at the end of its association with the court case of Hisham Talaat Moustafa, causing a rise in share price performance in the real estate sector by 11%.

Gainers

Real Estate Bank (95.91, 63.3%)
National Housing (39.9, 79%)
Egyptian Real Estate Group (34.7, 51.5%)

Losers

Eastern Tobacco (113.0, 50.48%)
Pioneer tourist (98.09, 43.8%)
Orascom Development (374.3, 30.7%)

The most active sectors

Real estate: 4.7 billion Egyptian pounds. Household Products: 3.1 billion Egyptian pounds. Communications: 2.6 billion Egyptian pounds.
Gift from the Ministry of Investment to Cairo University

The land of Al-Ahram Beverages .. scientific research center

Launching a campaign to donate ... and corporate social responsibility is now part of the culture of

The Minister of Investment recently attended the dedication of a large piece of land to Cairo University. Located adjacent to the University, in an area referred to as “Bein El Sarayat”, the piece of land consists of 30,253 square meters.

Originally to be sold through public auction, contributions made by university professors for the purchase of the land, as well as the collection of 5 million pounds in contributions from all strata of society, enabled the auction process to be stopped and the land was bought at a nominal price. It was bought from the Holding Company for Tourism who donated the right of access to space for the University of Cairo for 99 years. Part of the ministry’s contribution for this gift was a pledge of 5 million EGP for assistance with financial expenses for a large consulting office specializing in design of Canadian universities.

Involvement by the Ministry of Investment was essential since the land was to be used in a plan to benefit the University by the establishment of an institution to serve the Egyptian community at large. Dr. Mahmoud Mohieldin directed research on the legal procedures necessary for investigating proper use of the land by the University of Cairo. Once studied, the Minister announced the establishment of a non-profit, founded under the auspices of the Ministry of Investment and with the support of the public enterprise sector companies as well as civil society organizations. These are all aimed at improving the quality of life and building community capital within poor communities and slums.

Dr. Hossam Kamel, president of the university, has said the plan for this land “Bein El Sarayat” consists of three phases. In the first, a scientific research center will be developed where each of the 150 units will be of special character to enable transfer of older work units from within the old campus directly to the new project, thus eliminating some sources of congestion in the university. The establishment of a Convention Center with its many uses, such as documentation, could employ as many as 500 people. These facilities would include a section for translation and printing, language learning as well as locations for access to and utilization of advanced technology. In addition, plans include establishing a hotel for the reception of delegations and foreign guests; completion will take two years at a cost of 200 million pounds.

The second phase includes plans for a home for hospitality for special guests such as visiting professors and some administrative buildings. In addition, there will be a much-needed 4500-space parking garage to help eliminate dense traffic and parking problems on the university campus as well as facilitate movement of faculty members.

The third phase is characterized by flexibility of design and purpose, according to new requirements and needs as accessed for the general extension of the University. As much as 30% of new development allows for green and open spaces for planned student activity.

The university’s president asserts that, in regard to the establishment of a hotel, garage, research centers, and the other facilities, the university seeks to absorb and apply modern concepts of the educational process that go far beyond the traditional concept of education as existing only in lecture halls and labs. This new concept also presents the modern theories of urban planning based on the...
use of land on campus. Academic use is only one of a number of possibilities based on a package of applications. Proper utilization of the campus design must also include the cultural and social uses (such as a student union building and social hall), and services (such as restaurants and cafeterias). Presently, these are confined in the current university to a surface area of only 500 square meters, while the actual requirement in accordance with the rates of the latest Global design, 3360 square meters are needed, not including special services and facilities as well as roads and parking spaces. Another appropriate example is the current parking space available on campus, which can accommodate (according to specialized studies) only about 1730 cars whereas premises to accommodate about 3400 cars per day are needed. It should be noted that the planned garage, in accordance with the vision of the project is an underground garage and not a multi-storied building.

The importance of the role of president of the university in the service to the community (education sector, students and the postgraduate studies and research) has expanded into the community service sector. Within the development environment, in addition to its community, it aims to integrate the research process and the educational process. This planned development on the new land will be a full sector of the University of Cairo, plus a group of centers and research units. Like the present campus of the University of Cairo, there will be direct centers of the University, such as the Center for Community Service, Research Center for Development and Planning, the Center for Technological Research and Environmental Studies and others, a total of 16 centers. These centers or colleges of the university will number approximately 150. These centers are currently located within the college facilities, both within the campus or its annexes.

He explained that the philosophy of the planned transfer of research centers outside the university is based on three grounds. First, the transfer of research centers, which occupy several thousand square meters, will free that space on campus for the surrounding colleges, resulting in a possible increase in the academic bodies of the university colleges available. An example would be the required numbers of current and future students for either university or graduate studies. In addition, the provision of improved climate and environment-friendly facilities is essential for the growth and development of these research centers and the future in an integrated community. It is anticipated that at the highest levels of academic, scientific and technical levels, an area of 25 thousand square meters of buildings may be utilized. These research centers will exhibit respect for the principles of the economics of the assembly, which will contribute to rationalizing the use of services and infrastructure required.

Emphasis on the new vision and the current requirements of the project has contributed to the formulation of a group of specialists from the faculties of Engineering and the College of Urban and Regional Planning. They have put forward issues for discussion at the Council of the University including a general trend to guide the major users of the buildings and campus spaces.

Dr. Heba Nassar, Vice President of the University for community service, has agreed to launch a campaign next month in cooperation with the Ministry of Investment and the Egyptian civil society. This campaign will encourage businessmen to participate more and contribute to the completion of the project. It was also noted that the university will contribute through its own resources and contributions that have been collected and added to the contribution of the Ministry of Investment and the start of the first phase of the project. All authorities are now studying how to implement this campaign and will identify the best method to use in order to achieve positive results quickly.

Dr. Heba Nassar, before taking the post of Vice-President of the University, had prepared a study on the development of alternatives to land use and the expected proceeds of such exploitation on the basis of the establishment of two distinct areas. It will be necessary to achieve the required standards in international information and communication technology before proceeding. It was noted that the establishment of more central facilities would reduce the pressure on colleges, such as creating a supplement to the city’s student housing.

Presently, a students ongoing costs are covered through the exploitation of parts of other payments, but this situation could be improved upon establishing a system for a full-cost entrants. Other distinct objectives of that study aimed to encourage universities in the conduct of active scientific research through the provision of scientific programs and research designed for a number of outstanding students, distinguished researchers and qualified staff.

Information Technology
Dr. Nassar noted that the study underlined the need for Egypt at this time to pay attention to the revitalization of high-tech exports. She remarked that expected revenues for this could generate significant economic opportunities and distinctive work for these centers, many economic benefits, as well as supporting sectors such as information and communications technology. She also pointed out the need to support the human element in this sector so that they can catch up with developing countries ahead in this area, such as India and the Philippines. There has been an estimated annual growth rate in this sector in Egypt of 20% contributing support to the public treasury in the amount of 28 billion Egyptian pounds in about two years. Already seen is a rise in the volume of foreign investment and growth in the volume of exports by more than 50%.

Everyone involved must work hard to approach the target of quality standards in international competitiveness of higher education at the local level and international standards. She commented that authorities should take advantage of what has been learned from the plan carried out by the American University in Cairo, where the financing of its new campus has encouraged individuals to contribute to the construction of their new campus. This has been a basic tool in the promotion that is, the right of the donor to have one of the university buildings or facilities named after him for donating to the establishment. The university identified the value of funding for each component of the facilities of a new university campus and provided this in detail for those wishing to contribute to it.

Community participation
She said she has made several proposals to fund the construction of new land and found that the most appropriate solutions are business initiatives as well as the contribution of sectors of civil society. This would include any relevant partnership between the public and private sector to provide public services such as security, waste collection, in addition to the contract for the establishment of investment projects.

In a new experiment which the university will carry out in cooperation with the Bank of Egypt next month, a selection of poor villages located near the university will begin a transformation into a model community/village. This will be accomplished through a series of projects funded partly by the World Bank which will begin by upgrading the health of the population, their environmental awareness on topics important to their lives, the organization of literacy campaigns and the elimination of unemployment. These will all contribute to overall development throughout the community.

Other professors from the various areas have praised the successful experiences of the university, such as cooperation with the Social Fund for Development to train and upgrade the skills of the students and the financing of small projects. Note has also been made of the signing of a memorandum of understanding with the UNDP to achieve the Millennium Goals. In addition, cooperation with the Arab Banking Institute for the training and recruitment of students was mentioned. Dr. Heba Nassar invited all the institutions of civil society and business to support national projects that contribute to the development of society and the upgrading of the nation’s human resources.

For their part, many professors said that the project is especially appropriate for the renewal of a sense of belonging and national spirit for all. Long ago, Previously Princess Fatima donated her jewelry, money and land to build a university, a giant entity called the University of Cairo which became a beacon for learning for all.
Wealth might be destined, but success certainly does not come by chance, particularly in areas that are related to wealth and influence. Competition may become conflict, and either gain or loss could ignite war. Involved interests often do not accept but one outcome. The life story of the late businessman Mohammed Nosseir is a living example of this idea.

Mohamed Nosseir

The man who led Egypt into age of information technology

An engineer who grew up in a very politically aware family, he was obsessed by "business" even as a young man. He began his career at the age of 18 with the purchase of a farm at El Marg. Though he graduated from the college of engineering with excellence, he was not ashamed of working at a TV maintenance workshop in Bab Ellouk; he was the first to introduce computer sets to Egypt. He became the key Egyptian partner in Vodafone Egypt Co., the owner of Alcan Group Holding, and official agent of Renault and Kia. He fought never ending wars throughout his life--- from bankruptcy and a ban on travel in the sixties, until the last moment of his life in his latest project for the implementation of the Cairo Financial Center, known as Citadel Towers.

Raised to be a politician

Mohamed Nosseir was born in Cairo on the first day of September, 1937, in 1954 he completed his secondary education at El Noqrashy School, and then joined the Faculty of Engineering, Communications Department, at Cairo University, from which he graduated in 1960. Prior to 1952, specifically at the age of 14, he had dreamed of becoming a politician because his father was a member of the House of Representatives as well as the Constitutional Liberal Party. Naturally, daily conversations at home dealt with politics and political issues. But after the Revolution his dreams turned to the world of business. He started this career at the age of 18 when, as a first year student at the Faculty of Engineering, he bought a small plot of land in El Marg area. He grew cabbage and raised a small number of buffalos to trade in their dairy products. Tasks for this project had to be completed during the early hours of day, so that he could attend the first University lecture at 9 am. For his 1960 graduation project as a telecommunications engineer, he devised a system of telephone networks for lines between Cairo and Alexandria and which would also feed Lower Egypt and Tanta. Naturally, the project received an "A" grade.

Out of impasse

From 1967 to 1972 he established and managed the Computer Center of Al-Ahram newspaper as mandated by his close friend, the great writer Mohamed Hassanein Heikal, who had helped him through the banning crisis. After that he worked in many diverse areas such as oil and shipping. Indeed, he placed himself among the rich when the price of a barrel of oil increased in 1973 from 2 dollars to 14 dollars a barrel. He began in 1974 to work full time on his financial knowledgeable in the computers field, especially since the company had branches in Arab countries, such as Libya and Kuwait.

No travel

In the sixties Nosseir was banned from going abroad for a period of twenty months because of his relationship with one of the key men in the revolution, Abdul Latif Al Baghadi (known as "Al Baghdadi with a magic wand"). Charges were fabricated after he arrived from London on his way to Doha for the completion of a big business deal. Some of the persons around President Gamal Abdel-Nasser were afraid that Al Baghadi would get close to Nasser in one way or another. His guilt was said to be for "the overthrow of President Abdel Nasser, through contact with the enemies of the regime". After that, Nosseir was exposed to such distress that he was forced to sell his furniture before getting a job repairing TV sets in the workshop of Haji Abdul Al Raouf (1966). He was very proud of this period, later telling friends about the lessons learned during those dark days. The first was that each person is composed both of evil and good, and we must be intelligent enough to deal with the good part of every human being to balance what occurs throughout our lives. The second lesson was the necessity of variation of investments in preparation for such events as nationalization, which happened in the sixties.

A volunteer for the October War with a picture of Nasser in his pocket

Naturally, the project received an "A" grade.

After graduation

Directly after his graduation at Faculty of Engineering, Nosseir was one of the first Arabs to work in the U.S. Company IBM. The company discovered its need for an Arabic-speaking person
empire and established “Alkan”, taking advantage of the open economic policy initiated by President Anwar El Sadat after the October war. This group even had its own newspaper. Egypt, which branches in a number of countries, including Sudan, Kenya, Libya, Iraq, Saudi Arabia, Algeria, Burkina Faso, Sierra Leone, Niger, Dubai, Oman and Madagascar. There is also Alkan for Spinning and Weaving, Alkan Construction, Alkan Air, Egyptian International Automotive, and the Cairo Financial and Touristic Center. Mohammad Nosseir also founded the Egyptian British Businessmen’s Association in order to promote Egyptian exports and open new markets in the UK, as well as to compete more effectively in international markets. He chaired the board of directors for many years.

Computer and Internet
Mohammad Nosseir was the first to introduce computers and the Internet to Egypt and Lebanon, installing the first four computers in Egypt to be used in a university. He also played a role in the management of post boxes. This very successful initial project was especially important because of the large number of participants involved. After that the projects came fast and got larger. Computers were introduced to Alexandria University and Cairo University. Through competitive bidding, he obtained the first license to install telephones in cars in 1986- the number of participants soon reached an incredible 16 thousand subscribers. By the early nineties, when he acquired Pepsi-Cola at EGP 157 million, he thus became responsible for the first complete privatization deal in the history of Egypt. He received the company with its 4000 workers and soon added another 1100 workers. His role in the birth of the idea of privatization was immeasurable in the ensuing battles because of the lack of awareness of the importance of privatization. He whole-heartedly supported the principle of sale of government holdings and privatization. Similarly, he opposed government intervention in industrial and commercial matters, often remarking that it would be the private sector mentality which would create a competitive trend and capabilities for more innovation.

Mobile
As early as 1991 Nosseir proposed the first draft of a mobile telephone network, but circumstances did not support this bold idea. In another tender extended in 1994 he joined with 33 other companies to make the proposal again, but that tender was also not completed. Nevertheless, four years later, when another one, and Vodafone Egypt was announced as the country’s second network. It was the habit of Mohamed Nosseir to establish projects and then sell them because he focused on the idea until it became a successful accomplishment. “After that,” as he frequently stated, “I always find that there are people who can run it better than I can.” This happened several times, most recently with his Alcan Pharma, which was sold to a Jordanian group, and he also sold Vodafone. Mohammad Nosseir was a member of the NDP, but he was not interested in working in politics or entering any PA elections, being totally focused on business. He expressed that politics should not be looked at as some sort of protection, and believed that he was able to serve his country through being a financially successful businessman working on his own and not being served by a system of loans controlled by others.

Citel Tower

The late Nosseir was a stubborn person who defended well the causes he strongly believed in. When there was controversy over his hotel project in the citadel area he did not weaken or fall in front of the false accusations against him which had been raised over the years. He was prepared for the case and welcomed the People’s Committees at the project site to see the work for themselves and decide whether he was in any way harming Islamic monuments and antiquities. He even requested that the Egyptian Ministry of Culture bring a Commission of UNESCO to examine the project. He declared that, “The Citadel Tower is a project to establish a residential tower in the middle of the distance between the two most important citadels in Egypt. The first is Mohamed Ali Pasha Citadel (registered monument No. 455), established at the summit of Mount Makattam in 1810. The second is on the face of Mountain Citadel (registered monument No. 556), which was established by the Sultan Al-Nasser Salah al-Din Yusuf ibn Ayyub between 1176 and 1207. The project was approved by former Prime Minister Atef Ebeid on 29/10/1999, in the early days of his appointment as a PM.

Nasser Picture
Mohamed Nosseir asserted during an interview with Bara Batlahi (Make Yourself at Home) talk show, that the July 1952 revolution was the first step in the prosperity of the Egyptian economy. For that reason, he declared, “I am one of the Egyptian economy. For that reason, he declared, “I am one of the most important landmarks of Egypt.”

Helping Others
Mohamed Nosseir was the main sponsor last year for the 32nd Annual Cairo Film Festival, providing the artists and cinema industry with a beautiful and refined show that earned the event much international praise and acclaim.

Mohamed Nosseir also created and implemented a variety of charities, one of the last being the adoption of the idea of developing the Um Dinar village. In collaboration with the Board of Directors of Alcan Holdings, the Rotary Club, and the Governor of the Sixth of October City, a plan was established to provide the village with various needs at a cost of KAF Hegazy at Imbaba County, Sixth of October Governorate. Located on an area of 900 acres, the village is comprised of about 1200 houses, and 25 thousand people. Issues needing attention included 1500 illiterates, 2500 unemployed, 1000 needy women, 500 widows, and 300 orphans. Most villagers work in agriculture, specifically about 17 thousand farmers who constitute 70% of the total population of the village. Village problems occurring since Februrary were surveyed in collaboration with the Rotary Club, Sixth of October governorate, and Community Development Association of Um Dinar. The development plan of action includes awareness programs on reproductive health, how to protect the environment, as well as ways to educate young people about how to create employment opportunities and disadvantages of drug abuse. In addition, part of the plan included changing the drinking water and sanitation network in cooperation with the governorate at a cost of about 3 million pounds. The first stage of literacy already began with the opening of 20 classes for adults, while the three existing schools have been upgraded and their first computers provided. Furthermore, a system of daily cleaning and recycling the remnants of the village fields is being set up. This is based on certain kinds of agricultural crops that can be grown for feed for animals. Meanwhile, the health unit has been upgraded by providing a number of new medical devices as well as more doctors and specialists. The youth center has been upgraded to make it more appealing. Certain loans have been provided for needy women in order to begin their own businesses. Similarly, 100 families were selected after careful study, to be given 1000 pounds to establish their own businesses.

Mohamed Nosseir, the great businessman, died on May 22, 2009, after battling cancer for many months. His last three months were spent on a medical trip, moving between Britain and Germany, where he died. He leaves his son, Khalid, the responsibility of managing his giant business empire, especially after his retirement. He believed that businessmen should not move away from business into the art and engineering of decoration.
Corporate Social Responsibility (CSR) in Egypt is still in its early stages. Although its evolution has reached beyond the budding stage, the concept still has no specific unified definition and is still easily misunderstood. In fact, a number of impediments to CSR’s growth are now being pin-pointed and addressed. For many years now the different key players in society – NGOs, the public sector and the private sector – who are usually involved in CSR initiatives have had the same challenges and problems facing them. Some of these challenges and barriers are concerns about corruption, fear of impact on reputation (should something go wrong), different cultures, different goals, different ways of evaluating outcomes – in other words, they all speak different languages. In addition, these sectors often have negative impressions about each other. The sectors circulate in closed loops created by their accusations and blame towards each other.

Efforts are being made to open new CSR channels and create opportunities for more partnerships between NGOs or the public sector and the private sector. Organizations such as the Egyptian Institute of Directors and the American Chamber of Commerce contribute to these efforts by holding conferences, workshops and other events in an attempt to spread awareness and understanding about CSR, create networking opportunities, and provide a middle ground for matchmaking between all involved stakeholders.

When it comes to CSR, it is clear that the roles of NGOs, the public sector, and the private sector will not change in society. It is by nature that a corporation will want to make a profit and for an NGO to want to raise funds for the execution of development activities. What can and must change are the negative stereotypes that they have of each other. How can those images be changed and improved? How can a healthy environment be created and nurtured? What is needed is neutral and middle ground upon which all sectors can operate within their traditional roles, while at the same time finding ways to engage in CSR partnerships in order to maximize efforts, resources and benefits to society.

In reality, NGOs can be reliable private sector partners for CSR initiatives, provided that they are chosen using carefully selected criteria. There are over 25,000 NGOs in Egypt; of those 25,000, just under 1,000 are actually active. For those NGOs that are actually serious about implementing their development activities and actually do “mean business”, they should actually think like a business. For example, one of the major challenges facing NGOs today is the lack of know-how before selecting and approaching an organization. Sufficient research and background checking are necessary before contacting potential partners. An NGO should put itself in the company’s shoes and ask: what does a private organization want? Their needs and concerns should be anticipated before presenting them with a proposal in order for the company to realize that this approach was carefully planned and well thought out.

An NGO should also adopt certain selection criteria when considering a corporate partner. NGOs need to identify major industries and companies working in their area of operation, find out how that industry is doing, and if there is room for the company to further develop within the industry. The NGO should not waste time preparing a proposal if it is unclear that the company is capable of taking on a project, especially one that is not within its scope of work. Once the company has been identified, the NGO should take a deeper look into its structure. What is the company’s CSR agenda and track record? Who are they currently working with and why? Which of the NGO’s activities would benefit the company and how would the NGO benefit as well? Once all of these questions have been answered, a proper proposal should be developed, taking into account everything that has been uncovered during the research phase. If the NGO does not have sufficient capacity in proposal writing, it should seek outside assistance and perhaps outsourcing and additional capacity building for the future.

Corporations, on the other hand, will look for NGOs that have strong skills, strong links with the community, sufficient resources, a highly active profile, and a shared vision. Corporations should not be passive; they should keep an open mind and look for potential opportunities. Risk will always exist; corporations should not look for or start a partnership approach to diminish any factors that may cause failure before beginning a project. The combined effort will increase the success rate of the project. For those corporations which have successfully achieved sustainable partnerships, they should showcase them, share experiences whenever possible, and set an example for others.

By: Dr. Nader Nassif
Private Sector/ Corporate Social Responsibility Team Leader

In the end, there are certain key elements to take into consideration when engaging in a partnership. Sustainability and
win/win go hand-in-hand and are both key indicators of a successful partnership. Linking with potential partners with a common interest is essential in making and maximizing resources in a partnership; this paves the way to a win/win situation. Partnerships that offer significant wins on both sides will sustain the project and increase the chances of a long term working relationship. Both partners should bring something to the table, and both should invest significantly. Owning up to both sides of the agreement and showing commitment to the deal will also ensure success and sustainability of the project. An NGO should not expect a company to fully support it without mutual effort from the NGO as well. Both partners should be sensitive to each other’s problems and should be willing to compromise to accommodate each other. Trust and transparency are some of the most important indicators of whether or not a partnership will succeed. If these elements are missing, the deal should not take place as it will only lead to problems and eventually the possibility of failure.

Egypt is on its way to increasing its CSR track record. Although they may not have received the proper attention, there are many partnerships and initiatives that have already evolved here under the definition of CSR. What is needed now is a conscious effort to increase transparency in order to avoid pre-judgment of prospective partners which will only result in missed development opportunities for Egypt.
Towards a “Business Case” for CSR in Health

Health represents the real wealth of any community and is the definitive measure for development. Healthcare represents one of the biggest challenges because of its complexity and the need for relatively high technical facilities as well as highly trained personnel. Healthcare stakeholders are many with involvement of many industries and complex interdependence between them.

Many companies have health and education as the top two priorities for their corporate social responsibility (CSR) activities though many have limited their CSR activities to donations and/or supporting activities outside their core business. There are several problems with this approach to CSR. First, it creates a very passive dependent attitude by the poor. Second, donations limit the support in financial issues where all companies are equal, and neglect completely the core competencies of companies represented in their know-how. Focusing the CSR activities on the core business fields of the companies would make the poor benefit from product innovations, managerial skills, business experience and technical competencies of the company, rather than only its financial resources. The third problem with this approach is that CSR is seen through a social perspective rather than a business perspective, which makes it difficult to attract finance to it especially in times of crisis. Companies should have a proactive approach to develop the poor economies and deal with them as active markets, rather than having a reactive approach to their critical needs. The perfect model would be if CSR was able to generate profit. This would align both the humanitarian and business approaches in the culture of the company and would put CSR as a priority of top management. In this article we are trying to explore the concepts of market-based approaches to CSR and their implications for health while looking for possibilities of successful business models for the healthcare sector that would be able to help the poor.

If we review the health CSR activities in Egypt, we will find out that they are more or less sporadic. Companies with their core business in the healthcare sector can be classified into pharmaceutical companies; health supplies and technology companies; health insurance companies and managed care organizations; healthcare providers (clinics and hospitals). Despite the fact that these companies are the key players of the industry, there is little focus on their CSR activities. There are some exceptions such as activities sponsored by pharmaceutical companies like awareness campaigns, outreaches and drug subsidies. On the other hand, there are intensive CSR activities of companies not working in healthcare, which frequently have little relationship to their core business. Companies should start focusing on their core business while doing their CSR activities. The role of the key players in the healthcare sector should be highlighted.

These companies should work on pro-poor products and business models. For example, pharmaceutical companies might work on creating generic and cheap drug formulas, free patent rights, create outlets to improve accessibility of the poor to drugs, create drug financing schemes for the poor and invest in research for drugs important for national health problems. This would help these companies to have a share in new market segments and would help the poor in accessing affordable drugs. Health insurance companies could try to create more inclusive health insurance schemes and work on micro health insurance models. Hospitals might create outlets in poor areas, invest in awareness campaigns, outreaches and drug subsidies. On the other hand, there are intensive CSR activities of companies not working in healthcare, which frequently have little relationship to their core business. Companies should start focusing on their core business while doing their CSR activities. The role of the key players in the healthcare sector should be highlighted.

In conclusion, companies should change their mind-set towards pro-poor investment models and responsible business, rather than charity. They should have more bottom-up innovation in the fields of health. There is a great need for market-based research to find out pro-poor business opportunities and help companies to invest in them, as well as intensive training on CSR within the companies. Efforts should be made to direct the companies in investing their know-how and experience in serving the health of the poor. More coordination is needed between the corporate citizenship and business development departments within the company to create business models that would be beneficial for both the poor and the company. There should be intensive communication between different stakeholders of health in Egypt to coordinate CSR activities in an efficient way and create synergy between different industries in addressing health problems of Egypt to maximize the outcome for the community.
The past three years have witnessed continued success of corporate social responsibility (CSR) initiatives, revealing the concept as it evolves in the Egyptian context. Despite its brief history, CSR ignited a microcosm of discussions around the macro problem of how to intensify the development process in Egypt. Much research has been conducted to study this phenomenon and provide corporations with directions on how to adopt CSR and hence participate in the country’s development. These various research studies are empirical and should be ongoing since they illustrate the evolution of CSR and highlight how companies can move forward. This article summarizes the outcome of this research and offers a model through which corporations can strategize the CSR concept as a source of progress for both the company and the community.

The fast evolution of CSR indicated that it is not a new phenomenon. Egypt has a powerful tradition of giving practiced in both the Christian and Islamic faiths. Businessmen played a vital social role and had a long history of philanthropy. In recent decades, globalization has created a crucial need for companies to develop their competitive edge, yet it is becoming essential for businesses that strive to be sustainable to have the right reputation.

Multinational and large local companies began to realize that focus on the brand is no longer enough; enterprises need to be distinguished by the role they play in the communities where they operate. Linking their businesses to the moral case for CSR has become vital.

Affected by the culture of giving and the globalization trend, variation in defining CSR and differences on how companies adopt the concept were noted among corporations depending on their size and form. For multinationals and many large local companies, CSR is generally understood as a company achieving a balance between economic, environmental, and socially vital issues while simultaneously addressing stakeholders’ expectations. Nevertheless, the small and medium enterprises (SME) definition is still shaped by religious convictions using terminology appropriate for charity.

Accordingly, the current trend among multinational companies and large-scale local is to appoint CSR managers with international, business and development backgrounds to draw up CSR strategies and professionalize voluntary contributions. Companies such as Mobinil, Vodafone and Barclays Bank are adopting this model. At SMEs, chief executive officers are the main decision-makers for conducting a CSR initiative, with almost no dedicated personnel to organize and manage these activities.

Multinational companies are often influenced by international practices driven by reporting requirements to stakeholders, brand loyalty, and image-building motives. Large local companies have been driven partly out of a desire to ‘do good,’ and partly to improve their image, balancing their focus on genuine outreach while getting a larger market share from the act of giving. In the case of SMEs, there is no clear business motivation; their actions are more out of sincere concern for local communities.

From the internal implementation side, an apparent trend -- predominantly commercial -- by multinational companies and small to large-scale local companies --- is adherence to local laws while still satisfying the urge to seek accreditation to international standards in areas such as labor rights, health and safety and the environment. Though these applications confirm the companies’ internal responsibility, CSR is about going beyond minimum compliance. It has largely been multinational companies which have succeeded in surpassing these basic compliances by thinking creatively about taking these compliances a step further. Unilever’s ability to adapt its workplace policies to bring greater benefits to local communities is a good example. Through training 180 handicapped youths, the company enabled them to work in a small-scale soap packaging production unit and become employees of Unilever.

Externally, philanthropic giving continues to be the most popular form of corporate engagement in supporting the community. SMEs usually make charitable donations with no expressed expectation of return. Larger family-run companies often establish foundations and focus in areas such as health, education and make ad hoc contributions to help employees and others in poor communities.

There appears to be a limited number of multinational and large local companies focusing on implementing business basic initiatives wherein a company may develop products and services to meet the needs of poorer customers such as the Kheir Zaman chain of supermarkets managed by the Mansour Group. Also, few among them are conducting commercial initiatives in the community that support directly the success of the company and promote its corporate brand identities. The Mokattam recycling school established by P&G is an illustrative example. Though the project aims to protect the company’s shampoo bottles from being refilled fraudulently, it is an income generating mechanism and an educational medium giving young garbage collectors the opportunity to recycle the bottles, earn incentive and become literate.

On the other hand, an increasing number of companies are supporting community initiatives which protect the company’s long-term interest and enhance its reputation. A good example
is the support by Microsoft and Barclays’ Bank for the Young Women Leadership Program that aims to enhance the skills of young women (18-25) through offering them training on basic ICT, English language and soft skills as well as mini-grants and internship opportunities to enable them to start a career.

How to Move Forward

Though the current CSR model has been the umbrella of many successful initiatives, it has not achieved the targeted social and economic development. The result of focusing on philanthropic activities disconnects companies’ strategies that neither make strong social impact nor strengthen the firm’s long-term competitiveness. Internally, CSR practices and initiatives are often isolated from operating units — and even separated from the mainline corporate philanthropy.

Externally, the company’s social impact becomes diffused among numerous unrelated efforts. The consequence of this fragmentation is a tremendous loss of opportunities. The power of corporations to create social benefit is dissipated and so is the potential of companies to take actions that would support both their communities and their business goals.

Current Model Advanced Model

To advance CSR, the pyramid model needs to take its natural form. The private sector needs to shift their sense of giving from philanthropy by creating a “win-win” model through which a growing market is realized, jobs are created, wealth is increased, standards of living are improved while at the same time taking into account social problems. Businessmen should be aware that they are part of the development cycle. Companies must root CSR in a broad understanding of the interrelationship between corporations and society while at the same time linking it in the strategies and activities of the companies.

Therefore, corporations need to analyze their prospects for social responsibility using the frameworks that guide their core business choices. More CSR initiatives should focus on the bottom of the pyramid activities (as per the advanced model) as well as the commercial initiatives and community investments activities. Through implementing this advanced model, companies would discover that CSR can be much more than a cost, a constraint or a charitable deed — it can be a source of opportunities, innovation and competitive advantage.
The United Nations formally launched the National Network of the Global Compact (GC) in Egypt on February 9, 2004. The UN-GC is a voluntary initiative for businesses to commit to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. By doing so, business, as a primary agent driving globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.

What is Communication on Progress (COP)?

Although the commitment to the initiative is voluntary, the Global Compact expects participants to take actions in line with their commitment, and therefore requires them to communicate annually on their corporate responsibility efforts—thus the term Communication on Progress (COP). The COP serves to ensure accountability, drive continuous improvement, and to safeguard the integrity of the UN-Global Compact as a whole.

The COP, then, is a communication to stakeholders—that is, consumers, employees, government, media and other interested parties—on the progress the company has made implementing the ten GC principles.

How does a company create its Communication on Progress (COP)?

Since there is no single COP structure, the companies are simply asked to enact the 10 principles within their chain of influence, noting that when moving down the chain, the influence decreases. At the beginning of the chain is found the core of the business activities in the workplace and market place, where the company has the greatest control and influence in affecting ESG (Environmental, Social, and Governance) performance. Moving down the chain, control and influence become weaker but could still be significant. Farther down the chain is the company’s community interaction and social investment and at the end of the chain is the company’s engagement in public policy dialogue and advocacy activities.

According to the GC initiative guidelines, the communication must include three elements:

• First element: an executive statement of continued support of the GC.
  This should be a clear statement of continued support for the GC in the opening letter or message from the Chief Executive Officer, Chairman or equivalent while also containing a simple mention that the report shows performance aligned with the GC principles. In addition, it is considered good practice to include some highlights of the benefits of engagements.

• Second element: a description of actions undertaken by the company.
  In this description of practical actions commitments, systems, activities the participant indicates what was performed during the previous year to implement the GC principles and engage in partnerships. There are various ways to report on each principle comprehensively, but many companies do follow the commitment->system->activity approach to report on their actions.

• Third element: a measurement of current or expected outcomes.
  This measurement of current and expected outcomes uses indicators and metrics such as those developed by the Global Reporting Initiative (GRI). GRI produces one of the world’s most prevalent standards for sustainability reporting guidelines. Sustainability reporting is a form of value reporting where an organization publicly communicates their economic, environmental, and social performance.

Tips

• Show performance for several years, allowing readers a check of progress.
• Present positive and negative aspects of the organization’s performance.
• Specify future targets.
• Link performance to the ten principles.

What is a Notable Communication on Progress (COP)?

The notable COP program was introduced in 2004 to highlight and recognize outstanding communications on progress. These COPs are selected and marked as «notable» cause of their adherence to the COP policy, and because they represent illustrative and inspirational examples of communicating progress. Acknowledging these...
outstanding COPs—with respect to quality and comprehensiveness of the information they provide—gives companies strong incentives, particularly as efforts increase to link COPs with mainstream financial market analysis.

In order to be a notable, a COP must meet all the basic requirements as specified in the COP policy, as well as meeting exceptional examples in at least two of the categories shown below:

- Strong statement of continued support for the Global Compact.
- Clear and detailed description of practical actions taken in implementing the GC principles and/or in undertaking partnership projects in support of broader UN goals.
- Measurement of outcomes that allows for checking progress.
- Utilizing proper reporting process which ensures reliability, clarity, and timeliness of information as well as including stakeholder dialogue.

New UN-GC Communication on Progress (COP) policies?

In April 2009, the UN-GC office agreed to update policies and to simplify the COP process, clarify minimum requirements and improve search ability, including the following items:

- New business participants will be given one year from the date of joining to prepare and submit their first COP.
- During the first five years of participation, a COP must address at least two of the UN Global Compact’s four principle issue areas, while all must be addressed after five years.
- The COP submission form on the UN Global Compact website will require additional information to improve search ability.
- The “inactive” participant status currently in use will be eliminated. Business participants that have been “non-communicating” for one year or more will be removed not only from the list but also from the UN Global Compact website.

The policy will become effective on the first of July 2009 for new business participants joining on or after this date. It will be applicable to all business participants as of first of July 2011.

Be an EIoD Member

Get your Passport to a wide range of benefits and networking opportunities to make business.

Being a member in the EIoD means you are participating in a network of high level executives of our members, allowing strong business interaction within an elite community.
International and Arab tourism sector decline seen as result of financial and epidemic crisis

Growth rate of Arab tourism industry expected drop to zero

Led by the global financial crisis, current crises faced by nations around the globe have greatly threatened economic performance while greatly increasing national vulnerability. The rampant spread of new varieties of influenza viruses has led the World Health Organization to express difficulty in controlling them after they were transformed into pandemics. This is in addition to the many other communicable diseases against which all countries are taking precautionary measures.

In this regard, a recent Arab League report monitored many of the negative impacts of the current crisis on the tourism sector in the world in general and in the Arab world in particular, pointing out that tourism was among the sectors that have experienced a marked decline after the global financial crisis and the ensuing global economic crunch. This is in addition to the many other communicable diseases against which all countries are taking precautionary measures.

The report shows that so far there is still a great deal of uncertainty, with the situation depending on the updates of the economic situation. If economies begin to show positive signs this year, a positive tourism outlook may be expected, but this outlook will be reduced if the situation continues to deteriorate.

The report states that it is not the first time for this vital sector to face a setback. Tourism suffered many crises, though differing in severity, causes and consequences. Some of these crises impacted on the global tourism sector, such as September 11 or the current global financial crisis, and others impacted on a regional level, such as wars in the region, and others crises affected the national level, such as terrorism and disease.

The Arab League report also points out that Europe and America will be the most affected because sources of their markets are in a state of recession, while the Asia-Pacific arena should reflect positive results in spite of expected slow growth compared to previous years, with the same applying to Africa and Middle East regions.

Arab tourism sector

In the face of this crisis and to ease its impact on tourism in Arab countries, the report proposes a number of measures, the most important of which is inter-Arab tourism promotion through the exchange of information among the Arab countries with regard to attitudes and concerns of tourist segments of the markets. Such a move would assist in attracting Arab tourists to Arab touristic destinations by utilizing geographical proximity and low transportation cost. The report also suggest a significant increase in incentives to the tourists, and the necessity of coping with variables that were monitored in the report relating to the quality of the tourists, the content of the required programs, and promotional campaigns. These should be directed to those who had not been adversely affected by the financial crisis (such as people whose fixed retirement compensation was affected), as well as focusing on programs for shorter tours during the current crisis. Close ties with national and international tourism companies are to be maintained especially in the financial transactions, in order to avoid disruption of implementation of these tourism programs.

The report called for the need to modernize the means of communication available to the tourism sector in line with modern requirements such as the use of the Internet and e-mail in marketing and promotion. The report noted that adopting tax procedures, if only during the crisis, would ease the burden on tourism activity, hotels and tourism services as well as aviation companies. Taxes on air tickets, sometimes up to 30-40% of the ticket value, need to be revised. It pointed out the importance of coordination with the concerned parties within the State to exempt foreign owners of residential real estate or investment projects, as well as their first-degree relatives, from entry visas those Arab and foreign owners of residential real estate or investment projects, as well as their first-degree relatives, in order to facilitate their entry.

The report shows the importance of contracting leading foreign

“Europe and the United States are the most affected, while Asia and Africa shows positive results despite slow growth.”
companies for the greater utilization of real estate units in touristic villages and resorts throughout the year for the owners of those units. Other measures would include exemption of touristic transport from road tolls and provision of exceptional facilities for the movement of touristic cars and buses across the borders between the Arab countries as a low-cost alternative to the use of private cars. Similarly, the organization of various festivals, exhibitions, conferences and sports competitions on Arab and international levels is also mentioned as an encouragement for growth.

On the other side of the issue, the report tracks a number of steps taken by some Arab countries in confronting the effects of the crisis on the tourism movement. In Egypt the Ministry of Tourism developed a plan to reduce the impact of the crisis with the focus of the plan not to resort to the policy of reducing prices but to provide special offers, because past experience has shown that lower prices take a long time to return to their real level again. Low cost flights to Egypt as well as charter airlines at several touristic cities have continuing support through this plan. In addition, there is an expanded focus on new and promising markets such as China, India and South America to provide incentives for the flow of investments in touristic projects. It is hoped that these moves will assist in the development of the application and activation of "Open Skies" agreement, which allows landing of aircraft in all Egyptian airports without conditions, an issue which is believed able to contribute to the increase of tourists numbers coming to Egypt.

Morocco’s plan centers on acceleration of promotional campaigns carried out by Morocco and throughout the world, which will be adapted to the touristic trends in the circumstances of the crisis. There is to be a focus in the promotional plans for traditional tourism markets in the European Union, which has around 46% of global demand, in addition to new markets in Asia and the Middle East. As with Egypt, Morocco rejected the idea of facing the crisis by lowering prices and decided to put forward new alternatives, such as maintaining the same price for the products but giving promotional gifts to customers who buy these products. Some of these promotions include additional free hotel nights, free meals, exploratory trips, and other offers. The Moroccan government has decided to increase the budget to promote tourism during the current year by 10% to cope with additional expenses of the pre-emptive plan.

Similar steps by the Ministry of Tourism in Jordan included the reduction of entrance fees to touristic sites for Arab tourists, and reducing the tax on services of hotel accommodation from 14% to 8%. In addition, to enhance competitiveness, tariffs on goods used throughout the tourism sector have been revised. The Ministry is also trying to open new markets for non-traditional tourists from previously restricted nationalities, such as Romanian, Chinese and Indian. Tourists from these countries can now get an entry visa upon arrival in Jordan, provided that they are traveling with tour groups organized through a tourism office.
Egyptians are challenging the three crises of summer

Beaches are full; only a small decline in hotels occupancy
Skyrocketing prices of apartments and chalets …Raas El Bar at the top of demand

Contrary to what was expected, Egyptians challenged the three crises of this summer, namely, the global financial crisis, swine flu, and plague. They overcame their fears and filled all the well-known beaches of Alexandria, Matrouh and Raas El Bar. The prices of apartments and chalets and the expected rate of cancellation in hotel bookings were also, in most cases, kept to a minimum. Egyptians ignored the global health hazards, and flocked from all over the country to the usual beaches and places of summer entertainment. What happened? How did Egyptians manage to enjoy the summer despite the crises?

Mr. Waseem Mohie Eddin, Head of the Chamber of Hotels, says that occupancy rates only slightly fell, it being just natural that the swine flu pandemic had a negative impact on the groups of Arab tourists in particular. They choose Egypt as their popular destination, being greatly attracted here during the summer months.

On the other hand, Egyptian tourism companies have incurred deep losses after thousands of pilgrims had to cancel bookings in the wake of an outbreak of swine flu in several Arab countries. Similarly, pilgrimage groups will be affected, especially the touristic category, despite assurances from the Saudi authorities to impose security measures and required precautions.

The movement of external and internal air travel has also been affected by the spread of the disease. Coming so soon after the global financial and economic crisis, these factors have cast a shadow over the tourism sector. He also commented that Egypt’s revenues from tourism amounted to $11 billion dollars in 2008, an increase of 15% over 2007. All the indicators confirm that current revenues, in view of the new economic and health crises, will be negatively affected, so that great efforts will be required to contain such negative effects at all affected levels.

Very special season
In fact, the tourism season this year is a very special one, with people facing the effects of the global financial crisis and new H1N1 flu virus known as swine flu. As a result, prices of air travel fell by 30% and 40% in an attempt by airlines companies to attract customers. Also, price of hotels and restaurants in touristic destinations fell after the global crisis hit the tourism sector worldwide.

Mr. Adel El Sherbini, Head of Sharm El Sheikh Hotels Chamber, says that in the wake of cases of swine flu in Egypt there were fears of a decline in tourism activities to Egypt because of this epidemic. In addition, other factors contributed to the impact on the summer season, including a late finish to end-of-year school examinations. Furthermore, the holy month of Ramadan this year began during the last ten days of August, which with the month of July, are the peak of the summer season.

However, he explained that the summer season has not been affected by the global crisis in terms of volume of bookings, but more by the fact that volume of expenditure was limited. Furthermore, tourism in Sharm el-Sheikh relies mainly on foreign tourism while domestic tourism is very small and would not affect the summer season, since Sharm El Sheikh is largely the destination of elite society.

Bookings cancelation
The impact of summer crises was limited but felt in Marsa Matrouh after fears of plague resulted in people preferring to stay away from the city. Fears lessened towards the east, away from Matrouh and on to Marina and Alexandria.

Occupancy rates are less than previous years, according to Major General Thab Farouk, Undersecretary of Ministry of Tourism and the Chairman of the Central Department of Tourism and Resorts in Alexandria. General Farouk pointed out that Alexandria was not much affected since the summer season was literally reduced to only one month.
beginning on July 15 after the end of high school examinations and until August 15 and the start of the holy month of Ramadan.

He noted that, until now and to the contrary of what had been expected, the Ministry of Health and the Ministry of Tourism did not take control measures at the borders, particularly as Alexandria is used to welcoming large numbers of Libyans who visit during the summer holiday season, thus putting Alexandria at further risk of the disease.

Significant drop
This crisis brought about a marked drop in prices, especially in Matrouh, to attract vacationers with prices reaching low levels not seen for years. All beaches were kept open and free to citizens except in El Gharam and Rommel beaches, where one pound is collected from each person for services, not including the rental of umbrellas and chairs.

One oddity in all this is that the prices of apartments and chalets in Alexandria still maintain sky-high prices in spite of the crises associated with the summer. In El Maamoura, for example, the price for the month of June for an apartment overlooking the main street was increased from EGP 200 for the day to EGP 350, depending on the standard of the apartment rooms. Even prices in the side streets were increased from EGP 150 to EGP 250 a day.

In El Maamoura the price per night for a studio apartment was found to be EGP 400 (EGP 12,000 per month) compared to the winter price of EGP 80 pounds per night, while general apartment prices have been ranging from EGP 350,000 to EGP 2 million for ownership. Apartments prices in the Miami area range from EGP 200 to EGP 450 per night, depending on proximity to the sea, while away from the sea the cost is about EGP 150 pounds per night. Meanwhile hotel prices, for example the Sheraton Towers which is very close to the sea, offer prices ranging between EGP 700 to EGP 800 per night.

In Matrouh a large number of public hotels are found with rents varying according to the level of every hotel, starred hotels with their five levels, as well as furnished apartments and chalets, which vary between the popular, medium and luxury units which directly overlook the sea.

The rental of apartments and chalets per day ranges between EGP 70 to EGP 250 during the month of June, based on the site and the level of finishing and furniture. Prices rise during July and August, ranging from EGP 100 to EGP 400 per day; there are some luxurious apartments and chalets, which vary between the popular, medium and luxury units which directly overlook the sea.

The rental of apartments and chalets per day ranges between EGP 70 to EGP 250 during the month of June, based on the site and the level of finishing and furniture. Prices rise during July and August, ranging from EGP 100 to EGP 400 per day; there are some luxurious apartments and chalets, which vary between the popular, medium and luxury units which directly overlook the sea.

People win
Throughout all this, it seems that public resorts will be the winner this season, especially in Raas El Bar, Gamasa and Balteem. These destinations are located away from the three crises of summer (Swine flu - plague - global crisis). Rental rates in Balteem start at EGP 50 to EGP 250 per day for units directly overlooking the beach, but these lower-rent accommodations are more suitable for young people and not for families.

Despite the increasing interest of Egyptians in recent years in planning for their summer vacation, there are some popular destinations where tourists have been limited or have not been allowed to access due to health concerns. The cost of the day even more. These self-imposed restrictions make the average Egyptian family considered outside the scope of summer programs, and not targets of tourism companies or far-away beaches. Egyptians with nearly empty pockets find simpler sources of amusement closer to home—a new phenomenon called "dacation" in the USA.

Summer in installations!
Most of Egypt's 16 million workers are included in the low-income or fixed-income category, but because of the interaction among these individuals in the workplace, there is a sort of competition on where to spend the summer vacation like other colleagues, even if they do not have the budget for it.

Through funds which are formed by these individuals in their workplace, such as social welfare funds or colleagues' funds, programs are arranged for workers and their families to spend summer vacations. Such programs aim to provide them with accommodation at the very least, and sometimes, when possible, the full costs. Because of competition among these individuals in this regard, the employer works diligently with his staff for arranging the available resort apartments.

New in this area are plans through which the individual pays the costs in installments over several months after the end of the vacation. Because of his limited income, the installments will be paid later against his consumption in winter. In other plans, the families arrange a special program for summer vacation, usually saving sums of money during the months prior to vacation, or they enter a collective savings system. All such plans are flexible in design so that the worker will be able to handle the budget for such a vacation.

The spending of these families during summer months might be thought to contribute to the recovery of the economy from the previously mentioned crises. However, if viewed as a total, the situation has already contributed to the decline in spending during the period prior to summer because of the pre-emptive savings. Therefore the spending of both types of families on the different plans is still spending from a limited annual income during one part of the year at the expense of spending during the other part of the year. Hence it cannot be said that the final outcome is to revitalize the economy.
Recession Dominates Real Estate Market

Bits are on Egyptians returning from abroad

All these factors led to recession in real estate market, and also urged many real estate companies to offer sales campaigns, amid parallel attempts to induce customers to accelerate purchasing, claiming that the market is soon to enter a new phase of high prices. Although these expectations are not consistent with the cessation of brokerage activities in real estate and land, the price stability, and decline in prices of some types, such as luxury and medium units.

The situation forced companies to be reluctant about building luxury residential units and most real estate companies turned to medium and above medium segments through modification of designs and spaces, and to give more payment facilities.

Mr. Maged Abdel Azim, President of E-DAR for Real Estate Marketing, stated that there is so far no kind of expected mobility in the real estate market, although after more than nine months of the beginning of the global financial crisis, and the real estate sector's exhibitions in which many companies participated during the past period have not achieved satisfactory results for many of the entities operating in the market.

Abdel Azim noted that the decline in interest rates on bank deposits could push some Egyptians towards directing part of their savings to buy real estate as a way to store value, and it may be used to generate income through leasing. This would lead some segments to move for the purchase of units during the coming period.

By: Ahmed Hashim

Mr. Rafik al-Abbasi, Chief of Jewelry Division at the General Federation of Chambers of Commerce, stated that gold sales have risen in recent days as is usual for this time of year. July and August are the most active months due to this time being the peak of the return of Egyptians working abroad and the arrival of Arab tourists. It is also expected that gold prices will be stable over the next few months if there are no new global events to affect the price, negatively or positively, because gold is a global commodity.

"Despite the sales surge since the beginning of July, compared with the past six months of this year, but compared to past years, these sales numbers confirm that there has been a real decline in overall gold sales". That is how Sami Pakhri, a merchant specializing in gold, described the market. Buying gold is seen as a type of savings, yet Egyptians working in the Arab region have not been able to save as much as in previous years, he added. The major negative impact of the global financial crisis and the drop in oil prices on national economies in the region resulted in dwindling economic conditions which has affected the proportions of savings of Egyptians working there.
Ezz Group announced several different rates depending on geographical areas, setting the selling price of the agents in the western region, Alexandria and Sallum at about EGP 2910 and EGP 2960 per ton to retailers and EGP 3010 to consumers. In the Delta, Lower Egypt, and Cairo the price was set at about EGP 2900 to agents, EGP 2980 to retailers, and EGP 3030 to consumers. In Upper Egypt (from Giza to Assiut) the price is EGP 2900 pounds to agents, EGP 3020 to retailers, and EGP 3070 per ton to consumers, while in southern areas of Upper Egypt Ezz Group fixed the price at EGP 2900 to agents, EGP 3045 to retailers, and EGP 3095 to consumers. Port Said National Company fixed the price at EGP 2900 to agents and distributors, EGP 3000 to retailers and EGP 3100 to consumers.

Iron prices

To Reach Stability

The iron and steel market has been quiet in recent months thanks to a drop in prices. In general, lower worldwide prices for raw materials opened the door for imports—thus leading to lower prices and some price stability in the Egyptian market. This stability is reflected by a notification sent by 5 companies to the Ministry of Trade with the new pricing. Suez Steel Company announced that it set the price to agents at about EGP 2800 and EGP 2850 per ton for retailers, including the sales tax. Beshai Group “American Galvanized Steel” fixed EGP 2870 per ton to agents, EGP 2950 for dealers and a retail price of EGP 3000.

New crisis hits cement market

EGP 700 per ton, a record black market price

Just as citizens and contractors thought they could breathe again after the end of the steel crisis—the price of which had risen daily for the past two years—lower prices in the local steel market were soon offset by higher costs for cement. Consumers began to suffer again with substantially increased prices during June and July, when a supply shortage led to skyrocketing prices nationwide. Currently settled between EGP 600 and 650 per ton in most regions, the price reached a new record of EGP 700 per ton in some areas.

This warning came as a final step before the ministry decides to take decisive action against cement companies. The Egyptian Competition Authority also announced that it will soon prepare a study on the cost of production at cement plants and the extent of compliance to the stated prices. Companies planning to reduce production will be subjected to legal accountability in case they are discovered to have reduced production in order to raise prices by creating shortages in the market.
The Annual Disclosure Competition 2008

The competition ceremony took place during the last session of the EIoD’s 3rd Annual Conference on Corporate Governance on June 15th 2009. The EIoD organized the conference in cooperation with the Organization for Economic Cooperation and Development (OECD) and the United Nations Conference on Trade and Development (UNCTAD). This year’s conference focused on «Audit and Business Sustainability». It aimed at strengthening the audit tools (internal, external, and audit committee) within corporate governance best practices and business sustainability. This year’s winners were:

1st: Telecom Egypt, 
2nd: Mobinil, 
3rd: Egytrans,

The intent of this competition is to promote world-class standards in corporate reporting and to underscore the vital role of annual reports and websites in propagating full disclosure and transparency, higher standards of corporate accountability, and effective corporate governance.

The competition is compulsory for EGX 30 companies, while other listed companies are invited to apply voluntarily.

The Jury Committee is composed of Mr. Mohamed Yehia, Senior Advisor, KPMG; Mr. Ashraf Kamal, Head of Disclosure Unit, Egyptian Stock Exchange; Dr. Khaled Dahawy, Head of Accounting Unit, AUC; and Dr. Ahmed El Masry, Senior Lecturer in Financial Management, Plymouth Business School, UK.

Annual reports and websites were evaluated based on strict criteria including conformity with: IFRS and Egyptian Accounting Standards, the requirements of the Egyptian Stock Exchange’s Listing Rules, the EIoD’s Corporate Governance Code for listed companies,

The remaining criteria included information related to the implementation of best corporate governance practices, quality of financial and non financial information, general presentation, understandability, summary of past results and highlights, management discussion and analysis, indications of prospects, and employee relations and development.

The majority of EGX 30 companies failed to meet the competition’s deadline for submitting their annual reports. Six companies of the EGX 30 did not submit their annual reports nor did they have websites. The EIoD originally planned to declare the names of those companies with poor disclosure practices. However, since there were changes in the listing requirements which caused many of the best performing companies to be late in submitting their reports, it was decided to postpone this practice till next year. Nevertheless, a list will be produced of all EGX 30 companies declaring which do and do not have websites, as well as which did and did not submit their annual reports. This aims to give investors some indicators about disclosure practices of the best companies in our stock exchange.

Five projects to change the face of Helwan: EGP 40 billion

Five mega projects, seen by investment officials as an important opportunity to change the face of the governorate within 5 years, and to provide more than one hundred thousand jobs, await Helwan governorate at a cost of EGP 40 billion.

Dr. Hazem Al Qwaideh, Governor of Helwan, said that the five projects come within the framework of the development and investment strategy jointly adopted with related ministries and stakeholders within the State’s overall reform process and the provision of employment opportunities and attracting local and international investors.

The cost of the first project, “Wholesale City”, is EGP 15 billion. It will be carried out in cooperation with the Ministry of Trade and Industry and a group of businessmen represented by the Cairo Chamber of Commerce, for the purpose of easing the residential block’s burden of trade groupings and wholesale markets of the capital. The city will be established within seven years, to provide more than 30 thousand direct jobs. Characterized by the availability of shops and stores with large areas for traders based on the latest global systems, the city will be a home for various industries including textiles, children’s toys, and copper industries, in addition to providing staff housing.

“Degla World Safari Park”, which is based on the open zoo concept, is a project to be established by Arabian Sea Properties in collaboration with the Ministry of Trade and Industry and the Egyptian Police; the project is EGP 10 billion and provides 30,000 new jobs. Planners hope to complete within five years.

The fifth project involves a total investment of EGP 6 billion, includes an open zoo (Safari) and a theme park, along with a group of international hotels and basic services, such as shops and restaurants. About 20 thousand direct jobs and 60 thousand indirect jobs should be provided by this project.
After 6 years of studies and discussions:

The first Arab convention to combat corruption

After 6 years of ongoing meetings and discussions of the experts of Arab Justice and interior ministries, the joint meeting of Arab experts of both justice and interior ministries agreed on the final draft document for the Arab Convention against Corruption. This paper will be submitted to the Council of Ministers of Justice during its meeting in November, 2009, and to the meeting of Arab Interior Ministers in March 2010. Its adoption there will make it the first Arab submission after the International Convention against Corruption, signed in 2003. The joint meeting had reached a final version of the draft after meeting all comments that Arab States had previously requested. Though basically not much different than the text of the Arabmodel of Arab States in their national legislation to combat corruption. The draft includes 35 articles and aims to strengthen measures to prevent and combat corruption in all its forms, to detect it, and other related crimes and to prosecute its perpetrators. It also seeks to strengthen Arab cooperation to prevent and combat corruption, detect and recover assets and to promote integrity, transparency and accountability as well as the rule of law. The UAE has suggested a new article to the draft designed to encourage individuals and institutions of civil society to participate effectively in preventing and combating corruption while also encouraging the media not only to assist in the detection of corruption but also be intolerant of it during reporting of any kind.

Economic Unity Council appeals to member states to repay budget receivables

The Economic Unity Council membership includes Egypt, Sudan, Somalia, Mauritania, Palestine, Jordan, Syria, Iraq and Yemen.

The last session of the Ministerial Council approved the budget for fiscal year 2009 at $622,000. On the other hand, a recent report issued by the Council estimates the value of delayed payments of member states (until November 1, 2008) to amount to about $ 4,825,026—an amount clearly able to offset the obligations of the Secretariat to Economic Unity Council.

At the end of the Arab-Turkish Economic Relations Forum:
Emphasis on future coordination and cooperation of Arab-Turkish associations

The sessions of the political and economic forum of the relations between Arab countries and Turkey were concluded at the headquarters of the Federation of Industries. Participating were Dr. Ahmed Gwaily, Secretary General of the Arab Economic Unity Council, representatives of the two Ministries of Foreign Affairs and Trade and Industry, the representative of Iraq to the Council, in addition to a group of Egyptian and Turkish businessmen and the Commercial Counselor at the embassy of Turkey in Cairo, Mr. Jokman Shahren. The Forum asserted the importance of coordination and cooperation between Arab and Turkish unions and federations, and the preparations for the signing of a memorandum of understanding between the two sides. In addition, the Iraqi representative to the Council of Economic Unity urged the Egyptian and Turkish associations of industries, entrepreneurs and investors to hold a meeting to review the investment map of Iraq which was issued by the National Authority for Investment. This guide indicates investment opportunities available in Iraq in 2009. The forum also proposed holding a symposium on the development of bilateral trade.

Dr. Gwaily, in his remarks to participants, commented that the forum focused on economic relations between Arab countries and Turkey, especially trade and investment with Egypt which have been introduced in reports on Arab-Turkey relations prepared by the Council of Arab Economic Unity. He added that the forum also addressed a number of topics including general Arab-Turkish relations, Turkish-Iraqi relations, and political cooperation between Egypt and Turkey, as well as trade and investment between Egypt and Turkey in light of the free trade zone. He pointed out that the importance of Turkey to the Arab world is that it is one of the neighboring countries for a number of Arab countries including Syria and Iraq. Consolidating relations with Arab countries will lay the foundations for the resumption of economic relations and political consultations with the Arab countries, as well as the Turkish contributions in support of the Arab issues, foremost being the Palestinian cause.

According to the latest data available, the study estimated the volume of trade exchange in 2007 between Arab countries and Turkey at about $ 22.4 billion, including some $ 14.5 billion as imports from Turkey and about $ 7.9 billion as exports to Turkey during the same year.
Chairman of the UK Trade & Investment, Sir Andrew Cahn, announced that his country has decided to direct major British companies to invest in Egypt as an important starting base to the Arab and African region. In addition, those companies would benefit from the advantages Egypt enjoys, such as economic and political stability, and a strong pool of qualified graduates.

Sir Andrew said that Britain wants its companies to achieve major expansion in the growing foreign markets, pointing out that the latest study conducted by the British universities shows that companies that invest outside the UK achieved a growth rate of 31%, much higher than companies which operate only in the internal market.

The Chairman of the British authority points out the companies which continue operating in Egypt, about 900 companies, has achieved great success, pointing to the ability of the Egyptian economy to achieve a growth rate despite the global financial crisis and the recession in the economies of most countries. He added that all of these facts encouraged the British Authority, which helps companies to go to Egypt, which is the most suitable place in the region now to achieve the substantial proceeds of the investment is seen as a strong starting point for other markets.

He added that the most important sectors for the Egyptian-British cooperation during the next phase are information technology, communications, education, financial services, aviation, space and advanced engineering, in addition to various types of training services.

Minister of Investment participates in the Egyptians Abroad Conference Egyptians working abroad are encouraged to invest in SMEs

Under the auspices of HE President Mohamed Hosni Mubarak, in the presence of Dr. Ahmed Nazif, the Prime Minister, Dr. Mahmoud Mohieldin, Minister of Investment, and Mrs. Aisha Abdel Hadi, Minister of Labor and Migration, the General Conference of Egyptians Abroad was convened with “Sons of the Nation Abroad: Communication - Welfare – Development” as its supporting theme. In a review of the economic importance of remittances of the Egyptians working abroad, the Minister of Investment stressed their significant role in the balance of payments as well as frequently being the largest sources of income to the families of those expatriates.

The Minister of Investment also added that Egyptians abroad contribute in other aspects of economic development in Egypt, such as representing a significant proportion of tourists coming to Egypt, in telecommunications their calls are a meaningful proportion of international contacts, while in trade, the presence of Egyptians abroad increases the importation of Egyptian products. Furthermore, they contribute to the promotion of Egyptian products, encourage investment in Egypt, as well as playing a valuable role in the transmission back to Egypt of the knowledge acquired through receiving advanced levels of education.

The Ministry also stressed the importance of promoting investment by Egyptians working abroad in SMEs and to take advantage of their desire to set up projects in their governates. Additionally, he pointed out the importance of coordination in this regard with Governors to identify sites and fields of investment available for projects in the areas of agriculture, industry and tourism.

In other remarks, the Minister explained that the Egyptian government adopts programs to communicate with expatriates and encourage them to invest in Egypt, while the Ministry of Investment is exerting efforts to develop the investment climate in Egypt, especially in facilitating procedures and expanding investment to strengthen Egyptian expatriates in Egypt. Also, the Ministry is working to encourage the establishment of companies specialized in the promotion of investment opportunities for Egyptians abroad, and providing various services through the internet.

“Financial culture is a necessity to avoid the risk of capital investment”, Minister of Investment

Dr. Mahmoud Mohieldin, Minister of Investment, called for the dissemination of financial culture and awareness of how to cooperate with the stock market and capital market transactions.

He stressed the need for intensive public awareness campaigns aimed at providing information for teaching each citizen how to deal with all financial aspects of life. “Financial awareness is essential for every citizen in order to avoid the dangers or risks of capital investment”, he said.

Mohieldin pointed out a new youth project being proposed to the head of the Press Syndicate, Makram Mohamed Ahmed. This project aims to increase the efficiency of young journalists and the organization of specialized training courses in the field of economics and finance, in addition to providing scholarships and diplomas in cooperation with the Academy in the area of financial transactions.

He explained that every citizen in the present era should be aware of how to deal with the capital market, pointing to the role of media in this regard in order to avoid the many problems resulting from lack of understanding of banking transactions such as credit cards and excessive debt.

Corporate Governance

Corporate citizenship is the commitment to ethical behavior in strategic business, operations and culture. It was, at first, marginalized in corporate governance, boards, and leadership, to become first and foremost linked to the reputation of the company. However, in light of globalization and the interdependent world of investors, creditors and other stakeholders, awareness of the responsibilities of environmental, social and governance of the company increased as an integral part of their performance and continuity of work.

Today, these dimensions contribute in determining the profits. Companies, to achieve success and ensure the sustainability of growth, are to have boards that must integrate these new dimensions into the heart of decision-making processes. The global financial crisis increased the need for boards that formulate clear strategic direction and build a long-term vision beyond the profits. This prepares companies in order to address the risks more effectively, to expect negative effects on people and the environment before they occur, and consider risk management related to reputation. In addition, wealth is increased by creating shareholder value through the increase in commercial activity and expanding of access to markets.

There is a new vision of business which has begun to emerge, and which is one of a set of core values that include human rights, environmental protection, and fight against corruption, to direct the oversight board, the relationship with the administration, and to ensure the credibility to shareholders. Achieving these goals depends on the board in general, and an especially the director, as Adrian Cadbury says: “Corporate governance is to make a balance between economic and social goals and between individual and collective goals.”
Egyptian-Gulf cooperation in infrastructure, transport, and facilities

Dr. Mohieldin: 52 projects to investors, with a total cost of $25 billion. Gulf Stake reached 35% of capital of foreign companies established in Egypt

The coming period should witness major economic cooperation between Egypt and Gulf States, especially in the light of the existence of promising investment opportunities in the areas of infrastructure and facilities, education and other projects. Dr. Mahmoud Mohieldin asserted the need to strengthen economic cooperation and investment between Egypt and the Arab Gulf States in order to confront the global financial crisis, pointing out that the current situation indicates that the Gulf states should achieve a surplus during the period from now until the year 2020 equivalent to 2.5 times the accumulation of these States during the past fifteen years. Mohieldin remarked that Egypt supports serious investments, adding that Gulf investments are one of the most important sources of investment in Egypt. Gulf stakes in foreign companies are about 35% of the total contributions of non-Egyptians in companies investing in Egypt during the period from January 1970 until now. This statement came during the sessions of the First Egyptian-Gulf Investment Forum organized by the Gulf Cooperation Council in collaboration with the General Investment Authority in Egypt, and attended by a large number of Egyptian and Arab investors. Mohieldin pointed out that the Egyptian government gives great importance to attracting Arab and foreign investments.

Recent years have witnessed a large number of legislative and economic reforms undertaken by the Egyptian government to develop an appropriate climate for attracting investment, the minister said. He added that 52 projects are available in the areas of infrastructure, facilities and services, and education with a total investment cost of $25 billion. He stressed that these projects will make a quantum leap in investment in Egypt and will provide job opportunities, especially in Upper Egypt and the Delta regions. The Minister of Investment pointed out that the Gulf countries have the financial and technical viability to qualify to benefit from the investment opportunities available not only in the Egyptian market, but also in African countries, Nile Basin countries, and COMESA countries, in collaboration with the Egyptian side, through the establishment of joint projects particularly in the agriculture sector, food industries, infrastructure, transport sector, and renewable energy.

The Egyptian government is currently working on the expansion of infrastructure projects nationwide, aiding the creation of an improved climate for attracting investment, the minister said. He added that 52 projects are available in the areas of infrastructure, facilities and services, and education with a total investment cost of $25 billion. He stressed that these projects will make a quantum leap in investment in Egypt and will provide job opportunities, especially in Upper Egypt and the Delta regions. The Minister of Investment pointed out that the Gulf countries have the financial and technical viability to qualify to benefit from the investment opportunities available not only in the Egyptian market, but also in African countries, Nile Basin countries, and COMESA countries, in collaboration with the Egyptian side, through the establishment of joint projects particularly in the agriculture sector, food industries, infrastructure, transport sector, and renewable energy.

Study by Economic Unity Council for the establishment of Anti-dumping authority under Arab Customs Union

The committee of technical experts involved in anti-dumping, support, and prevention in Arab countries, under the Economic Unity Council, is discussing a study for the establishment of an anti-dumping authority in the framework of Arab Customs Union. Expected participation includes heads of agencies and bodies involved in the fight against dumping and support and prevention in Arab States and institutions of joint Arab actions.

For his part, Dr. Ahmed Geweili, Secretary General of the Arab Economic Unity Council, said that the study was prepared by the two sectors of foreign trade and trade agreements in the Ministry of Trade and Industry. He stressed the importance of establishing this body as one of the tools necessary to achieve Arab economic integration and the protection of Arab products from harmful practices that might arise from the result of the liberalization of world trade after the establishment of the Arab Customs Union. He added that for the realization of the Arab Customs Union there should be a unified administrating body of joint trade policies and customs borders of Member States, and the exchange of electronic data between the customs authorities for the Member States in the Customs Union, as well as a unified customs tariff applied on all the borders of the Customs Union in the face of other countries, Geweili stressed the need to end all tariffs between the internal borders of member states, and the identification of unified rules of origin as well as the establishment of a mechanism for supreme judicial review.

He pointed out that one of the most important joint trade policies for the consolidation of the mechanisms applied in the Arab Customs Union is protecting Arab industry against practices that are harmful to Arab and international trade, such as cases of dumping, subsidies, or significant increase in imports, which require the application of preventive measures.

Dr. Ahmed Geweili stressed that there are many imperatives that necessitate the establishment of a unified anti-dumping, support, and prevention body, such as the impossibility of carrying out anti-dumping investigations on a member state in the Customs Union. This takes into account that the rest of the Member States of the Customs Union are perceived as a single unit due to the removal of all the customs borders between the Member States of the Customs Union and will be dealt with as one unit in the face of others. Unified customs tariff for the goods to the borders of the existing Member States of the Union will be launched. He said that the rationale for the establishment of the joint body is to help nonmembers Arab States in WTO, or countries not yet able to build a cadre of human bodies or the creation of specialized bodies in the rules of dumping, support and prevention. Further explanation included the unification of international trade policies, including the establishment of a unified anti-dumping body administered under the Customs Union, as well as the formation of a strong economic bloc.

He added that the establishment of the anti-dumping, support, and prevention body will contribute to the consolidation of the Arab common economic and international trade policies through mapping a unified Arab industrial map. Such a creation will assist the economic integration and the application of the protection mechanism for these industries to provide balanced market conditions.
Hassan Mohamed Harb, was born on 25 November 1867 in Qasr El Shouq at El Sharqiyah governorate, he died on August 13, 1941. Though the present generation could easily live longer than his seventy-four years, it would be very difficult to achieve what he was able to do for his homeland in those years. Mohamed Talaat Hassan Mohamed Harb, was born on 25 November 1867 and died on August 13, 1941. During the twenties, thirties and forties of the last century, this patriot shifted Egypt from being a colonial economy, who proved to the whole world that the Egyptians and Arabs are able to manage their own business without the need of foreign tutelage.

The Father of the Egyptian economy, who proved to the Arab and British, who occupied Egypt in 1882. It was an incident that helped to fuel patriotism in Talaat Harb, like all Egyptian youth at the time.

His wife died at an early age and he never remarried. They had one son, Hassan, who died in his youth, and four daughters: Fatima (died 1976), Aisha (died in 1988), Khadja (died in 1997), and Huda (died in 1996). Their grandchildren have worked in a variety of occupations, including one who was an ambassador, some who chaired companies and one whose medical specialty was the treatment of communicable diseases. His mother was from Saqr family from Kafr Mohammed Ahmed of Menia El Qameh as well. Talaat Harb memorized the holy Quran in early childhood, before joining the Tawfikiyah secondary school in Cairo.

He joined the Law School in August 1885, and graduated in 1889. He was a witness, in his early youth, to the Orabi revolution against the Khedive and the British, who occupied Egypt in 1882. It was an incident that helped to fuel patriotism in Talaat Harb, like all Egyptian youth at the time.

His only motto was "The one who counts is the one who gains". Jack Burke wrote this about him: "His unique advantage was his awareness of the inherent strength and enormous potential yet to be exploited within his citizens." May God rest the soul of The Father of the Egyptian economy, who proved to the Arab and British, who occupied Egypt in 1882. It was an incident that helped to fuel patriotism in Talaat Harb, like all Egyptian youth at the time.

Mohamed Farid's Successor
Talaat Pasha Harb began his career as a translator at the department of civil legal cases, and then became the director of the Accounting Department, and Director of the Disputes Office after Mohamed Farid, the national leader, in 1891, until he became Director of the Legal Cases Department. In 1905 he moved to become director of Kom Ombo Company at its headquarters in Cairo. At that time he was also assigned to manage the Egyptian Real Estate Company, where he worked until the majority of company shares was in the hands of the Egyptians. This company was the beginning of Talaat Harb's revolution to Egyptianize the economy and to have the ability to resist the British. Harb had always aimed to be an entrepreneur, so he established the Financial Cooperation Company, which provided many of the financial loans for small, financially insolvent businesses. He began a program of studies which included economics, arts and sciences, mastery of the French language as well as staying in touch with leaders of all scientific and cultural currents.

Banque Misr
Talaat Harb had always advocated for the idea of a bank for the Egyptians with an Egyptian capital and Egyptian management, because he was always interested in the Egyptian economy and how to promote it, especially that all banks under the occupation were limited only to foreigners. The British occupation was spreading a lie that Egyptians knew nothing but agriculture, and could not be successful in economic or industrial business. When World War I ended without political independence for Egypt, the 1919 revolution exploded, led by Saad Zaghloul. During the Revolution, Talaat Harb urged Egyptians to struggle against the domination of foreigners over the economic potentialities of Egypt. He backed the idea of Banque Misr and succeeded in establishing the bank in 1920, celebrating its foundation on Friday, May 7th, 1920 at the Opera House. Opening with a capital of EGP 180,000, and EGP 4 nominal value of the stock, by the end of its first year the bank's capital increased to EGP 175,000, to half a million pounds in 1925, and then to a million pounds in 1932. The first headquarters of Banque Misr was located in a modest section of Sheikh Abu El Sebaa St. Known as a vivid and dynamic person, Talaat Harb would wake up early and begin his working day at 6, issuing instructions to his men. He worked for five years, 15 hours a day, for free. Early in his life in began a close and beneficial relationship with Omar Sultan Pasha, gaining much useful economic and administrative experience. He was also in contact with the national movement during the days of Khedive Abbas Helmi II. Consequently, he saw money management as a public service that helps maintain the national wealth and industrialization of the country. He confirmed that in...
his opening speech of the Bank ceremony when he noted that the new bank would not be a commercial bank, since its primary task was the industrialization of Egypt and trade promotion. Before he established Banque Misr, Harb and his friend Fouad Higazi opened a common grocery shop to encourage Egyptians to trade. Despite criticism from those around him, the experience was successful and encouraged others to trade. Thereafter, he turned over ownership of the shop to some of the Egyptians.

Colonial Rumors
Talaat had proved that the British were wrong, especially after Banque Misr was able to compete with foreign banks operating in Egypt. This fact helped encourage the British to take the notion that “Egyptians know only how to borrow”. Furthermore, Banque Misr was able to stimulate savings among all Egyptians, even the Lebonians. The bank distributed piggy-banks to primary school students and then took their money to open saving accounts for them. Talaat Harb always took the precaution of listing in the bank’s transactions, and he decided that the bank would not finance any projects detrimental to ethics/morality and human dignity. The bank was keen to help small manufacturers and craftsmen to withstand competition from English products in the Egyptian market. In addition, it encouraged contracting companies and financially supported them to break the monopoly of foreigners over these projects. Similarly, there were situations where foreign companies were on the verge of collapsing. In the case of the Ministry of Agriculture, which suffered a major financial crisis, the Bank created an Egyptian establishment with Egyptian beneficiaries, using a system that is now a corporate integrated economic system. That is, Egyptian savings are in the bank which utilizes the money in Egyptian companies, which in turn produce quality Egyptian products at low prices to meet the necessary requirements for domestic consumption. This not only produced benefits for the national economy as a whole but also provided many job opportunities and workforce training in all industrial, economic, and financial areas.

National Economy and Development of Companies
In the economic policy framework of the bank, Talaat Harb established a number of companies from the time of the establishment of the bank until 1938. To accomplish this, he cut a certain part of the annual profits of the bank balance. This led to the birth of a system that “money dedicated to the establishment or development Egyptian industrial and commercial companies”. This amount was used to contribute to the company’s capital and citizens contributed the rest to the company. Thus, the bank became a fully Egyptian establishment with Egyptian beneficiaries, using a system that is now a corporate integrated economic system. That is, Egyptian savings are in the bank which utilizes the money in Egyptian companies, which in turn produce quality Egyptian products at low prices to meet the necessary requirements for domestic consumption. This not only produced benefits for the national economy as a whole but also provided many job opportunities and workforce training in all industrial, economic, and financial areas.

Egypt Air
Talaat Harb pushed hard to establish an Egyptian airline company until finally a royal decree was issued on May 27, 1932, to establish Egypt Air as the first airline in the Middle East with a capital of 20 thousand pounds. After just ten months, capital had increased to 75 thousand pounds. The company started with two Dragon aircrafts, twin-engine and a capacity of eight passengers. The first line was from Cairo to Alexandria and then Marsa Matrouh, and the second line was from Cairo to Aqaba. In 1934 a line from Cairo to Jerusalem was launched.

Renaissance of Minds
Talaat Harb believed that the withdrawal of the Egyptian economy in a backward agricultural country would not be possible unless culture was given the opportunity to flourish, and minds were enlightened with new ideas and high culture. Understandably, he also believed that culture is a significant investment. Convinced of the need to strengthen culture and the arts and awareness, he established “Studio Misr” to produce Egyptian films for Egyptian artists such as Um Kalthum, Abdel Wahab and others. Studio Misr produced a short, ten-minute film to promote Egyptian products and began producing a weekly news bulletin of events in Egypt to be shown in theaters before the beginning of any movie. Studio Misr sent technical missions of Egyptians to Europe to study the arts of photography, direction, decoration, and make-up. Thus were taught some of the first: Ahmed Badrakhan and Morris Kassab (Directors), Hassan Murad (Art Director), Youssef El-Karkhal, Adel El-Masry (Cameramen), Mustafa Walay (voice), Wali Al-Din Sameh (Decoration), Niyazi Mustafa (Editor). The artist Ahmed Salim was appointed as a director of Studio Misr. Talaat Harb stressed the importance of cinema and its serious role, when he said, “We work upon a strong belief that cinema is the ethical dimension of society, an institution for Egypt in guiding people”. He established Studio Misr for Cinematic Production and is thus regarded as the Godfather of Egyptian cinema.

Resignation
Despite the success of Talaat Harb through Banque Misr and the tremendous economic achievements that had been achieved, the bank suffered a major financial crisis, which the British occupation was behind. Thousands of depositors withdrew their money from the bank and the crisis worsened after the postal savings fund withdrew...
its deposits from Banque Misr, and the National Bank refused to lend money against the bank’s portfolio of securities. When Talaat Harb went to Hussein Sirri Pasha, Minister of Finance, to resolve this problem, the only condition made by the Minister to resolve the crisis of the bank was the resignation of Talaat Harb. So, he submitted his resignation to protect the bank. This great achievement which he provided to Egyptians, continues to this day providing its services to the Egyptian citizen as a symbol and a tribute to the memory of one of the most prominent economists that Egypt ever knew. He said in comment to that crisis: “Talaat Harb should go and Banque Misr should stay.”

**Harb: The Scholar**

Talaat Harb was a multi-talented person, and even without his economic revolution he was nevertheless destined to become one of the leading thinkers and writers. He began by writing books, revealing a special talent, beautiful style, and powerful thought. Working as a journalist, he was also a successful figure. He had intellectual and influential arguments with Qasim Amin in the case of women’s liberation, where he appeared to be a conservative in his ideas and desire to preserve sacred traditions of our ancestors, yet demonstrating a flair for innovation and willingness to benefit from Europeans inventions and ideas. He started his intellectual writing in newspapers and wrote his first book, “The Truth of Islam and the Ottoman Empire”. His next book was titled “Education for Women and the Hijab”, in response to Qasim Amin’s book “Women’s Liberation”, published in 1898. Not long after that he authored “The Last Word about Women and the Veil”, this time in response to Qasim Amin’s second book “New Woman”. In other works, Talaat Harb confirmed that his intellectual disagreement with Qasim Amin were not on the issue of moral liberation of women, but was based on the risk of this movement that did not seem to be justified in our women. He explained further that there could be evil beyond, or as a result of, this boom that could easily be exploited by intruders to achieve their own moral and material interests. He always insisted that “…freedom which kills infallibility is more harmful than the veil”.

**Talaat prescription**

In view of what Talaat Harb wrote at the beginning of the twentieth century, we find that he sets out very carefully all the mechanisms needed to create a real revolution that preserves the identity and basics of the nation, and we believe that we are still in great need for the application of Talaat Harb’s “prescription,” particularly as he was dealing with politics as an endeavor and refused to deal with it as protests and cheers. He also believed that economic independence is the real basis for political independence, a statement coming from the popular proverb which says “If you want to own your decision then you must own your bread”. Talaat Harb asserted that independence comes mainly through smokestacks and not from the mouths of guns. He believed that banks and companies guard the freedom of Egypt more than it is guarded by military fortresses. Of course he was referring to banks that work for most people, and not the banks that are stolen by men of power, politics, and business.

**Suez Canal and more**

In 1911, Talaat Harb gave his intellectual opinion on how to instigate a cultural revolution through his book “Egypt>’s Economic Treatment and Establishing a Bank for Egyptians”. In 1912, his book “Suez Canal” was written in order to refute the claims of England and France to extend a monopoly for the canal for another 40 years after the 99 years ending in 1968. His very vocal campaign has been viewed as a major force in the successful eradication of this colonial scheme in its infancy. Talaat Harb consciously liked farmers and poor people and defended them. When lands were liquidated, he sought to sell that land to the peasants and he managed to do that in many cases. Some commentators insist these actions confirm a socialist tendency, yet at no time did he try to push that framework. Even if there were some socialist ideas, it was socialism stemming from the land of Egypt and designed for its own citizens, not imposed from outsiders.