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I am sure that most of our readers are now aware that the EIoD is currently working on introducing a new index for listed companies. The EIoD is carrying out this project of creating the first ESG, Environmental, Social, and Governance index, in the region in cooperation with the Egyptian Stock Exchange in partnership with Standard and Poor’s. The new index is to rank listed companies based on their Corporate Governance, Environmental, and Social practices. It will be an addition to the already existing indexes.

We were delighted to receive many email enquiries about that new index, what are the variables it includes, how is it calculated, how will it affect the ranking of listed companies, and how can companies score high in this index. The reason for our delight is that we felt that many Egyptian companies do care for their reputation and image with reference to corporate governance & CSR. Therefore, I can say that the index has already started making its impact even before it is launched.

What I want to emphasize here is that the index measures close to 200 variables covering the three areas mentioned above. The index, however, does not only measure practices of ESG, but also the status of disclosure in companies. For example, the index gives credit for companies whose boards and audit committees have a majority of independent directors. Extra points are then given to companies that place the names and bios of directors and committee members on their websites and annual reports. Therefore, if we cannot find out who the board members are and who is independent and non-executive, the company is penalized twice, once for not disclosing and once for considering that, since the information is not available, that it does not exist. The same thing applies to environmental policies, internal control systems, company vision, etc.

Our experience at the EIoD refers to a culture problem in our companies. Many companies are not used to disclose nor understand the value of disclosure. Many CEO’s have asked us “Why should we disclose the ownership structure of our affiliated companies?” or “Why should we disclose the amount of shares owned by board members and top company executives?” or even “why should we have an annual report if we already publish our financial statements in 2 newspapers?”

The new index, expected out during the first quarter of 2010, will heavily penalize companies with poor disclosure. Companies with no annual reports or user-friendly websites will score very low on the new index. Therefore, we do advise companies to treat their stakeholders with respect, to disclose properly and in user-friendly manner so that they match practices of companies in mature markets. Companies they are competing with no only in terms of commodity markets but also in terms of attracting investors. The goal of the new index is not to penalize companies, but to help them enhance their competitiveness while respecting the rights of others.

Ashraf Gamal El-Din

Executive Director
Egyptian Institute of Directors \ Egyptian Corporate Responsibility Center
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SUCCE$$$. A brilliant word and a sought concept. But what is success anyway? People have been tirelessly looking for it all their life. Some of them achieve it, and others are not so fortunate. It is also a matter of when to achieve success. Many of us have been pursuing success for years and only few starts towards it and seem to find it almost immediately.

The meaning of success is very broad and depends on what you are searching for in life, and searching for in business. Perspectives on success are as various and uncountable. For me success is absolutely different than for a pediatrician, actress or a politician! Each one has his/her own criteria in judging what is successful and what is not.

Undoubtedly, there is a huge difference between accomplishment and success. To achieve is to engage in a task and to obtain the desired results. This is a daily happening in the world and marketplace. Yet, success is something different. Success to most people is when you have an ongoing string of accomplishments that when put together, add up to a major obtainment in life known as Success.

Applying these concepts to businesses, I came across an interesting article that point out 10 rules for small business success. I would like to summarize these points for you. To be a successful small business you have to; Find a niche, be small, yet think big, differentiate your products, take care of the first impressions...they really count, attain good reputation, strive for constant improvement, listen to your customers, plan, innovate, and finally work smart.

The Executive started off a small project. We worked on it to achieve some short term goals such as having the desired level of readership, the quality of the content and the appropriate distribution channels. These have been achieved and now that the Executive is in its 8th issue. I would say that we success to obtain our desired short term goals. Faced with many uphill struggles, the team has worked with passion, with a heart on fire. This I call "A True Success". This success is born from a dream and driven by focus and wills that accept no failure.

It is with great appreciation, I would like to thank all team members of the Executive Magazine for the great and outstanding efforts to make this project come true and proof itself as success. It was indeed a thriving experience and an honor. It was hard work and pure joy.

I trust that the Executive will build on the current success and continue onward and with an upward trend.

Farewell Executive!

Nahla Kamal

Assistant Executive Director

Egyptian Institute of Directors
Training Course On

Best Practices in Corporate Governance Disclosure

Now Available
Insurance sector: The insurance industry plays a vital role in protecting individuals, projects and properties.

A dialogue with companies board of directors: Some owners search for the normal profit to assure market stability instead of maximum profit.

A visit to the east: Offering investment opportunities in Egypt, and enhancing cooperation between the two countries in the African continent are key ministry objectives.

Audit tools within the corporate governance framework: Governance is interested in the organization of audit tools in companies.
Mansour Group Case Study:
Mansour is twinning with the objectives of the Global Compact and the principles of social responsibility

Swine Flu:
Disease hits dollar and shake global economic recovery

Entrepreneurships Development:
The environmental and social performance of SMEs is a major challenge in achieving progress towards sustainable development

Fawzy:
One of the Egyptian art flagships of the twentieth century

Risk Management Plan and Enterprise Risk Management

Success Compass against Waves of Business Risk

Egyptian National Contact Point

Corporate governance quality, voluntary disclosure and firm valuation of Egyptian listed firms

Corporate Responsibility and the Role of Egypt’s Global Compact Local Network in Times of Crisis

Development of Egyptian Insurance Sector

Development of Economic Relations between Revolutionary Egypt and New China

Economic Roundup of the parliamentary sessions of (2009)
This issue is extremely important to all governance partners including control agencies and international agencies concerned with transparency and corruption prevention on both developed and developing countries.

{A} The concurrent corporate structure in Egypt
In Egypt now-a-day there exist an increasing diversified corporations that vary in terms of legal entities, ownership with capital structures, nationalities, activities, philosophies and past experiences. In brief one can differentiate between two groups of corporations: One which encompass forms of MN’s such as foreign direct investment, joint venture, franchising, management, and contracts, turn key operations, boot, subsidiaries and subcontracts. The second covers public companies, holding companies, SME’s, family companies, sole partnership, limited liability companies, and other forms of business and cooperatives. But both types are eligible for governance.

In this case, one can raise the question of to extend the governance model could really be implemented in all these institutions in order to secure reaching balanced targets in a dynamic society like Egypt. To answer this important question and array of owners’ philosophies will be underway as follows:
The 12 owners’ philosophies’

1. The Entrepreneurs philosophy perceives corporation as a
1. way to maximize profit in a competitive environment. An example of this principle is the sole partnership and SME’s.

2. The monopolistic view which can take one the following forms: Duopoly-Oligopoly-Monopoly, where the objective will not be maximization of profit only, but rather to negotiate prices and profit margined with other monopolists using game theory principles. This is the case of the iron & steel industry, and cement companies.

3. Other owners focus on internal company control to assure their competitive edge in the company, business connections and market position. Those are conservative investors.

4. Still some more capitalists and investors who are concerned with corporate behavior which covers the selection of board of which covers the selection of board of directors members, their value systems, motivators and their choices to benefit from unutilized resources.

5. The organization model is the philosophy of investors who emphasize the importance of the relationships among board of directors members that guarantee growth, existence and expansion—you can see this model in the construction sector and mainly in the family corporation scheme.

6. Some capital owners consider how to make decisions the most important dimension in running business, since they face a huge number of constraints that require both internal and external control.

7. Role theory in another direction that illustrate owners who emphasize the roles to be played by corporate board of directors, members, controllers, auditors and managers in execution away from their personal interests.

8. The Economic theory of business behavior is another view of owners understanding of corporate behavior that covers: multiple objectives-rationality-corporate ability to convert inputs to outputs-coping with market changes and interaction with the surrounding environment.

9. Unlike the above, there are also some capital owners who see sales maximization is the most important element that secure liquidity and continuity in the market instead of profit maximization.

10. With the continuous market changes, some owners search for the normal profit to assure market stability instead of maximum profit.

11. The managerial theory of the firm helps in building an organization structure and selecting the proper policies that make the corporation more interactive with the business environment and make normal profit more possible.

12. Finally, the theory of business objectives focuses on coordinating multi-multiple goals, expectations, decision making and controlling the environment.

Regardless of the above philosophies, there exist some debates about the jungle of theories regarding the diversity of such directions. This really calls for a panacea to overcome such differences of view. This we call the search for a barometer to apply governance.

(B) The search for corporate governance barometer

Actually, the above mentioned philosophies of owners’ principles of running business corporations can serve as a foundation to build a barometer to measure governance implementation:
Applied Governance Barometer (100 Points)

<table>
<thead>
<tr>
<th>Indicators</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
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<tbody>
<tr>
<td>Scale</td>
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<td>1- Profit Maximization</td>
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<td>2- Utility Maximization</td>
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<td>3- Output Maximization</td>
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<td>4- sales Maximization</td>
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<td>5- Social Responsibility</td>
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<tr>
<td>6- Consumerism</td>
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<td>7- Full utilization of manpower</td>
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<td>8- Liquidity &amp; Control</td>
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<tr>
<td>9- Environmental Control</td>
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<tr>
<td>10- Quality &amp; Continuous improvement</td>
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</table>

Where the scale is from 1-4 = week
5-7 = average
8-10 = excellent

And these scores can be improved for each indicator on monthly or quarterly basis. And this barometer can help measuring competitors and countries. And another version of the mentioned barometer can be measured according to weights of importance of each indicator as follows:

(C)- Governance indicators & weights of importance

<table>
<thead>
<tr>
<th>Period</th>
<th>Weight (%)</th>
<th>Periods (one year)</th>
<th>1st Quarter</th>
<th>2nd Quarter</th>
<th>3rd Quarter</th>
<th>4th Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indicators</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Maximum Profit</td>
<td>35.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Maximum Utility</td>
<td>8.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Highest Production</td>
<td>10.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Highest Sales</td>
<td>10.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Responsibility</td>
<td>8.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumerism</td>
<td>8.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor Productivity</td>
<td>4.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Control Liquidity</td>
<td>4.5</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Environmental Control</td>
<td>2.5</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Quality &amp; Continuous Improvement</td>
<td>10.0</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
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</table>

In conclusion, we believe that we can change the indicators used to develop a measure of governance according to economic and social changes in the economy. However, there exist several measures in DC regarding the same issue.
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Risk management ongoing development resulted in expanding the scope of risk management from project risk management to business risk management and finally, Enterprise Risk Management. Enterprise Business Risk (EBR) is defined as “threats to the organization’s capability to achieve its objectives and execute its business strategies successfully”.

The organization’s value creation objectives define the context for management’s determination of risk management goals and objectives which, in turn, drive and focus the process of managing business risk.

Through an integrated business risk management process, senior management determines how much risk they are willing to accept when balancing risks and rewards, and allocating resources. They communicate to operating managers, risk managers and process/activity owners the level of acceptable risk (which is often described as risk appetite, risk tolerance for risk threshold).
I would like you to take few minutes answering the following questions. The outcome will illustrate why you should consider implementing ERM. Ideally your answer should be “Yes”

<table>
<thead>
<tr>
<th>Ideal Answers</th>
<th>Why?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Does your organization utilize a formalized framework that helps identify and define its business risks?</td>
<td>Organizations learn and adapt to their changing business environment through effective communications to coordinate and focus business risk management efforts and avoid often costly oversights. A common business risk language enables managers at all levels to communicate and share relevant information quickly and easily about the key risks they face across operating business units and supporting functions.</td>
</tr>
<tr>
<td>Does your company use a consistent overall Business Risk Management Process («BRMP») that allows it to manage its key business risks on an integrated basis?</td>
<td>Establishing a uniform foundational BRMP enables senior management to better evaluate the amount of aggregate risk they are willing to accept and more efficiently allocate scarce resources to achieve their performance goals. The BRMP provides a continuous, systematic, and uniform approach to effectively manage business risk across the enterprise and allow for meaningful aggregation of relevant information for management decision making.</td>
</tr>
<tr>
<td>Is there a formal risk assessment that allows management to continuously identify, source and measure the key business risks impacting its business performance?</td>
<td>An effective Business Risk Management Process includes both qualitative and quantitative tools to assist management in identifying its key business risks, sourcing the risk within their significant business processes where these risks are created, and measuring the amount of the specific key risk exposure, its likelihood of occurring and expected return(s) for the risk taken.</td>
</tr>
<tr>
<td>Question</td>
<td>Answer</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Does your organization have a process to develop, continuously review</td>
<td>Business risk management strategies are formulated by management to guide decisions about how it chooses to</td>
</tr>
<tr>
<td>and monitor the effectiveness of its business risk strategies (e.g.</td>
<td>manage each specific key business risk enabling them to more efficiently allocate capital to help maximize</td>
</tr>
<tr>
<td>avoid, price, reduce, transfer, or accept)?</td>
<td>shareholder value. Top performing businesses have developed appropriate alternative strategic responses for</td>
</tr>
<tr>
<td></td>
<td>anticipated changes in business risks that are consistent with their overall business risk management</td>
</tr>
<tr>
<td></td>
<td>objectives and operating performance goals.</td>
</tr>
<tr>
<td>When new key business risks are identified, is an «owner» of the risk</td>
<td>Risk ownership and accountability must be clearly assigned and accepted to assure that the appropriate risk</td>
</tr>
<tr>
<td>(with the appropriate skills and experience) promptly determined and</td>
<td>management and control processes are consistently designed, implemented, improved and monitored in</td>
</tr>
<tr>
<td>charged with the responsibility and accountability to develop,</td>
<td>accordance with established policies and guidelines.</td>
</tr>
<tr>
<td>implement, and manage an appropriate business risk management process?</td>
<td></td>
</tr>
<tr>
<td>Are business risk management processes for specific key risks developed</td>
<td>Once business risk management strategies have been developed and communicated, appropriate processes,</td>
</tr>
<tr>
<td>and implemented by appropriately skilled and experienced personnel in</td>
<td>performance measurements and reporting systems must be designed and implemented to monitor the performance of</td>
</tr>
<tr>
<td>a timely and effective manner consistent with the direction provided</td>
<td>the BRMP. Senior management designates qualified individuals to assure that business risk management</td>
</tr>
<tr>
<td>by risk management strategy?</td>
<td>processes are implemented efficiently and effectively.</td>
</tr>
<tr>
<td>Do key risk management compliance functions and key risk «owners»</td>
<td>Efficient operating performance of business risk management processes is vital to the organization’s value</td>
</tr>
<tr>
<td>perform periodic self-assessments to monitor and improve risk</td>
<td>creation objectives and must be monitored to assure their effectiveness. Top performing companies have</td>
</tr>
<tr>
<td>management effectiveness?</td>
<td>developed a continuous review, improvement and monitoring process to oversee BRMP performance and its</td>
</tr>
<tr>
<td></td>
<td>alignment with their business objectives, strategies and performance goals.</td>
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<tr>
<td>Have you developed or made improvements to your enterprise’s business</td>
<td>There has been an increasing trend over the last few years in the number of Global 1000 and middle-</td>
</tr>
<tr>
<td>risk management processes within the last two years?</td>
<td>marked organizations looking to enterprise risk management as a strategic management tool to more effectively</td>
</tr>
<tr>
<td></td>
<td>manage their increasingly sophisticated, diverse and geographically expansive business operations.</td>
</tr>
<tr>
<td>Has your organization established a corporate level, enterprise business</td>
<td>To develop and implement enterprise risk management capabilities, an effective management organizational</td>
</tr>
<tr>
<td>risk management function?</td>
<td>infrastructure should include a distinct «Business Risk Management Function» to provide oversight, advisory</td>
</tr>
<tr>
<td></td>
<td>and coordination necessary to successfully execute consistent BRMPs throughout the organization and to</td>
</tr>
<tr>
<td></td>
<td>aggregate relevant business risk management reporting information.</td>
</tr>
<tr>
<td>Has your organization designated a senior executive with primary</td>
<td>Top management of many Global 1000 and middle-market companies are making significant investments to develop</td>
</tr>
<tr>
<td>responsibility for developing and overseeing the implementation of</td>
<td>more proactive, integrated enterprise risk management capabilities often overseen by a full-time executive</td>
</tr>
<tr>
<td>consistent business risk management processes on an enterprise-wide</td>
<td>designated as «Chief Risk Officer».</td>
</tr>
<tr>
<td>basis?</td>
<td></td>
</tr>
</tbody>
</table>
The Role of Corporate Secretary

Accredited by The National Association of Corporate Directors (NACD) - USA

Cairo, December - 2009

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Lots of people may not realize that they are constantly and on a daily basis assessing and managing risk, that is because the name of this process could imply that it needs complicated technical or vocational knowledge.

For example, if a family decided to do a weekend trip to the northern coast, then the head of the family automatically do the following activities: He inspects and tunes the car tires. He makes sure that the electrical system and battery are good. He brings lights in case of any failure if the trip was at night. He makes sure to charge the mobile phone in the case of emergency, etc...

Every action corresponds to a risk that the family may be exposed to and may prevent them from reaching their destination; the northern coast to enjoy the weekend.

Another example: Lots of people are making sure, each night and before going to sleep, that there is no gas or water leakage, and that exits and entrances to the house are firmly closed, and also to control the likelihood of risks related to each item, in order to secure the lives of family members.
During their sleeping hours.
Similarly in the business world, it is to be the heart of responsibilities of each department to identify and assess risk associated with each process, and thus to develop appropriate plans to control and reduce their impact in the case they happened. This is known as “Risk Management”, in order to reach goals with the highest efficiency and less losses possible.

Unfortunately, it is rare to find a company (we are not talking about banks here) that pays attention to this important element of success, and it is surprising that companies’ departments are busy to the maximum extent with daily problems with suppliers, customers, contractors, staff, accounting system, paperwork, and administrative problems routine until they reach the point of losing direction and focus, and they turn in circles to distract them from the right direction towards the goals for which senior management and other departments work.

A lot of managers are still working and running their managements for work only, and to resolve daily, monthly and annual problems. Any of them would have been surprised if you asked him: “What is the goal of your administration? What is the role of management in achieving the company’s strategic objectives? It’s even funny that you might find out that he knows nothing about strategic objectives of the company; simply because he is routinely practicing, without linking between means, goals, and risks that are linking between his department and the rest of the company.

The field of risk management is quickly developing, and we find that companies in Europe and United States have relied on the process of risk assessment and management in monitoring their progress of work and to solve operational, financial, technical and strategic problems for the company on a regular basis. There is an overall assessment of risk and steps taken by officials to control them and updating the status of events, errors, or issues that warrant reviewing the system. This is done at the end of each month, or quarterly to submit reports and recommendations to the board of directors and to heads of companies in order to make decisions and to modify the company’s path, and the re-delegation of responsibilities and powers.

The global regulatory bodies, including Committee of Sponsoring Organization of the Tread way Commission (COSO), have developed the risk assessment process as one of the essential elements that guarantee the existence of an effective regulatory structure that follows up the company’s operations to make sure that they are moving in the
direction of achieving sub-goals for each department, and then for the company as a whole.

**Embezzlement Risk:**
The system of management and risk assessment is not complete unless it includes an integrated program to control the risk of embezzlement by:

- Developing a clear policy for the definition of embezzlement, cases, and indicators, and outlining the procedures taken by the department in the case it is detected.
- Adopting a system for reports and channels of communication and reporting of embezzlement, whether they are really occurred or suspected to occur; taking into account to ensure that these communication channels are secret and they access the correct source.

Also, to adopt a code of ethics, and to make sure of informing all managers and staff, and that the code is clear and understandable.

In addition to that, to design a matrix of embezzlement risk in each department and in the company as a whole, and under the supervision of the internal audit department.

**Management Responsibility**
Risk assessment and management is the core job of the management, and this is done by managers in each department separately, and then at the board level. For example, the procurement director, through experience in this area, has to cooperate with his experienced staff to identify the objectives of his administration and determine what are the risk facing their operations, and thus putting the procedures, tools, and methods that they believe will do the following:

- To reduce the effects of risk (to establish control procedures)
- To transfer the risk burden (e.g. through insurance)
- To completely avoid risk (through ceasing activity)

The team may use brainstorming meetings to design the following:

- Setting management objectives.
- Identifying risks and errors that can occur and prevent achieving the objectives.
- Assessment of the likelihood of risk: (potential: Low - Medium – High).
- Assessment of the quantitative or material impact of actual risk: (Low - Medium – High).
- Development of preventive actions.
- To assign a responsible for the procedure of controlling risk.
- To follow up with the implementation procedures.
- To re-evaluate the situation on a monthly or quarterly basis.
- All of the above mentioned applies to the departments of Marketing, Sales, Finance, Production, Inventory, R&D, etc.

**But what are the ranges in which we put all of this work:**
- Management objectives: Annual work plan
- Risks and errors that can occur: Risk register
- Control procedures: Policy and procedures manual
- Quarterly re-evaluation: Internal audit reports to senior management

As for the sources of risk surrounding businesses:

- Competition: Strategic risk
- Liquidity: Financial risk
- Absence of an automated system: Operational risk
- No policies and procedures manual: Operational risk
- State’s economic instability: Strategic risk
- Staff with low efficiency: Operational risk
- Poor accounting system: Financial risk
- Poor strategic vision: Strategic risk
- Embezzling activities: Financial and operational risk

Finally, it is for the departments of companies and for business owners to choose between immersing in the whirlpools of daily problems, and to rely on trial and error methods, thus they will confined to a poor vision, or to adjust their compass to navigate in the right direction towards success amid waves of challenges and risks.
We are living at a time referred to as “the era of the overarching concepts”, that is, a time when every day we are provided with new terms by the global economic community. This means that in this era there can be one word which refers to a range of ideas and meanings, for example “privatization” and “globalization” refer to a multitude of different ideas in different locations around the globe. Fairly recent additions to this vocabulary are terms describing functions, such as disclosure, transparency, and governance. This last word, governance, is at the top of the latest trend to grab the attention of academic communities, as well as global economic and political circles, whenever there is a financial or economic crisis facing the world.

There has been a continuing need for the development of all regulatory and supervisory frameworks to protect the rights of shareholders and stakeholders. It is well known that interest in corporate governance has increased worldwide and calls are growing for the application of sound practices in various economic activities, especially after the financial crises produced such a wide-ranging impact on companies or markets.

Elements of governance
Among other issues, governance is interested in the organization of audit tools in companies, the most important of which are: External audit, internal audit, Audit Committee, Risk Committee.
These tools will be addressed briefly, beginning with the external audit.

Figure 1 - Elements of governance

**The importance of audit**

An audit is a systematic process for collecting and evaluating evidence and economic processes, to make sure of the degree of compliance with the set standards (whether local or international standards), as well as communicating results to the concerned parties. Audit has historically been the only way to detect errors, fraud, and forgery located in books and records. The task of the audit was to track these errors to be detected. Recent developments in technology, however, may result in even more foolproof, secure methods.

Traditionally, the auditor is expected to perform a critical review of the entity’s economic data, financial statements and degree of reliability. Then he submits a neutral audit opinion in his report to reassure those who deal with that information.

**Auditor responsibility**

The auditor is expected to ensure the compatibility of the financial statements with the domestic and international standards, as well as to collect and evaluate evidence, form an opinion on the results and to deliver this opinion to the concerned parties. He is also required to exert the appropriate professional care, often referred to as the specialized “honest and keen man’s attention”. This professionalism is considered above the usual attention to details because it is the result of intricate study and ongoing training to keep abreast of what’s new in accounting and auditing as well as relevant regulations and laws.

Furthermore, he must abide by the rules of professional conduct, namely independence, impartiality, objectivity and efficiency. He serves as the attorney for all shareholders including minority shareholders, and does not regard either one as above the other, regardless of the category that has chosen him as company’s auditor.

**Difference between the internal auditor and external auditor**

The objectives and means used by both the internal auditor and external auditor are very similar, though there are some differences, notably the following:

The internal auditor serves under and is responsible to the senior management of the company, whether CEO or board of directors as a whole, and thus there is a direct impact on his work. On the other hand, the external auditor works under the laws, regulations and resolutions of the General Assembly of shareholders, which is a higher authority than the senior management of the company.

The basic wage and overtime of the internal auditor is determined by the company’s board while the external auditor’s fees are determined by the General Assembly.

The internal auditor is independent in work within the general framework of company’s rules and procedures, referred to as internal independence,
while the external auditor should be completely independent of the company’s regulations and administrative decisions, and he is governed by other laws as well as professional standards.

The role of the auditor

Identifying the link, association, and relationship between the auditor and corporate governance.

Obviously, any review of recent information in a variety of studies and publications reveals that corporate governance is important in the reduction of incorrect practices of senior management. This assists in preserving the wealth of shareholders and other related parties, such as suppliers, customers and employees of the company. Similarly, the important role of the auditor is for the examination, audit, and expressing opinions on the financial statements and the company’s commitment to corporate governance codes, as well as the company’s business. Therefore, there is one goal but through different means, so it has been necessary to find a way of interaction between the two parties. Part of this re-activating of the role of the auditor in the presence of regulatory tools updated with the emergence of corporate governance has been the adjustment of the composition of the audit committee to include non-executive members of the Board to oversee the company (most of whose members are independent). In addition, there is verification of the validity of financial and non-financial statements, which plays a pivotal role in dealing with the auditor. This committee role can be summarized as follows:

Tasks of the audit committee:
Nomination of the auditor and determination of his fees, as well as submitting the decision to the Board before it is approved by the General Assembly which is, in turn, entitled to accept, reject or amend this nomination.
Approval of the additional work given to the auditor and determining his remuneration commensurate with the annual fees. It may be seen in some laws and principles, such as the law of «Sarpens Oxley» (SOX) in the United States, and the principles of corporate governance issued by the Organization for Economic
Cooperation and Development (OECD), that any additional work may not be assigned to the auditor. Conditions imposed on that require that if necessary fees are not to increase more than annual fees, this should not have any impact on the original work. It should be noted that the Guide to the «Codes and standards of corporate governance in the Arab Republic of Egypt», which was issued by the Egyptian Institute of Directors in 2005, states in the sixth code “the auditor” that:

- The auditor may not be contracted to perform any additional work for the company except after the approval of the Audit Committee, and provided that the works are not subjected to review, evaluation or opinion.

**Terms of outsourcing additional tasks to the auditor**

- Only in case of necessity--------approval of the Audit Committee.
- Fees commensurate with the annual fees--------determined by the General Assembly.
- Not influencing----------------independence.

The audit committee also has to:
- Review and discuss the auditor’s report, including the management report and the report of comments on the company’s business, as well as the annual report on the financial statements.
- Verify auditor’s commitment to audit standards.
- Review financial reports and information that is disclosed in the quarterly and annual reports, and to discuss them with the auditor without prejudice to his independence.

One of the main influences on Audit Committee member:

- Neither the auditor nor any of his relatives may be an employee or a partner in the office being audited, whether currently or within the past three years.
- In addition to the foregoing, the Audit Committee serves as a liaison between the auditor and both the company’s BOD and the internal audit department in the company.

**The Audit Committee**

Internal audit ←→ Audit committee ←→ Auditor

**Close Relationship**

**Effects of governance on auditor**

Legislative environment created through the laws and decisions issued by the regulatory bodies affect the performance and the report of the External Auditor.

Codes and Standards of Corporate Governance in the Arab Republic of Egypt:
(Issued on October 10, 2005 by the Egyptian Institute of Directors - Ministry of Investment).

The company is to have an auditor, with which it has no working relationship; he must be independent of the internal management as well as the BOD. He is appointed by the General Assembly which also determines his fees, after the nomination of the board, based on recommendation of the Audit Committee.

He is not to be a shareholder in the company, or an experienced member of its board; he should also be immune to the management interference and influence.

**Summary of Part I:**

Since the global financial crises which appear from time to time lead to financial disasters, the collapse of some key companies, and the loss of investor money, it is necessary for specialists to review the existing regulatory tools as well as the development of new control tools that will protect the funds of investors from loss and concomitantly, assist in stabilizing financial markets. The auditor will remain as one of the most important instruments of control to achieve those goals.

Part II of this report deals with the following theme:

«The impact of the decrees and decisions issued by the regulatory bodies on the work and performance of the auditor and the audit committee»
شارك الآن في البرنامج التدريبي المتخصص حول التمويل لغير المتخصصين

www.eiod.org
MNEs are an integral part of any open economy. They play a key role in channeling investment across borders in the form of foreign direct investment (FDI). Freedom of investment regardless of its nationality is one of the main criteria to assess countries’ commitment toward creating an environment conducive for investment. In seeking lucrative investment opportunities, MNEs bring along with them capital inflows, technical and managerial know-how, employment, and tax receipts. Nevertheless, the image of MNEs has not been always positive in the eyes of the local community as public concern is sometimes raised concerning the direct and indirect impact of their activities on social, economic and environmental issues. Many MNEs have engaged in a number of initiatives to address public concern and to improve their image in the eyes of the average citizen. These initiatives achieve varied degree of success depending on the initiator and

Ahmed Kamaly, Ph.D
Director of Egyptian National Contact Point
Ministry of Investment

In 2007, Egypt was the first Arab and African country to sign the Investment Declaration of the Organization for Economic Development and Cooperation (OECD). One of the main elements of this Investment Declaration is the Guidelines for Multinational Enterprises (The Guidelines) which are a set of voluntary principles and standards on responsible business conduct for multinational enterprises (MNEs) operating in or from Egypt.
The Guidelines aim at reinforcing these disordered activities and provide a structured, comprehensive and common frame of reference that MNEs should abide by to ensure that MNEs engage in a sound business conduct in hosting countries. The Guidelines have a number of unique features that have helped them to gain wide acceptance among business communities in several countries. First, they are balanced in the sense that they help in establishing a climate conducive for mutual benefit and cooperation between the different actors in the business community (business, labor and governments) in order to avoid any misunderstanding and conflict. Second, they are inclusive of all the parties which have a stake in the business environment in the country. As such, business community, labor representatives and non-governmental organizations (NGOs) are brought together through the Guidelines to support a fair business conduct which protects the interests of all involved parties. Third, they are comprehensive in their coverage of topics related to business conduct. They cover issues related to disclosure, employment and industrial relations, environment, combating bribery, consumer interests, science and technology, competition and taxation.

In accordance with the Guidelines, Egypt has created the Egyptian National Contact Point (ENCP). ENCP is an independent unit within the Ministry of Investment with an advisory board comprising of representatives of the Ministry of Finance, Foreign Affairs, Administrative Development, Trade and Industry, and Ministry of Manpower and Immigration. The Advisory committee also comprises economic, legal and financial experts in addition to a representative from the Egyptian Trade Union Federation. The main objectives of ENCP are to (i) promote the Guidelines among the business community (especially inward and outward investors), employee organizations and other interested parties; (ii) handle inquiries and discussions related to the Guidelines; and (iii) contribute in the solution of the problems that may arise regarding the implementation of the guidelines (specific instances). ENCP has an ambitious work plan to fulfill these objectives. It has produced two publications: a brochure on ENCP and a booklet on the Guidelines. These publications aim at informing the business community about the activities of the ENCP as well as the principles of the Guidelines. The outreaching activity is vital for the success of any contact point; this is why ENCP is planning to reach out to the community of MNEs working in Egypt through establishing direct contacts with different country chambers and participating in different events attended by MNEs. Furthermore, ENCP has asked the General Authority for Investment (GAFI) in Egypt to include ENCP publications in the package given to potential foreign investors. This outreaching activity is not limited to MNEs but it should also be extended to get other stakeholders such as labor unions and NGOs aware of the ENCP and the OECD Guidelines. This awareness from the part of the business community would help in making MNEs closely observe the Guidelines. ENCP intends to work closely with other local initiatives in areas related to the Guidelines. As noted before, the Guidelines cover a broad set of corporate activities; consequently, to promote the Guidelines, ENCP has to coordinate with different institutions such as Egyptian Institute of Directors, Consumer Protection Agency and Egyptian Competition Authority.

ENCP is scheduled to launch the specific instances unit around the end of January 2010. This unit is responsible for handling inquiries and discussions related to the Guidelines as well as contributing in the solution of the problems that may arise regarding the implementation of the Guidelines. Having an active specific instances unit has a number of advantages such as empowering trade unions and civil society, enhancing conflict resolutions and improving doing business.
“CORPORATE GOVERNANCE QUALITY, VOLUNTARY DISCLOSURE AND FIRM VALUATION OF EGYPTIAN LISTED FIRMS”

A THESIS SUMMARY

The directors of [joint stock] companies, however, being managers rather of other people’s money than of their own, it cannot be well expected that they should watch over it with the same anxious vigilance [as owners]... Negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such a company.” Economist Adam Smith (1776).

For centuries, the above quotation represented an advance warning as if Adam Smith were describing the shape of things to come in the twentieth century when unthinkable scandals aroused the public suspicion and anger. Although the USA was one the first nations to establish and adopt Corporate Governance regulations through the 2002 Sarbanes-Oxley Act, recent events in that country proved that rules and regulations are not sufficient tools for predicting the next financial crisis. Now there is an urgent need to have more creative and innovative ideas on such issues as the level of voluntary disclosures, creative capitalism, ratings agencies performance, Corporate Social Responsibility (CSR) and CG indexes.

Our study examines the relation between the quality of corporate governance mechanisms, the extent of voluntary disclosure and firm valuation in Egyptian listed firms. Economic reform which started in Egypt in the 1990s, coupled with recent economic events such as the global financial crisis has fueled the need for close investigation of corporate governance and disclosure and transparency issues in the Egyptian market. The Report on the Observance of Standards and Codes (ROSC) of The World Bank finds that disclosure and transparency generally are not characteristic of the Egyptian stock market. It was found that voluntary disclosure specifically is not predominant among Egyptian preparers of public financial statements (ROSC 2002).

By:
SALAH ZAKI
Prior literature has suggested a factor that may determine the extent of voluntary disclosure is the quality of corporate governance mechanisms in place to ensure optimum managerial decisions and resource allocation (Karamanou and Vafeas 2005; Cheng and Courtenay 2006; Fan, Wang, Zhang 2007; Lim et al. 2007). We model the relation between the extent of voluntary disclosure and firm corporate governance quality using a sample of the 100 most actively traded firms listed on the Egyptian stock exchange as of December 31, 2007. Panel A and B provide a summary of the selected sample.

Panel A: Distribution of Sample Firms and EGX30 Firms by Industry (as of December 31, 2007)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Sample</th>
<th>%</th>
<th>EGX30</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction &amp; Building Materials</td>
<td>14</td>
<td>14%</td>
<td>3</td>
<td>11.5%</td>
</tr>
<tr>
<td>Real Estate Development</td>
<td>13</td>
<td>13%</td>
<td>4</td>
<td>15%</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>11</td>
<td>11%</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Personal &amp; Household Products</td>
<td>11</td>
<td>11%</td>
<td>2</td>
<td>7%</td>
</tr>
<tr>
<td>Industrial Products</td>
<td>10</td>
<td>10%</td>
<td>2</td>
<td>7%</td>
</tr>
<tr>
<td>Travel &amp; Leisure</td>
<td>10</td>
<td>10%</td>
<td>2</td>
<td>7%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>8</td>
<td>8%</td>
<td>2</td>
<td>7%</td>
</tr>
<tr>
<td>Basic Resources</td>
<td>6</td>
<td>6%</td>
<td>2</td>
<td>7%</td>
</tr>
<tr>
<td>Non-bank Financial Services</td>
<td>6</td>
<td>6%</td>
<td>4</td>
<td>15%</td>
</tr>
<tr>
<td>Healthcare and Pharmaceuticals</td>
<td>3</td>
<td>3%</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>3</td>
<td>3%</td>
<td>3</td>
<td>11.5%</td>
</tr>
<tr>
<td>Media</td>
<td>1</td>
<td>1%</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Oil and Gas</td>
<td>1</td>
<td>1%</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Retail</td>
<td>1</td>
<td>1%</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Technology</td>
<td>1</td>
<td>1%</td>
<td>1</td>
<td>4%</td>
</tr>
<tr>
<td>Utilities</td>
<td>1</td>
<td>1%</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100%</td>
<td>27</td>
<td>100%</td>
</tr>
</tbody>
</table>

EGX30 firms include 3 banking firms which were excluded from the comparison table.

Panel B: Distribution of Sample and EGX30 firms

<table>
<thead>
<tr>
<th>Data Item</th>
<th>Sample</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N</td>
<td>%</td>
<td>N</td>
<td>%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit-Related Information</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit firm affiliation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private local firms with &quot;Big Four&quot; affiliations</td>
<td>33</td>
<td>33</td>
<td>14</td>
<td>52</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private local firms with international affiliations</td>
<td>26</td>
<td>26</td>
<td>5</td>
<td>19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private local firms with no international affiliations</td>
<td>23</td>
<td>23</td>
<td>6</td>
<td>22</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Auditing Organization</td>
<td>18</td>
<td>18</td>
<td>2</td>
<td>7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>27</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit Opinion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qualified</td>
<td>44</td>
<td>44</td>
<td>10</td>
<td>37</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unqualified</td>
<td>66</td>
<td>66</td>
<td>17</td>
<td>63</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>27</td>
<td>100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
To measure the quality of firm corporate governance mechanisms, the Standard & Poor’s (2002) [S&P] corporate governance framework has been used. This measure is based on four governance components: ownership structure and influence, financial stakeholders’ rights and relations, financial transparency and disclosure, and board structure and processes. On the other hand, the level of firm voluntary disclosure has been measured using the S&P’s transparency and disclosure (T&D) framework. A company’s score is evaluated on each of the above indices using relevant data from firm annual reports and websites.

Using OLS regression and t-tests, results suggest that voluntary disclosure is influenced by governance index in general, but more specifically with the foreign ownership, ownership concentration, and director independence governance components. It is also related to audit quality and firm size. Additional analysis shows that ownership structure and investor rights disclosure by Egyptian firms is influenced by the proportion of ownership held by institutional investors. Institutional investors, along with foreign ownership, are also suggested to significantly influence the level of financial transparency and information disclosure. The level of board and management structure and process disclosure is influenced by foreign ownership. In terms of firm characteristics, the level of financial transparency and information disclosure is influenced by firm size and audit quality, whereas board and management structure and process is influenced by industry type (manufacturing versus non-manufacturing) and firm size.

Ownership structure and investor rights disclosures appear to be affected most by higher director independence, higher institutional ownership, and lower ownership concentration. Financial transparency and information disclosures are affected by institutional investor ownership, director independence, and foreign ownership. This category has the highest overall mean disclosure level among all three S&P transparency and disclosure categories for Egyptian firms. Board and management structure and process disclosures are affected by director independence. This category has the lowest overall mean disclosure level among all three S&P T&D categories for Egyptian firms. Overall, the results point to a large divergence in the disclosure practices of Egyptian listed firms, in the governance components that elicit the disclosure response, and

<table>
<thead>
<tr>
<th>Compliance-Related Information</th>
<th>88</th>
<th>88</th>
<th>24</th>
<th>89</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filing with CMA within deadline (3 months after year-end)</td>
<td>12</td>
<td>12</td>
<td>3</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>3</td>
<td>100</td>
</tr>
<tr>
<td>Filing with CMA beyond deadline, and receiving qualified opinion</td>
<td>7</td>
<td>58</td>
<td>1</td>
<td>33</td>
</tr>
<tr>
<td>Filing with CMA beyond deadline, and receiving unqualified opinion</td>
<td>5</td>
<td>42</td>
<td>2</td>
<td>67</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>100</td>
<td>3</td>
<td>100</td>
</tr>
<tr>
<td>Website Functionality Information</td>
<td>52</td>
<td>52</td>
<td>16</td>
<td>59</td>
</tr>
<tr>
<td>Firms have functional website</td>
<td>21</td>
<td>21</td>
<td>7</td>
<td>26</td>
</tr>
<tr>
<td>Firms with non-functional website</td>
<td>27</td>
<td>27</td>
<td>4</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>27</td>
<td>100</td>
</tr>
<tr>
<td>Ownership Related Information</td>
<td>74</td>
<td>74</td>
<td>21</td>
<td>77</td>
</tr>
<tr>
<td>Firms with majority private ownership</td>
<td>17</td>
<td>17</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Firms with minority state ownership</td>
<td>9</td>
<td>9</td>
<td>5</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>27</td>
<td>100</td>
</tr>
</tbody>
</table>
in the governance causes by S&P disclosure category. Egyptian firms score highest on financial transparency and information disclosures and lowest on board and management structure and process.

Although the results of this study are overwhelmingly decisive and conclusive that transparency and disclosures (voluntary and non-voluntary) as well as corporate governance practices need huge improvements and new ideas to encourage enforcement, Egypt should be guided and inspired by history in order to leap to the future as economic developments during the last century were not as bright and innovative as some previously experienced. Since Egypt is trying to integrate its economy with the world economy, it is an imperative to understand and apply global ideas with local actions, being aware of the pitfalls of “One Size Fits All” when applying best practices in Corporate Governance.

Two topics are recommended for additional and future analysis which would benefit all concerned parties:

1. Disclosure on The Internet

The Internet provides a quick and relatively inexpensive medium for companies to develop investor rights. However, even given recent technological developments, Internet disclosure still does not seem attractive in the eyes of managers of many major Brazilian companies based on results obtained during the present research (Mendes-Da-Silva and Christensen 2004). Although several studies examining the determinants of voluntary disclosure of financial information through the Internet already exist, this theme has been explored very little in individual nations. Moreover, in markets which are more developed than Brazil’s, concerns have been raised concerning this subject: “The demand- and supply-side implications of the Internet for corporate disclosure are profound. If companies can use the Net to access information almost constantly and instantaneously--- and investors and analysts have a thirst for such information--- the obvious result will be much more continuous reporting of financial and business information. Much, if not all, of this information should be designed to help investors’ better estimate companies’ future profitability and relative riskiness so that they can more accurately price companies’ true market values” (Litan and Wallison, 2000, p. 8).

The last five years witnessed a growth in the number of companies that use the Internet for reporting as a type of voluntary disclosure. It has become one of the fastest-growing phenomena for such applications (Ashbauph at al., 1999; Oyelere et al., 2003).

2. Corporate Governance and Corporate Social Responsibility Holistic Nexus

Corporate governance should not be looked at or studied in isolation from corporate social responsibility; the table above clearly illustrates the inseparable relationship between the two sciences. In practice, a corporation would never be able to apply quality corporate governance with voluntary disclosure without properly applying and creating corporate social responsibility strategy which then becomes an integral part of the company’s vision and mission.

However, we should not be complacent as the crisis creeps into our real economy and affects FDI to Egypt either through direct investments into big projects or through investment in the Egyptian Exchange. This latter issue currently needs a lot of attention, since Egypt occupies one of the lowest positions in all Global Competitiveness Report tables.

On the regional level, there have been some tremendous improvements regarding the real understanding of corporate governance as well as putting regulations and the right infrastructure in place. In this regard we should mention Tunisia, Lebanon, Turkey and the Gulf Countries.

We consider this research one of the few studies that examines the relationship between corporate governance and voluntary disclosure by Egyptian listed firms. We expect results of this study to be of interest to stock exchange regulators and professional investors, among others. In particular, results should provide stimulus for regulatory and law-making bodies to create guidelines and regulations aiming at improving the effectiveness of corporate governance mechanisms for Egyptian firms. This action should potentially increase the attractiveness of the Egyptian stock exchange as a low-risk investment venue.
Corporate Responsibility and the Role of Egypt’s Global Compact Local Network in Times of Crisis

2008 will be remembered as the year of crises. The breakdown of financial institutions and markets and the subsequent worldwide economic downturn have put the spotlight on issues that the United Nations Global Compact has long advocated as essential responsibilities for modern business and today’s global markets: comprehensive risk management, long-term performance and ethics.

No doubt, poor regulation and oversight were among the key factors contributing to this dramatic chain of events. But equally important, the financial crisis revealed an inadequate understanding of risk and a fateful focus on short-term returns. In fact, if we were to take just one clue from the meltdown, it is that the global marketplace is in need of a stronger ethical orientation and a more comprehensive understanding, assessment and management of risks that gives consideration to material issues in the environmental, social and governance (ESG) realms. Restoring confidence and trust in markets requires a shift to long-
Corporate Social Responsibility

By:

Jonas Haertle
Coordinator, Networks & Academic Initiatives, United Nations Global Compact Office

term sustainable value creation, and corporate responsibility must be an instrument towards this end. If the crisis is any indication, it is now time to build on the advances made over the past ten years by companies and investors in the area of ESG performance and bring this discipline to the mainstream. And, strengthening the role of the Global Compact in the local context – on a country-level through the Global Compact Local Network Egypt – will be key to achieving this goal.

For business, a few key lessons have emerged from the crisis:

**Long-term considerations and comprehensive risk management must be integrated into market expectations and corporate strategy:** Obsession with short-term profits and oftentimes reckless disregard for long-term considerations played an important role in destabilizing markets everywhere. At the same time, insufficient attention has been paid to ESG issues which have gained in relevance and thus materiality to business – particularly climate change, water and poverty.

**True business leadership must focus on stakeholders, not only shareholders:** Well-publicised accusations of greed, fraud and abuse – ultimately disregard for ethics and the interests of society – are numerous in the wake of the financial crisis. A number of financial and corporate leaders have been blamed for focusing on delivering rewards to a relative few at the expense of the taxpayers now paying for bailouts. Companies operating in the new global context must respond not only to investors, but also consider interests of employees, communities and other key stakeholders.

**For markets to function, we need effective disclosure standards, regulation and oversight:** Lack of transparency and disclosure allowed too many organizations to hide poor practices that eventually led to financial collapses and liquidity crises, as well as lost homes, jobs and pensions. Insufficient or ineffective regulation and oversight in the financial markets were part of the problem. Additionally, outdated regulatory frameworks no longer effectively addressed sophisticated capital flows and financial products in today's global market. Reform will undoubtedly require increased international cooperation and coordination.

**Economies are more interdependent than ever before:** The rapid succession from the collapse of the US mortgage bubble to a global financial crisis and a subsequent global economic downturn is proof of the high degree to which...
markets are interconnected and interdependent. All economies – developing to advanced – have been affected to varying degrees. And on top of massive investment losses and loan failures, many countries face imminent threats of increased poverty and social ills.

**A bright future for corporate responsibility?**

By all accounts, the crisis requires a renewed call for corporate responsibility – through the observance of universal principles in the areas of human rights, labour, environment and anti-corruption. Today’s confluence of global threats provides the most compelling and rational case for embracing an expanded view of risk and opportunity management to include ESG factors; for increasing focus on long-term value creation in companies and markets; and for emphasizing responsibility and ethics to drive confidence and trust. The following framework for action should guide companies in their efforts to reconcile their commitment to corporate responsibility with the circumstances of a fundamentally altered global economy.

The economic downturn poses a real challenge for many companies, yet should not be used as an excuse to ignore or cut back on issues that directly impact the value of business. Climate change, human rights challenges and corruption will not vanish as a result of economic decline and may actually worsen because of it. Already, downsizing, labour unrest and increased poverty have become more widespread. Short-term stimulus and recovery plans within companies must be mindful of ESG impacts.

More companies need to engage more deeply on ESG issues and comprehensively disclose their efforts. Multi-Stakeholder networks such as Egypt’s Global Compact Local Network can give crucial support to this goal:

**Subsidiaries and supply chains.** Without a deeper penetration throughout companies and value chains, corporate responsibility efforts will have limited impact. While CEO ownership of ESG issues has grown, the momentum has not sufficiently moved down the organization and out to subsidiaries and supply chains. It is time to move for an integrated approach to implement all Global Compact principles throughout and beyond headquarters, and then report on these efforts. Here, the role of Global Compact Local Networks can be crucial as they can support companies in bridging national boundaries and link up to other Networks around the world.

**Implementation and disclosure of ESG issues**

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**Comprehensive and accurate disclosure.** Without more comprehensive and accurate disclosure, it will be difficult to establish a strong link between ESG performance and long-term value. The Global Compact’s Communications on Progress (COP) framework was introduced for this purpose and has resulted in the submission of nearly 5,000 reports.
Companies of all sizes are called on to use established frameworks and indicators when reporting, such as the Global Reporting Initiative. While there is always room for improvement, the efforts by the Global Compact Local Network in Egypt to help companies develop a COP are very encouraging and should be continued. Learning activities such as workshops, trainings or regular working group meetings can be set up for Global Compact participants in Egypt to gain a better understanding of how to disclose information to the companies’ stakeholders.

Climate Change. The risks from climate change are intimately linked with issues at the core of the corporate responsibility movement: human rights, labour and good governance. It is the most serious threat to global development and social progress. A global agreement on climate that results in a sufficient price for carbon will help ensure the continuation of a global marketplace based on openness and competition. On the other hand, the trade tensions and discriminatory carbon tariffs that would result from a failure to find agreement could destroy the underpinnings of the global economy upon which so many companies and investors are reliant. The ability of stakeholders – namely government and business – to cooperate and collaborate to find climate solutions will be the litmus test for the sustainability of our current global market system.

I encourage all companies and other stakeholders in Egypt’s Global Compact Local Network to take on this challenge:

Building a green economy. Only a small fraction of business leaders are taking the climate agenda seriously. Many are still sitting on the fences, while others are actively lobbying against climate action. It is now time to change course and help build a green economy. Business must answer the call to create a future based on a low-carbon economy – green jobs, renewable energy and energy efficiency – and make use of their supply chains to ensure that the cleanest technologies are developed and applied everywhere.

Caring for Climate. All companies should join Caring for Climate, the world’s largest business-led initiative on climate change, in which chief executives commit to undertake comprehensive climate policies and disclose carbon emissions. In addition to assisting companies in the development of effective climate policies, Caring for Climate also provides a channel for the business community to contribute inputs and perspectives to key governmental deliberations.

Water stewardship. A critical – and related – issue for business action is water sustainability. Through the CEO Water Mandate, the Global Compact provides an avenue for advancing corporate water stewardship. The initiative assists companies in the development, implementation and disclosure of water sustainability policies and practices. Examples of efforts include drip irrigation, water harvesting and new technologies for recycling water from manufacturing.

Business vision for COP 15. It is essential for business to be part of the movement for a comprehensive and meaningful agreement at COP 15, the United Nations Climate Change Conference, to be held in Copenhagen in December 2009. In this context, business is called upon to develop a shared vision and a set of recommendations from towards a new, global framework on climate change. Governments must understand that December is time to seal the deal on climate change.

In summary, the greatest global challenges will only be solved by cooperation. Effective partnerships can make it possible to overcome dilemmas that are too difficult or complex for one organization or sector to address alone. More and stronger collaboration between governments, civil society and the private sector should be sought – the Global Compact Local Network Egypt should be developed as an important platform for collaboration. None of the measures and steps outlined here will deliver results overnight. And some require fundamental transformations of business strategies and operations. But if anything good is to emerge from this economic crisis, it is the real opportunity to define a new phase in globalization in which markets contribute to a world where all people live in societies that are prosperous and peaceful.
Global Compact Principles and Social Responsibility
Mansour Group Case Study

The principles of the Global Compact and Corporate Social Responsibility were proclaimed and developed over the past decade, and specifically since Mr. Kofi Annan, former Secretary General of United Nations, announced Global Compact initiative in 1999 as a voluntary initiative for companies and institutions to play a role in shouldering social responsibility, both within its local or global arena.

In Mansour Group, since its creation in the seventies of the last century and the subsequent developments within the group and up to being Mansour Group for Manufacturing and Distribution, we are working in accordance with these principles in spirit and in thought. Mansour Group is aware since the beginning of the initiative that it has a social and ethical role, and believed that profit should not be at the expense of principles. Profits cannot be through hiring children to work, or through violation of equality in wages and working conditions, and encouraging acts of forced labor and deprivation of right to organize collective opposition.

By: Walid Nagi
Corporate Affairs Manager – Mansour Group
and rest of other fundamental rights enshrined in the Global Compact. Profits cannot be at the expense of general exhaustion of ecological environment, which is the wealth of all mankind, and we believe that the role of business in building the economy, providing jobs, and gaining profits could not be achieved unless in a legal, ethical, and humane way.

Mansour is twinning with the objectives of the Global Compact (GC) and the principles of social responsibility; we were the first Egyptian entity to join the GC in 2003, and since then the group actively participate in all GC’s events and corporate social responsibility activities.

During the same year, Mansour participated in a group of workshops to publicize the Global Compact, which was organized by the Center for Studies of Developing Countries in the Faculty of Economics and Political Science at Cairo University. The group also participated on the 9th of February of the same year in the official launch of the Global Compact initiative in Egypt, and was also the first group to accept the addition of the tenth principle of the Global Compact’s Charter, which is the principle of fighting against corruption, and it declared support for the principle and its commitment to abide by it in all its transactions.

In 2005, Mansour Group, in cooperation with the United Nations Development Program (UNDP), organized the largest conference of its kind in the Middle East at the Library of Alexandria to promote the principles of the Global Compact and corporate social responsibility, under the auspices of his Excellency the Prime Minister and the presence of Dr. Mahmoud Mohieldin, Minister of Investment.

The group also played an active role in all the conferences and workshops organized by the UN and UNDP inside and outside Egypt, through presenting its experience in commitment to the Global Compact and serious application of the social responsibility initiative. Mansour is keen to develop its role through the participation in the establishment of the Global Compact local network in Egypt, in cooperation with the UNDP and the Egyptian Institute of Directors (EIOD), and turn it to an institutional entity coordinating efforts of companies, institutions, and providing and spreading awareness of the importance of applications of these principles.

It is the intention of Mansour Group to maximize its role in this direction during the coming period, thereby helping to consolidate the concepts of the Global Compact and the principles of social responsibility. The group aims to present itself as a model for proper implementation of these principles and to emphasize that there is no conflict between corporate and social institutions responsibility towards society and the achievement of its objectives, but with the realization that there is a significant difference between social responsibility and financial contributions to charities. Social responsibility, from the field experience of the group, means that businesses change their policies and how they work, commensurate with the culture and norms of society, and not doing harm to its own resources and health of its members, meaning that it creates a good image for the company in the public opinion.

Based on the experience of Mansour Group, we can say that the most important of social responsibility elements is maintaining sustainable development through good use of resources and efficiency of departments, for the benefit of future generations as well as the preservation of the environment and care for rights of workers, and providing job opportunities to the community.
In simple words; Responsible entrepreneurship is a concept and a process whereby entrepreneurial enterprises integrate social and environmental concerns in their business operations and interactions with their stakeholders. The World Summit on Sustainable Development 2002, held in Johannesburg, South Africa, called the environmental and social performance of SMEs as a major challenge in achieving progress towards sustainable development. As a result, the theme of this article and the accompanied project might enhance and encourage SMEs to be promoted for their potential in engagement to meet such challenge «Responsible Entrepreneurship Conduct». Dar El Oyoun eye hospital distinguishes clearly between the philanthropic activities and responsible business conduct. In its charter 2009, section Responsible Business Conduct; The board of directors stated «The board believes that the net profit accomplished by the company is the reward given by the community in exchange of the good and the quality services introduced for the community; Dar El Oyoun company will not consider profit as an ultimatum goal». As we believe intuitively in this concept. A group of experts from the three bodies representing the stakeholders of the project Standard Chartered Bank; Rotary Club – Giza and Dar El Oyoun hospital, studied in depth, the scientific and the applicable model that suits the main idea which is ‘Serving your Community through your normal activities and core business’. 
The three groups worked hard to create the proper model that suits every partner alone (the Bank performed its role through funding and auditing; Rotary served the community through gathering stakeholders together to give what the community needs and Dar el Oyoun showed its contribution as a medical service provider) and at the same time created synergy between all stakeholders (Figure 1).

The stakeholders objective for phase one was «eradicating blindness through treating reversible causes of blindness through cataract extraction with intra ocular lens implantation for the poorest sector of the poor in Egypt within a time frame of six months. The target groups were women (the most economically vulnerable group) and men of any age group with visual handicap, which was considered as a leading cause for keeping the family under the poverty line. Through extensive scientific discussions and workshops, we approved the business plan with its auditing system (Figure 2). Then after we formulated the working groups aiming to achieve our objective through medical convoys and ophthalmic outreaches to so many provinces (to improve eye health care standards and spread the spirit of preventive measures and dealing with eye diseases and ophthalmic disorders). Thirty five thousand patients were examined, out of which 20 thousand were treated. Two hundred and fifty patients were operated surgically with a success rate of almost 100%. The last surgically operated patient has been selected by Egyptian Food Bank. This model for the project «seeing is believing» was composed of three fulcrums, the first one was medical convoys under the patronage of Dar el Oyoun hospital and Rotary club; we conducted more than 30 successful convoys. The second fulcrum was engagement of people representatives «local authority – elected parliament representatives and mayors of the villages” aiming to help directing the convoys demographically towards the targeted groups. The third fulcrum was the one concerned with cooperation and solidarity with mainly two non-governmental organizations, the Egyptian Food Bank (is one of the most distinguished and reliable NGOs in Egypt) and Oyoun al Wadi Association (NGO specialized in combating blindness in Egypt).

Strategically we have chosen The Egyptian food bank for a strategic reason which is «the vicious circle of poverty and sickness». We definitely believe that one of the main reasons of being within the core poverty is the seasonal unemployment related to the sickness of the person him/herself or sickness of someone dependent on them. We believe that this model is an easy applicable one «Serving community through professionalism». Thereafter few values of our model:

1. Focusing with best quality standards: Firms when they serve their community through their normal and routine activities, they definitely do it with higher
efficiency and effectiveness, and their behavior can be audited according to the known norms and standards. But in the case where the firms serve the community through unusual activities e.g. bank conducts medical convoys or hospitals help in construction projects. Usually firms consider these kinds of services as non-auditable one and usually do it non-efficiently as it is done through non-professional employees with limited experiences.

2. Research and development: This is one of the most important issues for every firm and the best item to guarantee doing business efficiently and effectively according to the business plan. We developed a financial simulator aiming to study the effects of doing 500 cases on «fixed cost, marginal cost, cash conversion cycle and variable cost, marginal revenue product MRP and break even point». We aimed to find the most suitable number of surgical interventions and examinations per day (maximum use of resources) and economy of scale.

3. Cost containment and cost savings: Doing business effectively and efficiently within a specific time frame, make cost containment policy easier and successful
   - We hired the most efficient physicians (to reduce rate and cost of complications)
   - We studied the minimum cost of operation time and in-patient, it was found to be after 6 o’clock except for Friday and official holidays.
   - We depended on the top notched nurses and technicians for extra-time work and we initiated a training course for the whole staff (observational and work-shop training) which reduced the cost of training and big portion of the fixed cost.

4. Enrich the knowledge of your community and enhance greater social cohesion
5. Create new and different organizational charts that suited the short term nature for the project
6. Enrich the spirit of knowing other firms and cooperating with them
7. Enrich the spirit of knowing the others, merging and intimate relations within the employees of the same company
8. Spread and enhance the culture of professionalism and quality standards for all projects and specifically for the poor sectors of the community (the limited available resources which are dictated to serve the poorest sector of the poor, made obligations for all stakeholders to work hard using the same professional attitude in their firm). Limited resources dictate that these resources should be properly allocated.
9. Enhance the employee’s firm values which are ‘Honesty, Fairness, Respect, Responsibility and Generosity’
10. Enhance the social credit for the firm
11. Improve acceptance of the community to the firm and the profit it makes
12. List the corporate as a prominent corporate with an effective social responsibility conduct, even within other industries
13. Train all employees in an environment full of diversity
14. Adapt the culture of «nothing is for free» among the targeted group and service providers as well: The model we developed showed that the stakeholders have paid the costs of the service and the cost of every service should be paid. The model demonstrated that marinating service is much cheaper than creating it from the scratch, especially in the developing countries.
15. Spread the culture of «solidarity, you are not alone» which made a positive impact on all involved parties, the service providers and the target group.
Corporate Social Responsibility Programs

Corporate Social Responsibility and Sustainable Competitiveness
Certified by World Bank Institute

The program has been developed by the World Bank Institute for training on new trends in Corporate Social Responsibility. This is a web-based course structured around 6 modules:

- **CSR Main Concepts**: An introduction to CSR and to the key benefits to stakeholders.
- **Decision-making Frameworks**: Model used in addressing the complexity of CSR issues, particularly at the corporate organizational level.
- **CSR Diamond**: A comprehensive tool for systematic analysis of complex CSR issues.
- **Building Sustainable Competitiveness through CSR**: A framework for analysis of the business case for CSR and integrating CSR into corporate strategy.
- **CSR and the Poor**: Tools and approaches that can be used to improve the role of business enterprises in poverty alleviation through multi-stakeholder partnerships.
- **An introduction to Coalition-Building and Action Plans**: A framework for the design and implementation of action plans aimed at making the policy and business environment supportive of CSR.

Introduction to Sustainability Reporting

With the increased global interest in activating the role of stakeholders matched with the growing understanding for the importance of reporting on economic, social, and environmental issues, this course is set to offer participants introductory knowledge on the measurement and reporting process for corporate sustainability. The course covers the following:

- Engaging stakeholders
- Designing reporting parameters
- Internal measurement tools
- Reporting guidelines as set by the GRI G3 version
- Report assurance

**Duration**: 2 full days
**Date**: December 2009
**Location**: Cairo, Egypt
**Cost**: L.E. 3,000 per person

Introduction to Social Auditing

The course helps participants better understand the concept and process of social auditing as set by the Ethical Trading Initiative (ETI) and Social Accountability International (SAI). The course covers the following:

- Understanding social standards
- International social standards Vs. Egyptian labor law
- Internal management tools for social compliance
- Internal documentation
- Preparing for social audit

**Duration**: 2 days
**Date**: January 2010
**Location**: Cairo, Egypt
**Cost**: L.E. 3,000 per person

Egyptian Corporate Responsibility Center
For more details, please visit www.ecrc.org.eg or email: info@ecrc.org
For registration, please email: registration@ecrc.org.eg
Development of Egyptian Insurance Sector

Serving as a stimulus center, the Egyptian insurance sector not only supplies economic development channels by contributing to economic development through the development of national savings and investment. The insurance industry also plays a vital role in protecting individuals, projects and properties as it fulfills the responsibilities through its obligation to pay appropriate compensation for those exposed to the insured risks. The Egyptian insurance market is subject to supervision and control under various laws, notably one of the first which was Law No. 10 of 1981 and its amendments, and the latest of which was Law No. 118 of 2008. In addition, private funds are subject to Law No. 54 of 1975. The reform of the non-banking financial sector is observed and organized, so far, in two stages: the first phase extended from 2005 to 2008, while the second phase covers 2009 - 2012.

Sector Structure:
First started by companies owned by public and private sectors, the Egyptian insurance market underwent major structural adjustments by the mid-nineties. With the introduction of free trade agreements such as «GATT», it became permissible for foreign capital to own insurance companies with a maximum ownership of 49% until 1995. Subsequent changes resulted in the cancellation of this percentage after a full liberalization of the market enabled foreign capital to participate in the establishment of insurance firms up to 100%. Therefore, the altered Egyptian insurance market included all types of insurance systems of the world: English, French, American, and German schools. Nomenclature aside, all of them are classified...
as Egyptian insurance companies owned by foreign capital, because they cannot be classified as foreign insurance companies or foreign investment companies, but Egyptian insurance companies owned by either Egyptian capital or foreign capital or by joint Egyptian-foreign capital.

The Egyptian insurance market has absorbed all these companies because it is a promising, disciplined market with sound practices. In addition, it bases itself on a sound legislative structure and supported by testimonials from international institutions.

Impediments to Sector Growth:
Experts believe that there are more than 20 factors impeding the growth of the insurance sector in Egypt. Among the top obstacles are lack of insurance awareness throughout the community, low levels of per capita income and lack of savings behavior. These are responsible for more individuals and even companies being attracted to insurance only when they are forced to do so. In addition to those constraints, consideration must also be given to the weak financial positions of the national insurance companies compared to foreign companies, the lack of attention to modern marketing methods for insurance services as well as the absence of modern methods of management in insurance companies. Thus, companies are faced with their inability to change individuals’ direction and inability to compete successfully. If to this is added the unjustified high number of workers in some insurance companies and lack of expertise and technical personnel, it is found that those companies are in a difficult position in the face of foreign competition. Furthermore, insurance premiums are subjected to a stamp duty of 20.8% of the premium, a matter which led several large insurance operations to move abroad, hurting the Egyptian market. Though that ratio declined to 3% since January 2006, the premiums are much less likely exaggerated since that time as well.

Some argue that doubts about the religious legitimacy of insurance, especially life insurance, contribute additional issues which are impeding the growth of this vital sector. Moreover, several socio-economic influences have negative impact, such as higher prices for life insurance, the complexity of documents drafting, the high cancellations rate (particularly in life insurance). Also, the competition of banking coffers due to the high rate of return, in addition to ensured recovery of deposited funds without losing any part thereof in case the client needs it, has formed a major factor in slowing down the role of the Egyptian insurance sector. Furthermore, the impact of expansion of social security coverage to the majority of state employees provided them a kind of insurance protection that makes them reluctant to request life insurance. Among other factors contributing to the reduced role of insurance are the slow development of insurance coverage for national insurance companies and the weakness of investment departments with their tendency to less risky projects. There are additional issues surrounding the approach of the Egyptian insurance companies towards types of low-risk, calculated and supported by the insurance law and a tendency to avoid the kinds of insurance which involve higher risk. A part of this can be attributed to modesty of modern information systems in insurance companies, a matter which results in negative effects on the process of technical, administrative and economic development decision-making.

Sector Development:
In order to address the problems of the Egyptian insurance market, the Ministry of Investment has prepared a program for the development and reform of the Egyptian insurance sector while creating a strong insurance market.
Phase I
The program aims to expand the size of the insurance sector and increase its growth rates to contribute to increasing the proportion of insurance premiums to GDP from 0.8% to 1.5% during the years 2005-2008. This would certainly entail an increase in employment in the market, commensurate with the required growth rates and to comply with the market requirements of technical skills.

Plans also include creating an attractive market to investment through the restructuring of the overall market and the development of a new strategic vision to deal in the market. Part of this will be accomplished through increasing public awareness in all categories of society and activating the role of the units operating in the insurance market, led by activating the role of the Egyptian Insurance Federation. This development and restructuring to serve the insurance industry has as its main objective the building of a strong insurance sector which will make a positive addition to the successes achieved in the Egyptian financial sector and contribute to the improvement of financial ratings of Egypt at international level.

As for the reform of private insurance funds, its reform efforts were started in 2005. Ministerial Decree No. 50 of 2005 liberates the investment ratios of these funds in various investment channels in order to diversify risk and find some kind of correspondence between the investment and the nature of commitments in those funds. The financial models provided by the funds to the oversight body were amended for more transparency and disclosure. The Body shall examine all the required amendments to Law No. 54 of 1975, to prepare a new law in this regard according to the latest systems globally in place and within the integrated framework of the plan for amending and updating legislations governing the insurance activity in Egypt. This system reform will help make the market attractive to asset management companies seeking to manage the investments of such funds (amounting to approximately 15 billion pounds), in light of the reform agenda.

The contribution of the insurance sector in national income reached 0.8% in 2004/2005. Since then the Ministry of Investment has worked on the introduction of several pieces of legislation, notably Law No. 118 of 2008, to increase the contribution of this sector in the national economy by activating the rate of stamp duty and compulsory insurance law on cars. Indeed, the proportion of the contribution of the insurance sector increased to 1.2% in 2008, although the Ministry has been seeking to reach a ratio of 2% of national income.

**Sector Privatization:**
Despite the different arguments for and against the status of the Egyptian insurance sector, there has been a unanimous opinion about the inevitability of privatization of the four public insurance companies, assuming certain conditions have been met, i.e. after the restructuring of these companies and getting rid of the problems facing them, and development of legislation and the issuance of new insurance law rather than Law No. 10 of 1981. This can be accomplished in part by offering some of the shares of these companies in the bourse. However, it must be made clear that the argument that public sector companies are exercising a monopoly on the insurance market in Egypt is a false argument which can be refuted through the statistics of the Insurance Supervisory Authority. This statement was issued by some experts because they looked at the numbers absolutely, especially with regard to the proportion of public premiums versus the private premiums. If the public sector accounts for 75% of the insurance market and the private sector accounts for 25%, it means that it has the majority of the insurance market. However, after
an accurate analysis of statistics, it is found that public companies’ monopoly of insurance companies is out of the question. Comparison of the relative importance of the issues and insurance premiums reveals that at one time the property insurance premiums were 80% for the public sector and 20% of the private sector, but after growth and development of the private sector, they not only continued to exist but also increased their number. Similarly, while the share of public sector companies has been decreasing, it has been growing for the private sector companies.

It seems obvious, then, that the key factor is not in the rate of increase or decrease of the public or private sector stake, but in how to analyze the figures. As for the statistics of EISA’s Statistical Yearbook (2007), it is noticed that the public sector is the body that applies the compulsory insurance of vehicles by almost 100%, while the private sector does not participate in compulsory insurance on cars. This occurs because it will cause losses to insurance companies, and therefore it is the public sector which bears the burden of losses. At the same time, the volume of premiums for compulsory insurance represents a rate within the public sector companies’ stake in the premiums market, which signals a market monopoly.

The public sector also carries its own aviation insurance activity because there are no private companies engaged in aviation insurance due to company size and the amount of experience in the aviation insurance practice. This matter requires expertise in the issuance, compensation and re-insurance process, but these experiences are not sufficiently available in private sector companies, thus accounting for the larger presence of the public sector. Though only one company is presently involved, it cannot be said that this is a monopoly case. The same goes for oil insurance, being one of great risk that private sector companies are reluctant to work in it. As for the public insurance companies, only two companies possess the technical, material and expertise potential in the risk insurance and reinsurance arrangements.

All this confirms that the monopoly of public sector companies for the Egyptian insurance market does not exist, given that in some branches of insurance the private sector owns a stake of 50% and the public sector owns similar percentage in branches such as transport.

Private insurance companies do not operate in loss-making areas, such as medical insurance and compulsory insurance on cars; its reputation is one of always looking to profit in active branches. Therefore the public sector takes insurance in these loss-making branches where it is achieving its goals, such as social insurance activity, the responsibility of infrastructure protection, and the protection of the national capital with respect to aviation, petroleum, or engineering insurance.

In 2007, Misr Real Estate Assets Management Co. was established, owned by the Insurance Holding Company and its subsidiaries of those state-owned companies. This was set up so that real estate assets owned by four insurance companies (Misr Insurance - Al Chark Insurance – National Insurance - Egyptian Re-insurance) will be transferred to a single company, to qualify companies to focus on core business activities.

**First Phase Result**

The first period of the reform of the non-banking financial sector, which extended from 2005 to 2008, worked on the development of the public sector’s insurance companies, and Misr Insurance Company has become one of the largest insurance companies in the Middle East. Developments in the insurance sector during the past three years were reflected in the figures. In the last year, the sector posted a net profit of EGP 1200 million, of which public insurance companies recorded about EGP 900 million, while private insurance companies had about EGP 300 million.

In light of global developments and changes in the insurance markets and the increasing need to improve the Egyptian insurance market, as well as striving to achieve the Ministry of Investment’s strategy, the insurance sector was developed and activated through a plan included reforming the sector during the period (2004 - 2008). The plan included many of the special legislative reform procedures and market regulation, development and upgrading of insurance professionals, and raising the level of performance and developing procedures for supervision and control of all the parties relating to insurance activity.

**Phase II**

The second phase of financial reform began in 2009 and will continue until 2012. This phase includes a dozen targets for the development of the insurance sector, and will focus on the provision of insurance in small, medium, and micro enterprises (SMEs). Currently, a number of legal drafts have been prepared for the development of the Egyptian insurance sector in Egypt, not...
to mention the preparation of an annual directory including all insurance documents in Egypt, which covers various activities and matching the various segments of Egyptian society. In addition to the preparation of a code of conduct for the insurance sector, this is being prepared with the participation of the Egyptian Insurance Supervisory Authority. Currently, a number of new insurance legislation drafts have been finalized which will work on the development and organization of the Egyptian insurance market. These include bills for private insurance funds, health care, and the establishment of a fund to protect the rights of policy holders, in addition to other types of legislation and standards necessary for the conduct of micro insurance. A new financial control authority was set up in 2009 which includes the Egyptian Insurance Supervisory Authority, the Capital Market Authority, and the Mortgage Finance Authority, along the lines of similar international bodies. This authority started work on July 1, 2009, superseding the Egyptian Insurance Supervisory Authority in the application of the provisions of the control and supervision of insurance issued by Law No. 10 of 1981, according to Law No. 10 of 2009 on the organization and control of markets and non-banking financial instruments.

The market in June 30, 2009, is comprised of 29 insurance companies and associations, including 5 companies engaged in insurance of persons and property and casualty insurance together; 9 companies doing property and casualty insurance; 6 companies engaged in insurance of persons; 7 companies doing Takaful, one insurance company for exports insurance and one for Cooperative Insurance. This is in addition to 638 private insurance funds, 4 government funds and 4 insurance cooperatives. Moreover, others to be mentioned include the Egyptian Insurance Federation, the Goods Control Office, the insurance experts, brokers, and auditors of insurance companies. The National Insurance Co. has emerged as the largest company specialized in life insurance and pensions in Egypt. With a paid-up capital of EGP 750 million, it is hoped this company will ignite the competition in the market for this branch of insurance to the benefit of the clients and the Egyptian economy as a whole.
How did the epidemic impact on the Suez Canal...along with the financial crisis and piracy
Economists expect a decline in international trade
Disease hits dollar and shake global economic recovery
Dollar falls because of concerns about disease effects
Aviation sector is key victim of swine flu
With increasing concerns about the economic impacts of swine flu around the world, and the impact of its spread on global trade, movement of goods, tourism, and announcements of several cases of the disease in the United States, Canada, and a number of European nations, there is concern and expectations of adding new burdens to low levels of global economic growth with the repercussions of the global financial crisis. The movement of world trade was influenced, and levels of maritime traffic turned low to show the repercussions of the crisis over the Suez Canal, as an international shipping route through which about 10% of global shipping rates pass, and it is a route that acquires the main shipping link to Far East, Southeast Asia, and Europe. In a statistical analysis “to measure the vulnerability of the Suez Canal because of the expected repercussions of the crisis” according to navigation statistics of Suez Canal, it was found that about 60.2% of goods annually crossing Suez Canal arrive and head to areas which have recently reported swine flu cases. Last year, the Canal received approximately 435.701 million tons of cargo and heading to the United States, Western Europe, Baltic Sea, northern Mediterranean region, and Southeast Asia and Far East regions, which are areas that already reported an outbreak of swine flu in it. The report, issued by the Center for Information and Statistics at Suez Canal Authority, says that the estimated amount of cargo coming from and to United States, Western and Northern Europe, Baltic Sea, and the northern Mediterranean region is about 72% of total volume of cargo transiting Suez Canal and heading for northern Suez Canal with a tonnage estimated at about 522.779 million tons.

The report also adds that Southeast Asia and Far East states, recently announcing cases of swine flu, represent 48% of the total amount of goods coming in and heading for the southern Suez Canal. The preceding analysis shows that there is a chance in affecting an estimated 60% of the total cargo passing through the Suez Canal, whether arriving or heading to the north and south, especially with the decline in the movement of goods and oil which Suez Canal witnessed during the past six months, along with the repercussions of the financial crisis, low rates of world trade and movement of maritime transport. Dr. Abdul Hamid Siddiq, Professor and Head of Economics Department at the University of Suez Canal, says that swine flu has negative effects on the volume of trade exchange between countries of the world, especially that the areas where there have been casualties are of a high economic profile, which means that any effect by the crisis will have implications for the movement of international trade and the rates of traffic in the Suez Canal. He added that the current cases are less than any other effects on the current trade, though effects will appear on tourism, noting that the spread of disease is to greatly influence the movement of global trade, especially with a tottering global economy under the current financial crisis, which means a new tragedy added to results of the global financial crisis on the global economy. While Dr. Khalifa Al-Mahdi, Professor of economics at the University of Assiut, undermines the impact on Suez Canal traffic because of the spread of swine flu, indicating a limited impact on economic sectors in various countries around the world, and asserting that piracy on the Somali coasts and the repercussions of the financial crisis have the greatest and tangible impact on the rates of traffic in the Suez Canal during the past months.

The management of Suez Canal is currently considering the impact on the global economy and international trade traffic between infected countries, especially as they are important economic areas such as United States, Canada, Europe and Southeast Asia. Admiral Ahmed Fadel, head of Suez Canal Authority, has already announced that the Suez Canal is a part of the global economy and that any negative and positive impact on the movement of world trade had implications for the rates of traffic in the Suez Canal. Proceeds of the canal has achieved a noticeable decline during the first quarter of this year has reached USD 276.7 million compared to the corresponding period last year. Suez Canal revenues during the period from the beginning of January until the end of March recorded USD 962.1 million against $ 1238.8 million during the same period last year. This decline is due to the continued decline of world trade movement because of the global financial crisis, as well as a number of international navigation lines avoided passing through the Suez Canal because of Somali piracy at Horn of Africa.

**Global level**

At the global level, concerns about the economic effects of the disease have increased worldwide, in conjunction with a wider spread on
one hand, and its potential impact on world trade and the movement of goods and tourism on the other hand, especially since this came at a time when the global economy is still reeling under the impact of financial crisis.

These fears come with the prevalence of cases in the United States and Canada, and talk about other cases in Europe, where experts see that swine flu losses damage the chances of global economic recovery.

The World Bank was quick to intervene to help contain the disease, by providing USD 205 million for the Mexican authorities. This came in the wake of a meeting between the Bank Manager, Robert Zolik, and the Mexican Finance Minister, Agustín Carstens, who said that it is too early to estimate the economic impacts of the disease. According to a statement of the World Bank, the amount will be secured to the Mexican government during a period ranging between three to five weeks, indicating that the bank will help Mexico to «deal with the economic impacts of the crisis.» For his part, Zolik said that World Bank will transfer to Mexico experience of dealing with the spread of similar viruses, as in the case of avian flu or SARS. Mexican Peso has fallen 8.2%, while U.S. demand for goods produced in Mexico declined, which could worsen the country’s economic crisis, after growth entered in the contraction phase of more than four per cent for the first quarter of this year. Public gatherings and events were prevented in Mexico, the matter which led the country to a case of economic paralysis, with the closure of schools, universities, bars and restaurants until the sixth of last May. The Mexican economy heavily depends on export of agricultural products, industrial products, and tourism. Exports drop and the decreasing number of visitors will have a decisive influence on the country’s growth, noting that tourism earnings in 2008 exceeded $ 13 billion. Around the world, stock markets fell on fears related to the possibility of disease turning into an epidemic, and potential impact on the U.S. economy; dollar drop against other currencies, while airlines and restaurants stocks incurred big losses after outbreaks in European
countries and New Zealand. «British Airways» stock lost 7.26%, while German «Lufthansa» stock lost 10.6%, compared with a decline of more than nine per cent of the stocks of «Air France - KLM.»

In contrast, prices of stocks of some drug manufacturing companies, including «Roche», marked an increase due to expectations that «Tamiflu» will be successful in containing the disease, after similar gains achieved by the company during the emergence of avian flu.

It is noteworthy that IMF estimated in 2008 the cost of a global pandemic of flu outbreaks around the world for more than three trillion dollars, with the potential to cause a drop in global growth by more than 5%, which means that the current economic recession may turn out, according to these estimates, to a long recession.

While the World Bank has estimated the potential cost incurred by the global economy as a result of a pandemic of avian flu among humans, to between USD 1.25 to 2 trillion - or about 3.1 per cent of global GDP. However, the «Time» magazine played down the fuss made about the economic impacts of swine flu, adding that the health monitoring system has developed around the world after the outbreak of «SARS» in 2002, which led to a paralyzed airports around the world at the time, as well as the development of several drugs to the symptoms of the disease, which are capable of limiting its spread.

Aviation
The aviation sector is the most prominent victim of swine flu, as airlines and the world tourism companies, already suffering due to the global financial crisis, are trying to deepen the crisis if there is an outbreak of swine flu threat. International Air Transport Association (IATA) expressed in a statement concerns about the spread of the disease, adding to expectations that it will have a great impact on aviation movement. Giovanni Bisignani, IATA Director, said that it is premature to assess the impact of swine flu, and added in the same time to the expectations of great effects to the movement of travelers. Stocks of airline companies and tour agencies dropped in the stock markets due to worries about canceling more flights for fear of the flu. These concerns come days after IATA, which includes 230 airlines, or 93% of the total the International Air Transport, announced that passenger traffic fell last March by 11.1% compared with the same month last year. It said that the global air cargo fell last month by 21% compared to the same month last year. Aviation sector is still sadly remember the losses suffered in 2003 when air traffic fell in the Asia-Pacific region by nearly 50% in May of that year by the spread of Severe Acute Respiratory Syndrome (SARS).

Operations of air transport companies in this area recorded about six billion dollars drop in 2003. Several international airlines canceled flights to Mexico and a number of U.S. states for fear of the disease, while World Tourism Organization predicted earlier that a recession will hit international tourism in 2009, without excluding the possibility of a 2% drop.

The Crisis goes deeper
The global capital markets have witnessed a decline in equity prices in the past period because of fears of negative economic effects resulting from spread of swine flu. Analysts believe that investors are weary of the possibility that the spread of the disease undermines efforts to stimulate the global economy. Global companies imposed travel restrictions on their staff for fear of swine flu that has killed dozens of people with fears that thousands across the world, especially in Mexico, may get the disease.

Ernst & Young, the accounting giant, closed part of its offices in New York. Also, Nokia, the largest manufacturer of mobile phones in the world, which owns a factory in Mexico, said that it had issued instructions to defer all non-essential travel to and from Mexico. Honda Motors, second-largest carmaker in Japan, which owns a factory in Mexico, canceled all business-related travels until the sixth of May, and attributed this to fear of the spread of swine flu. In Germany, Henkel, the consumer goods industries company, asked its employees to defer travel to Mexico. Samsung Electronics and LG Electronics, the two South Korean electronics giants, each of them having a unit in Mexico, said that they imposed restrictions on staff travel due to the illness. Other companies are considering further restrictions. Gktrolux, which has about 3400 employees in two factories in Mexico, announced that it has prepared a hotline for staff to respond to medical inquiries. Paul Jacobs, CEO of Qualcomm, based in San Diego, Calif. said that the company will impose travel restrictions if necessary. Worth mentioning that during the peak of SARS outbreak in 2003 large multinational companies imposed strict restrictions on personnel entry and exit to their industrial compounds in Asia, the matter which affected thousands of workers and caused loss of billions of dollars.
A Visit to the East

- The Minister of Investment in China, heading a delegation including representatives of key companies operating in the textile, insurance, transportation, and communication sectors, to increase economic and investment cooperation between Egypt and China.

- Mohieldin: “Offering investment opportunities in Egypt, and enhancing cooperation between the two countries in the African continent are key ministry objectives”.

- Mohieldin discussed - during a meeting with Huawei Telecom Group officials – the expansion opportunities for the group in Egypt and the development of IT infrastructure for the Economic Zone at Northwest Suez Gulf.

Dr. Mahmoud Mohieldin, Minister of Investment, finished a week-long visit to China at the head of a delegation that included a number of representatives of public and private companies operating in the spinning and weaving, maritime, land transportation, insurance, banking, communications sectors, and representatives of some ministries, along with the participation of the regional agency for investment promotion in COMESA countries. The visit aimed to increase areas of economic and investment cooperation between Egypt and China, and to present the most important investment projects in Egypt in which Chinese investors can increase their investment stakes, in addition to discuss cooperation with the Chinese side to include the African countries and the establishment of joint investment projects there. Worth mentioning that Egypt will host the China-Africa Cooperation Forum by the end of this year. That is in addition to discussing the impacts of global financial crisis on the two countries and the steps taken to avoid its negative effects.
Dr. Mahmoud Mohieldin held a number of meetings with officials and representatives of Chinese companies interested to invest in Egypt, during which investment opportunities in Egypt were reviewed, especially in infrastructure projects, in light of the 52 projects proposed by the Egyptian government nationwide, with a total value of $25 billion.

The Minister of Investment explained that the visit to China aimed at increasing investment cooperation between Egypt and China, particularly in infrastructure projects, and especially with distinct Chinese investments in Egypt in the economic zone at Northwest Gulf of Suez, where the Chinese company Tiida Egypt operates. The relations have considerably developed over the recent period, where China ranks twenty-third among the key investors in Egypt, and ranked first last year as the largest investor in Egypt.

The visit also aims to bolster the capabilities of Egyptian-Chinese cooperation in the African continent as there are large and diverse areas of cooperation in this framework, and to benefit from available funds through China-Africa Fund ($5000 million). Egypt is looking to participate with China in a number of projects in Africa through the investment agency for COMESA hosted by Egypt.

The Minister of Investment began talks in China by a meeting with Mr. Wen Ku, Vice President of Huawei Group, working in the field of ICT, where they discussed opportunities of investment expansion available to the company in the Egyptian market, especially in the development of IT infrastructure for the economic zone of northwest of Suez Gulf, and the development of an integrated information system for the zone, as well as the development of the company’s projects for research and training in Egypt, and its plan to set up a factory in the field of electronic industries.

Also, the Vice President presented expansion plans for the group in Egypt to serve the ICT industry, referring to the request of the Group to sign a memorandum of understanding with the Economic Authority of the Northwest Suez Gulf Zone.

**Bilateral agreements**

The visit included achieving a number of other goals; such as to establish strategic relations between Egypt and China that are not only confined to bilateral cooperation, but also involve the regional aspect in the Middle East and Africa, preferential agreements between Egypt and China at sectoral and geographical levels, to benefit from China’s enormous industrial potentials in the establishment of specialized industrial zones in Egypt, and to
export its production to Arab and African markets. The list of goals also includes: The development of Chinese investments in Egypt, concluding bilateral agreements in education and training, increasing the volume of trade exchange between the two countries to $7 billion by 2010, and opening and expanding areas of bilateral and regional cooperation in trade and industry. The Egyptian-Chinese Business Council will have a good role in deepening bilateral cooperation and joint investments between Egypt and China in the following industrial areas: Railways, building materials, telecommunications, petrochemicals, pharmaceuticals, textiles and clothing, automotive feeding industries. Joint cooperation in Suez Gulf will be activated by increasing Chinese investments in the region for the establishment of export industries. Egypt will benefit from the experiences of Chinese companies in the establishment of a special industrial zone for auto parts in Egypt and the development of production. Also, to revitalize and develop joint activities between Egyptian and Chinese businessmen. Worth mentioning Egypt’s participation in Davos World Economic Forum held in Beijing, where Mr. Rashid is scheduled to speak, as a representative of Egypt, on the future role of China in the global economy, and will call in his speech for major Chinese companies to set up industrial projects in Egypt and to increase exports to Arab and African markets.

Outcomes of the visit

The visit came with a set of results; such as:

- Activating the mechanisms of joint cooperation in the Suez Gulf through increasing Chinese investments in the zone for the establishment of export industries.
- Signing contracts worth $2.7 billion to set up new projects in Egypt, including the establishment of high-tech factories in the fields of cables, cement, glass, chemicals and petrochemicals, as well as establishing an aluminum compound.
- Signing of a memorandum of understanding from the Chinese side to develop a number of Egyptian industries, especially in textile and metal sectors, and the establishment of new industrial zone and an integrated exhibitions city.
- The establishment of specialized industrial zones in many fields, especially SMEs, with investments of up to $2 billion.
- Signing a document of a joint work between the ministries of trade in the two countries for a commitment to implement what was agreed upon between the two sides.
- Signing of two memoranda of understanding between the training centers in the two countries, where it was agreed with the Chinese side on the exchange of experience through a specific plan and the preparation of joint programs for training, professional, administrative or specialized studies.
- Signing a memorandum of cooperation between the Egyptian Industry Modernization Center and the
Training Center of the Chinese Ministry of Commerce.

- The Chinese government has launched a unique initiative to encourage Chinese importers to import from the Egyptian market, particularly in agricultural areas, through providing direct support for them to strike a balance in the trade balance between the two countries.

- Boosting cooperation in the areas of energy and gas, as a number of Chinese companies in talks to conclude contracts in these areas.

- Convergence of views on World Trade Organization issues.

- Development of relations between the two countries in human development and students exchanges.

- Development of the marble industry in Egypt through the establishment of joint projects in the field of recycling waste of this important industry for the production of new industries like rubber, glass and Tayc, medicines and other industries.

- Signing of a memorandum of understanding between the Egyptian Marble and Granite Technology Center and the Chinese Academy of Building Materials, to develop the building materials industry and to increase their export capacity.

- Development of the railway sector in Egypt with Chinese investments.

- Forming a strategic unit for Chinese affairs in the ministry.

- Seeking to find mechanisms to facilitate the financing of joint projects and stimulating the Egyptian banks to open branches in China, and also encouraging Chinese banks to be present in Egypt.

- The lifting of the export ban on Egyptian citrus fruits to the markets of China, in order to resume as early as mid October.

- To negotiate for opening Chinese markets to agricultural exports of rice, strawberries, grapes and beans.

- To study the establishment of a farm with Chinese investments in Egypt, to be equipped with the latest advanced technology and with Egyptian labors.

- The establishment of joint industrial city at Ismailia desert road, with a capital of $ 150 million.

- Agreement to activate and revitalize the role of the Egyptian-Chinese Business Council.

- Signing a partnership contract with China to establish a joint factory for the production of yarn and lining with investments of EGP 60 million, provided that whole production will be completely exported.

- Development of an urgent plan for the development of commercial representation offices in Beijing and Shanghai, and to provide them with appropriate cadres to deal with the Chinese market in the coming period.

- Inviting Chinese companies, specialized in the car feeding industries, to participate in the conference, which will be organized by Egypt in November, aimed at establishing an industrial city for the automotive feeding industries over an area of one million meters, to complement Mubarak-Merkel initiative.

- To sign a cooperation protocol between the Egyptian Center for Textile Technology and the Chinese Academy of Textile and Clothing Research, under which the Chinese side is to provide technical and financial assistance to contribute to the development of the Egyptian textile industry and to open opportunities for cadres to train in China, along with sending Chinese experts to Egypt to participate in the transfer of modern technology and advanced research to the Egyptian market.
لأول مرة في مصر البرنامج التدريبي
"دور لجان الامور العامة"

سجل الآن
12-13 ديسمبر 2009

مزيج من الإسفار والتسجيل ترجوا زبارة موقعنا الإلكتروني
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Development of Economic Relations between Revolutionary Egypt and New China

As trade was the beginning of an ancient Egyptian-Chinese communication, the first signs of the relationship between the pre 1952 revolution’s Egypt and the “new” China started through trade. In the beginning of 1953, months after the revolution of 23rd of July 1952, and before the establishment of formal diplomatic relations between the two countries, Egypt sent trade officials to discuss trade issues between the two countries, and to offer to the Chinese side to import Egyptian cotton. The Chinese Premier at that time, Zhou Enlai, decided to buy 45 thousand tons of Egyptian cotton.

The volume of trade exchange between the two countries in 1953 was about $11 million of which $10.4 million are Egyptian exports to China and $0.6 million are China’s exports to Egypt. Note that the volume of trade exchange between the two countries in 1951 was $1.7 million of which $900 thousand are Egyptian exports and $800 thousand are exports from China. In 1952, the volume of bilateral trade between the two countries reached $9.5 million of which $8.9 million are Egyptian exports to China and $600 thousand are exports from China. In 1954, the volume...
of bilateral trade between the two countries reached $12.2 million of which $10.4 million are Egyptian exports to China and $800 thousand are exports from China.

Leaders of both countries have realized the importance of a treaty framework for their economic and trade exchanges, so the two countries signed on the 26th of August 1955 a trade agreement and a trade protocol in the Chinese capital of Beijing. At the beginning of 1956 meetings between trade officials in both countries intensified. On the 1st of February, an Egyptian trade delegation visited China, and in the first of March a Chinese trade delegation attempted a visit to Egypt. In the following month, another Egyptian trade delegation visited China.

On the 16th of May 1956, Egypt announced formal recognition of the People Republic of China, thus opening the door for further economic and trade exchanges. In September of the same year, a Chinese trade delegation visited Egypt, and on the 22nd of October the two governments signed in Cairo an Egyptian-Chinese Protocol and Convention on the payment of the second fiscal year of the trade agreement between them.

In November 1957 an Egyptian trade delegation visited China to arrange for the renewal of trade agreement between the two countries, and on the 21st of December the two countries exchanged MOUs on the third item of the Convention on payments for that year.

In October of the following year, 1958, a Chinese trade delegation visited Egypt, and on the 15th of December, in Cairo, was the signing of a commercial cooperation agreement, payments conventions, and protocols between the two governments. On the 24th of February 1960, the two Governments signed a protocol to the agreement in Beijing, which has been renewed on 15th of November 1961, and then on the 17th of March 1962. On 15th of January 1963, the two countries signed in Beijing a cooperation agreement in the field of telecommunications, and the 14th of June of the same year Cairo witnessed the signing of the 1963 Protocol to trade agreement between China and Egypt.

On the 21st of December 1964, the two governments signed in Beijing the Convention on economic and technical cooperation. The two countries continued to annually renew their trade protocol and the exchange of visits by trade delegations.

On the 26th of June 1972 the Egyptian-Chinese economic cooperation took a new direction, where it was agreed to establish a brick factory in Egypt with a Chinese assistance.

Then the two countries signed on the 19th of December 1979, in Cairo, a scientific cooperation agreement, and in the 6th of April 1981 they signed the first cooperation agreement between the two countries in the sector of tourism.

In the period from the 8th to the 10th of March 1987, Cairo held the sessions of the first meetings of scientific and technical cooperation between Egypt and China where more than a dozen cooperation agreements were signed during the seminar, including agreements to exchange experiences and research in the pharmaceutical industries, devices industry, medical equipment, traditional industries, technical and agricultural industries, and the agreement to expand areas of cooperation.

And the economic cooperation extended to the field of irrigation and water resources. On the 30th of September 1987, the Chinese Minister of Electricity and Water Resources, Chan Jin yen, visited Egypt and met with Maher Abaza, the Egyptian Minister of
Energy and Electricity, and attended meetings of the fourth session of the joint Egyptian-Chinese Committee for Technical and Electrical Cooperation, which was founded in Cairo, October 1982.

The volume of trade exchange in this year reached $135 million, including $125 million as China’s exports to Egypt and $10 million as Egyptian exports to China.

On the 19th of December 1989, the Deputy Minister of Foreign Trade Zhang Jian Shui exchanged with the Minister of International Cooperation, Maurice Makram-Allah, documents regarding the China’s establishment of the International Conference Center in Cairo.

In that year, the volume of trade exchanges between the two countries recorded $76 million, including $69.73 million as China’s exports to Egypt and $6.43 million as Egyptian exports to China.

On the 14th of May of the following year, the economic cooperation extended to the aviation field, where the Egyptian Minister of Tourism and the Civil Aviation, Fouad Sultan, visited China and met with Vice Premier, Yao-Yi Lin, and they signed an agreement in the field of civil aviation.

On the 21st of December of the same year, the Chinese President of the General Authority for Tourism visited Egypt to sign a tourism cooperation agreement for the year 1991 - 1992 between the two countries.

In that year, the volume of trade exchanges between the two countries recorded $91.41 million, including $85.46 million as China’s exports to Egypt and $5.95 million as Egyptian exports to China.

On the 8th of October 1991, China Airlines Co. officially launched its flights between Beijing and Cairo. More than 15 Chinese key personalities, led by China’s Vice-President of the Civil Aviation Authority, Xi’an Yan Jin, and head of International Aviation Department in the same authority, Po Lin, took a private plane from Beijing to Cairo on that occasion.

In that year, the volume of trade exchanges between the two countries recorded $130.75 million, including $126.7 million as China’s exports to Egypt and $3.88 million as Egyptian exports to China.

On the 17th of April, 1992, the Minister of Energy and Electricity, Maher Abaza, visited China where he participated in the meetings of the fifth session of the Egyptian - Chinese joint cooperation committee in the field of electricity, and he also met with Premier Li Peng.

On the 24th of February of the same year, Mr. Yousri Moustafa, Egyptian Minister of Commerce and Economy, visited China to attend the first session of the meetings of the Economic and Trade Committee, and met during the visit with the President of the State Council of China, Mr. Zhu Rongji.

In that year, the volume of trade exchanges between the two countries reached $175.65 million, including $174.56 million as China’s exports to Egypt and $1.59 million as Egyptian exports to China.

Economic cooperation between Egypt and China developed to include the economic committees in the two parliaments of China and Egypt. In the 8th of June 1993, the Financial and Economic Committee of the NPC invited a delegation from the Economic Committee of the Egyptian People’s Assembly, headed by Dr. Mustafa Al-Said, to visit China, where the delegation held talks with the Vice-Chairman Chen Mu Hua and reviewed the Chinese “free trade” experience in construction and economic reforms. The delegation visited some cities and free economic zones in Shanghai and Shenzhen,
On 30th of October of the same year a delegation of Egyptian businessmen including 37 businessmen visited China where they visited Beijing, Shanghai and Guangzhou, and met with officials of the concerned ministries to discuss with them the investment climate in both countries and ways of strengthening and boosting trade exchange. They also visited many institutions and businesses. In that year, the volume of trade exchanges between the two countries reached $223.84 million, including $199 million as China’s exports to Egypt and $24.24 million as Egyptian exports to China. In the following year, 1994, the volume of trade exchanges between the two countries increased and recorded $294.799 million, including $297.611 million as China’s exports to Egypt and $15.188 million as Egyptian exports to China.

On the 21st of March 1995, the Chinese Minister of Economy and Foreign Trade, Mrs. Wu Yi, headed the economic and trade delegation visiting Egypt, where she met with President Mubarak, and the Minister of Electricity, and the Minister of Planning, Boutros Ghali, and Minister of Tourism, Mamdouh El Beltagui. She also held talks with Minister of Trade and Economy, Mahmoud Mohamed Mahmoud, on ways to enhance and advance the economic and trade cooperation between the two countries. Both ministers headed meetings of the second session of the joint economic and trade committee, as the two sides signed an economic and trade cooperation. During her visit, Mrs. Wu provided, on behalf of the Chinese government, a loan of $3 million to Egypt.

In that year, the volume of trade exchanges between the two countries reached $452.71 million, including $439.64 million as China’s exports to Egypt and $13.06 million as Egyptian exports to China.

On the 23rd of October 1996, the Egyptian Trade Minister, Ahmed Gowaili, visited China where he participated in the third session of the meetings of the Egyptian - Chinese joint trade and economy committee. He also met with Premier, Li Peng, and held talks with Minister of Foreign Trade and Economic Cooperation, Wu Yi, and inaugurated the first exhibition for Egyptian products in Beijing. In that year, the volume of trade exchanges reached $407.921 million, including $404.502 million as China’s exports to Egypt and $3.419 million as Egyptian exports to China.

On the 17th of April 1997, at the invitation of Premier Li Peng, the Egyptian Prime Minister Kamal El Ganzoury visited China, where the two sides exchanged extensive discussions on ways to strengthen cooperation between the two countries. El Ganzoury met with Chinese President, Jiang Zemin, and President of the People’s Council for Political Consultation, Li Ruiluan, Vice Premier, Zhu Rongji, and Chairman of the State Planning Commission, Chen Hua, where they discussed ways of boosting cooperation, especially in the commercial field. El Ganzury expressed Egypt interest to expand cooperation with China, particularly in the commercial sphere.

During the visit, a memorandum of understanding was signed concerning China’s participation in the free zone investments northwest Gulf of Suez, and another memorandum of understanding was also signed on trade and technical cooperation, along with a commercial agreement. The two ministries of electricity and energy signed a cooperation agreement in this area.

Cooperation agreement in the field of family and rural development was also signed, and the two sides exchanged documents on the entry of Egyptian citizens to Hong Kong Special Administrative Region without obtaining a visa.

In the twenty-fifth of November
of the same year, Chinese Deputy Minister of Foreign Trade and Economic Cooperation, Liu Shan Tsai, visited Egypt at the head of a delegation of technical experts and a group of heads of some major Chinese companies to see once again the special economic zone project in the northwest Gulf of Suez. During his meeting with Chinese delegation, Prime Minister said that Egypt has a comprehensive development strategy and decided to take advantage of China’s successful experience in the field of special economic zones, and he welcomed a Egypt-China cooperation in the development of the northwest Gulf of Suez, hoping for a contribution of the Chinese capital and Chinese investors in this project.

In that year, trade exchanges volume reached $ 520.7 million, including $ 464 million as China’s exports to Egypt and $ 56.7 million as Egyptian exports to China. This was also increased in the following year, where the volume of trade exchanges reached $ 607 million, including $ 575 million as China’s exports to Egypt and $ 31.69 million as Egyptian exports to China.

On the 23rd of August 1999, Chinese Vice-Chairman of the State Commission of Economy and Commerce, Chen Zhu Bangguo, at the head of economic and trade delegation included some government officials and businessmen, visited Egypt, during which he met Prime Minister Kamal El Ganzoury. He also met with the Minister of Trade, Ahmed Gowalli, and discussed with him ways to strengthen relations of cooperation between the two countries, and following up with implementation of agreements and contracts signed during President Mubarak’s visit to China in April of that year.

The delegation also held some meetings with Egyptian heads of enterprises and businessmen. The delegation exchanged views with Egyptian officials on promoting and strengthening cooperation in the establishment of the special economic zone.

In that year, trade exchanges volume reached $ 750.22 million, including $ 715.857 million as China’s exports and $ 34.363 million as Egyptian exports.

On the 17th of March 2000, Tianjin held a seminar on the investment climate in Egypt, where an official in the Foreign Trade Committee of the city announced that Tianjin Municipality decided to put the planned projects in area of Egypt’s Suez at the top of its priorities for 2000.

On the 4th of April of that year, the Egyptian Businessmen Association organized “China Day” in Egypt in order to find appropriate ways to strengthen economic and trade relations between the two countries.

On the 7th of the same month, the Minister of Manpower and Migration, Ahmed El Amawy, visited China where he signed a protocol for continued cooperation and exchange of experiences between the two countries in the field of workforce.

On the 19th of June, the Minister of Foreign Trade and International Economic Cooperation, Shi Guang Sheng, visited Egypt, where he discussed with Egyptian Prime Minister, Atef Ebeid, ways of enhancing economic cooperation and trade and technical cooperation between the two countries.

He also met with President Hosni Mubarak, who stressed the importance of exchanging visits between the leaders and officials of the two countries.

In that year, trade exchanges volume reached $680.255 million, including $602.520 million as China’s exports and $77.735 million as Egyptian exports.

Since the beginning of the twentieth century the strategic cooperation relations between Egypt and China have developed significantly, especially on the economic level, with enhanced mutual trust and coordination between the two countries in the field of investment, and with the increased flow of Chinese investment to Egypt. The number of Chinese companies or Chinese-Egyptian joint registered in Egypt greatly increased, along with progress achieved in China’s contribution to the free economic zone, northwest Gulf of Suez.

Benefiting from the Chinese experience, Egypt has drawn up a law similar to Law of Guangdong Zone in eastern China. Senior Egyptian officials expressed Egypt’s pride for the unique Chinese experience in the investment and openness policies to the outside world, and in addressing the increasing population, and in this context the Egyptian government is focusing on three main topics: Investment, construction, and operation. The Egyptian government has taken a number of actions in taxation, customs, banks and other areas designed to attract investment, increase exports, and with these actions Egypt became one the least countries in terms of taxes on industry, commerce, and agriculture.

Reflecting this, trade exchanges volume in 2003 reached $1090 million, including $ 937 million as China’s exports and $ 153 million as Egyptian exports, an 15.4%
increase compared to 2002. Then figures in 2004 recorded $1576 million, including $187.94 million as Egypt’s exports and $1389 million as Chinese exports. In the year 2005, the volume of trade between the two countries, and for the first time in their history, reached $2500 million.

In January 2006, the volume of trade between the two countries, including oil, recorded $220 million, of which $41.2 million are Egyptian exports to China, and $178.3 million are China’s exports to Egypt. China has increased and diversified its investment in Egypt, to include oil exploration, production of electrical equipment, spinning and weaving industry, telecommunications, and railways.

Until the end of 2005, the total contractual value of Chinese investment in Egypt was about $160 million and total investments that have been actually implemented was about $60 million. The number of Chinese investment projects in Egypt until the end of 2005 was 35 projects, concentrated mostly in the textile sector, chemical industries, engineering industries, food industries, in addition to shoes industries. Also, there are projects in many other sectors; such as building materials sector, oil sector, the transport sector, maritime sector, metallurgical industries, and IT sector.

On the other hand, the number of joint investment projects in China involving Egyptian capital, at the end of 2005, was about 43 projects (according to sources of Chinese Ministry of Commerce) with contractual cost of approximately $50 million, while the total value of what has been implemented of these projects are approximately $12 million. These investments are concentrated in the garment industry, textiles, shoes, bags, plastic products, and carpets. The new «Oriental Weavers» plant, which was built in the special economic zone in Tianjin, is the most important Egyptian investment in China, and the project capital is estimated at about $20 million, with an Egyptian contribution of 99%.

Not only the Egyptian investments in China are in the industrial sector, but also in the services sector, where banks and the following companies represent the most important forms of Egyptian presence in the services sector in China:

- Representative Office of National Bank of Egypt in Shanghai.
- Representative Office of Egypt Air in Beijing.
- Representative Office of Blue Sky Tours.
- Representative Office of TRAFCO Tourism.
- Representative Office Wings Tours.
- Representative Office of Isis Tourism.
- Representative Office of Starco tourism.

Actually, there are enormous opportunities in Egypt to attract Chinese investment, especially in the areas of services, port management, facilities and transit trade, petrochemical industry, developing methods of construction, storage, pharmaceutical and textile industries. There are opportunities for Chinese businessmen to take advantage of the modernization program, in addition to that there are many advantages for attracting investments in Egypt, including the Egyptian economic balance, stability, and special commercial relationships with regional and international groupings, as well as the availability of energy sources, advanced infrastructure, and the diversity of natural resources and the availability of human resources.

This will allow the Egyptian goods to enter the European markets, with a population of 455 million consumers and GDP of up to a trillion Euros, as well as a good presence in the market, in addition to the Arab market and Common Market of Eastern and Southern Africa (COMESA), which includes 388 million consumers, giving many advantages to the Chinese investors. Added to that is the Qualified Industrial Zones (QIZ), which provides enormous opportunities for Chinese investment in Egypt, to take advantage of the special status enjoyed by the Egyptian exports to the U.S. market under this Convention. Interacting with this, China has built a services center for investors at the North West Gulf of Suez with a grant of $10 million. Cooperation also extended to the prospects of trilateral cooperation between Egypt, China, and Africa, to allow all parties to achieve their common interests.

There are many possibilities between Egypt and China on the economic front. The two countries pursue a policy of economic openness and encourage investment, and their economies characterized by integration, as well as an immense reservoir of mutual trust which is based on a strong base of the distinguished political relations, so there are very good prospects for more extensive economic cooperation between the two countries.
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I am pleased to write in the «Executive» about the Egyptian parliament, about the most important legislative topics and issues discussed by the People’s Assembly and Shura Council. I will address first the legislative roundup of the past year’s sessions.

The performance of the People’s Assembly and Shura Council was aiming to execute the economical mandates derived from the President statement to the joint session of People’s Assembly and Shura Council on 23rd of November 2008, where the President declared that it was a long way done on the road to reform, and it was now time to face the responsibility for maintaining what has been achieved so far in order to move it forward and to meet the initial stages imposed by this major responsibility:

- To maintain high rates of investment, economic growth and job creation.
- To continue broadering the base of social justice, and bias for the poor and the most vulnerable and most needy.

The President said that Egypt was not directly affected by the global credit recession, «We faced this collapse with a stable banking system capable of playing its important role in financing the investment. We faced it with active monetary and fiscal policies and a supervisory role played by the central bank and the supervisory bodies of the capital market, insurance and real estate credit».

He emphasized that with reviewing the implications of this collapse in many developed and developing countries we are increasing our
Mr. President highlighted a number of steps for the government to take regarding this crisis, namely:

- Increasing public spending.
- To move in support for the private sector, and to encourage its investments and projects.
- To direct spending on infrastructure projects of roads, sewage and water, and the development of ports.
- To intensify the government moves to attract Arab and foreign investments, especially from the GCC countries, and countries that are least affected by the current crisis, such as India and China.

He also reviewed in his speech the most important features of the legislative plan (for the fourth ordinary session of the legislative term of PA), which included a number of draft laws and legislative amendments to reflect the priorities of that stage. He stressed that in facing the repercussions of the current global crisis he will refer to the representatives an important bill to support the supervisory role of the current supervisory bodies of the capital market, insurance, and real estate credit market, in order to unite them in one body, and to unite the policies, rules and procedures governing this important sector, and to enhance its ability to attract more local and foreign investments.

Based on the above, this parliamentary year was distinguished by achieving many accomplishments at the legislative level. PA discussed 43 draft laws, including 25 draft laws related to economic aspects, 10 social draft laws, 4 bills of a political nature, and two bills about national security, as well as two bills for the judicial work. The aim of these projects is to establish and update the legislative framework in line with global changes, and to actively deal with obstacles to development in all areas, for the establishment of a modern state on solid foundations.

Representatives’ deliberations witnessed extensive examination of these drafts, in order to set their legal and linguistic formulation, and to establish their constitutionality, or to modify some items to conform with the policy objectives on one hand, and the principles of the Constitution and existing laws on the other hand. This has resulted in drastic changes in the provisions of these legislations with their different political, economic and social purposes.

We can monitor the most important features of the economic laws approved by the Parliament as follows:

- **Nine laws of economic nature:**
  - Law to amend some provisions in the law of tenders and auctions; in order to reduce final deposit from 5% to 2%, and increase the legal deadline for payment and remove the practical difficulties faced by investors, in order to attract local and global investments, and the provision of employment opportunities.
  - Law to amend some provisions of Law 5 of 2002 abolishing the free zone city system of Port Said; to extend it for another three years, ending on January 24, 2012.
  - Law to amend some provisions of the Telecommunications Law; aimed at aggravating the punishment of theft committed to licensed equipment, components, and communications networks or infrastructure.
  - Law to amend some of the Central Bank, banking and monetary bodies’ provisions; in order to increase the capital of the Central Bank to be EGP 4 billion derived from the public treasury, to help the bank to play its leading role in protecting the banking system and expanding its scope of work.
  - Law to regulate the control over markets and financial instruments of the non-banking financial sector. This law organizes the establishment and organization of the Egyptian Financial Supervisory Authority to initiate control over non-banking financial markets and instruments, and to establish a center for arbitration and settlement of disputes relating to this sector, and a specialized training institute.
Law to amend some provisions of the trade union; in order to increase the registration fees and giving the union the right to reconsider the amount of that charge, provided that 80% of returns are allocated to pension funds and subsidies, and 20% to the union fund.

Central Depository for Securities Law, which sought to increase the percentage of the stock exchanges' ownership stake in the Central Depository Company.

Law to regulate the handling and sale of live birds and poultry, aimed to prohibit handling of live birds and to limit trading to slaughtered poultry in the licensed slaughterhouses under permits from the competent authorities.

Law to establish the insurance fund on livestock, aiming to establish an insurance fund on cattle, camels, sheep and goats at cattle breeding associations and breeders, to protect them from dangers that they may be exposed to, and to compensate associations and breeders.

The parliamentary annual sessions ended without the completion of an important draft law aims to the exclusion of the oil refining activities from the list of energy-intensive activities which are not to be licensed as free zone activities under Law No. 114 of 2008.

The Parliament passed 4 laws of a political nature:

- Law to authorize the president to issue decrees with the force of law, with respect to militarization conventions
- Law of general intelligence
- Law to amend some provisions of the diplomatic system
- To amend the law of the People’s Assembly to establish a minimum representation of women’s participation in The PA through allocating (64) seat for women nominees, only for a period of two parliamentary years.

In a coming article I will present the expected legislative map for the coming parliamentary year in the ninth legislative term.
أينما كنت .. وقت ما شئت
برنامج مساعدات على شبكة الانترنت باللغة العربية

برنامج المسؤولية الاجتماعية للشركات والمقدرة التنافسية المستدامة

بحمض مهندس المصري بالتعاون مع جامعة البند الدولية (مجموعة البند الدولية) لإعدة تدريبية حول المسؤولية الاجتماعية للشركات، سلسلة دروس تعليمية متاحة عبر الإنترنت باللغة العربية في مصر والعالم العربي.

يهدف البرنامج إلى مساعدات المشاركين على اكتساب المعرفة الأساسية والعملية فيما يتعلق بالمسؤولية الاجتماعية للشركات، مع إغلاق الفجوة على الإنتاجية الوظيفية بين هذه المسؤولية وحصة والقدرة التنافسية المستدامة وحساس الإبدا من جهة أخرى.

http://info.worldbank.org/etools/csrmena
The Egyptian minister diagnosed the challenges faced by the global economy, calling for not exaggerating or belittling dependence on China to save the world from the economic recession and help it stand on its own feet again.

He emphasized the role each country should play to achieve steady growth rates and overcome the recession. He was echoed by other attendants who said that in spite of the positive indicators in China and elsewhere, the challenges must not be ignored. The Chinese economy constitutes only 7% of the global economy. However, high growth rates in China, its large share in world trade, its huge overseas investments and its interest in boosting cooperation with developing countries in general and Africa in particular increase China’s importance and qualify it to top the world economy in the future.

The minister said that as part of the efforts to encourage competition and diversify sources of investment and economic cooperation, there has been a leap in investment and trade exchanges between Egypt and East Asian countries. China has held a share in 865 companies, most of which have been established over the past five years, and this has made this country a huge investor in Egypt. There is also cooperation with Chinese companies to develop the North-West Suez Gulf Economic Zone. Coordination is underway in several projects in the fields of infrastructure, services and manufacturing industries, in addition to the cooperation between Egypt, China and Africa on a number of projects currently being considered.

He has reviewed the most important economic projects and procedures taken by Egypt to...
achieve higher economic growth rates. Egypt targets $10-billion Foreign Direct Investment (FDI), which is as much as the net foreign investments in Egypt over the past three years. There have been efforts to increase these investments by establishing partnerships in infrastructure projects and improving the investment climate in Egypt.

Mohieldin has also stressed the importance of integration into the global economy by promoting investment and trade in order to stimulate growth and increase job opportunities. He has also stressed the need to learn important lessons from the world economic crisis by applying fair rules to all financial institutions.

In addition to the forum activities, Mohieldin held a number of bilateral meetings with the Mauritian Deputy Prime Minister to seek coordination as well as technical and investment cooperation at the bilateral level and within the framework of the COMESA. The meetings also discussed establishing a general framework for the investment round being prepared for the COMESA Member States in coordination with the COMESA regional Investment Agency.

Mohieldin has also met with the head of the Colombian Federation of Industries, and reviewed the investment climate and opportunities in Egypt. The two officials have discussed means of technical and investment cooperation between the federation and Colombian companies on the one hand and the Egyptian General Authority for Investment and Free Zones (GAFI) on the other.

Mohieldin has also been interviewed by Chinese TV and radio and by a number of specialized economic press agencies.

The Egyptian delegation, which includes representatives of GAFI and the North-West Suez Gulf Economic Zone, met with seven economic groups and institutions in Dalian to review investment opportunities in Egypt.
The Egyptian Corporate Responsibility Center (ECRC) organized a series of United Nations Global Compact events in mid October including capacity building for the local focal point team in partnership with Mansour Group, roundtable for current members as well as an awareness event in coordination with UNDP Iraq. The Egyptian Corporate Responsibility Center (ECRC) arranged for Mr. Matthias Stausberg, the official spokesperson for the UN Global Compact, a visit. The events were held as capitalization on the opportunity of having Mr. Matthias Stausberg, the official spokesperson for the UN Global Compact, a visit arranged for by ECRC.

The capacity building event was conducted on October 12th for the focal local point team including partner focal point Mansour Group, as well as Syrian Global Compact focal point and an Iraqi government delegation in coordination with UNDP Iraq. The Egyptian and Syrian focal points presented the status of the local networks. Stausberg gave two presentations one as an overview of CSR and Global Compact and one on capacity building and update on Communication on Progress new regulations.

The roundtable meeting for current members was held on October 13th at Mansour Group headquarters where more than half of the old and new members participated in the event including the Arab African International Bank, Raya Holding, Orascom Telcom and IDSC. Ms. Nahla Zeitoun (UNDP) also participated in the event to introduce the handover of the focal point from UNDP to ECRC. Stausberg’s presentation opened opportunity for interesting discussions among members and answered questions for both old and new members. Several recommendations came forth including having sectoral CSR workgroups as well as having quarterly Global Compact meetings for peer review and support on COPs.

By: Ingy Bakir
National Coordinator, ECRC
The awareness event was held on October 14th in collaboration with the Industrial Modernization Center (IMC) at their premises. The opening session included speeches by Mr. Helmy Abouelish (IMC), Ms. Nahla Zeitoun (UNDP), Dr. Ashraf Gamal (ECRC & EIOD) and Mr. Matthias Stausberg (UN Global Compact). The second session included best practice presentations by current Global Compact members in Egypt including: Hashem Brothers, Mansour Group, Arab African International Bank and Mercedes-Benz.

The event attracted senior management and decision makers of more than 160 attendees across different sectors including food, manufacturing, pharmaceuticals, petrochemicals and telecommunications in addition to NGO’s and Business Associations. Among the attendees were Raya, Sekem, Olympic Group, Flour Land, Egyptian Junior Business Association, Food Bank, Farm Frits, Leoni Wiring Systems, Savola Foods, ElKharafi and Dalydress. The event also attracted different professional practices including public relations, corporate communications, human resources, training and quality managers. It also attracted attendees from different governorates including Alexandria, Kafr el Zayat, Ismailia and Beni Suif. The event received extensive media coverage.

The feedback from these events has been very positive and inspiring for many future activities and collaborations with different partners. It was also a great networking opportunity for CSR professionals in Egypt who highly welcomed the exchange of experience and views of the status of corporate social responsibility in Egypt.
The EIoD organized the meeting of the CDFE at Grand Hyatt Hotel on September 1st, 2009. The announcement of the winners of the research competition - organized by the EIoD - took place during the event. At the beginning of the meeting, Mr. Bassel El Heiny - Managing Director of the Banque du Caire, and the official sponsor of the meeting - underlined the importance of the forum and its vital role in the awareness of the concept of the independency within the board.

During the meeting, there were the elections of the Executive Committee of the CDFE, which is a forum that includes only successful graduates of the Board Development Series Program. The forum is currently having 117 members from Egypt and Arab countries. It aims to exchange experiences among members in addition to marketing the idea of independent board members in Egypt and Arab countries.

The EIoD organized two training programs focusing on the basics and principals of corporate governance for the SOE’s, and specifically for Metalico Company which is one of the best and largest companies in the public sector.

Both programs were delivered in Arabic. The first one - which was designed for senior management - took place at Metalico Company premises, from 17 to 19 August 2009.

The speaker for this program was Mr. Salah El Kashef – Partner Middle East & North Africa, Governors, LLC. The second program – designed for middle management took place at GAFI Conference Hall, Ministry of Investment, on 16th September 2009. And the speaker for this program was Mr. Mohamed Tarek Youssef – Principle Partner – Grant Thornton Mohamed Hilal-Egypt.

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There is no doubt that the great performing artist, Mohamed Fawzy (1918-1966), is one of the Egyptian art flagships of the twentieth century. The most striking feature in his musical, composing and cinematic acting creativity was a rare mix of simplicity and freedom. Armed with an inherent perception of how to appeal to a person’s sense of humor, he disliked the decoration, pretending, and exaggerated workmanship that others felt necessary to employ.

His arts performance not only stemmed from the heart but could also easily access all hearts. Its simple beauty was associated with spontaneity. He sang casually, naturally, as if he did not sing at any other time—the listener even today feels or experiences Fawzy’s composed songs as if they were his own, because of excessive honesty. When he acted, the viewer felt no alienation, no separation from the glowing presence performing before him.

Mohamed Fawzy was born into an era full of notable talents, some came before him, some shared the stage with him, and while others emerged from the long shadow he left. Mohamed Fawzy Habs Abdel-Al El Hew, known as Mohamed Fawzy, was born on the 28th of August 1918, in the village of «Kafr Abul Guindy», several miles away from Tanta. His father was a reader, or cantor, of the Holy Quran, and his mother was simply an illiterate peasant. Economic conditions were closer to poverty than to riches, and this great artist was the 21st in the list of siblings—and he was neither the youngest nor the last of the sons!

Mohamed Fawzy received his early education in the village class, known in Arabic as “Kottab”, and finished his primary school in Tanta in 1931. He did not continue to secondary level because of his passion for singing and music. He was very popular locally as a vocalist for local events such as school concerts and public celebrations called mouleds which are held in observation of the birthday of religious figures. He was widely known for his repetitions of the famous popular songs of Umm Kulthum and Mohamed Abdel Wahab.

Despite the fierce objection of his father, Mohamed Fawzy learnt the basics of Arabic music. He got a very lucky break when Mustafa Akkad, the well-known composer and percussionist at the Institute
of Arabic music at the time, heard Fawzy perform. Impressed by Fawzy's voice, Akkad helped him to join the Institute in the mid-1930s. Thus began a very new and different phase in his life, as he traveled to Cairo for this special training.

Fawzy, the young talent, traveled to Cairo, only to be shocked by both the alienation and poverty he faced in this metropolis. His terrible sufferings continued until he had the opportunity to work as a singer in the «Badeea Massabni» band, a very popular school of theatrical shows at that time. He was contracted to Badeea for seven pounds a month, but when the band decided to fire Lula, a dancer whom he loved, he protested loudly and the sensitive artist remained steadfast in his loyalty to Lula. Together, they left that group and formed a duo traveling around Egypt, but returned some time later to settle in the «Fatma Rushdi» theatre, where his composing talent was discovered.

In the meantime, Fawzy graduated from the Music Institute, bringing together that meaningful study and practical experience. It soon became clear that professional art was truly the only future that awaited him. He came into this life to sing and compose songs.... and also to act!

Mohamed Fawzy worked for one year with Fatma Rushdi, and even though his theatrical experience was not successful, it led him to the most important and most dangerous stage in his life, the cinematic stage.

It was a real breakthrough when Youssef Wahbi, known as the “Dean” of the Arab theater, watched this young talent performing on stage and liked what he saw and heard. Soon this admiration turned into a contract for a secondary role in the movie «The Executioner’s Sword », directed in 1944 by Youssef himself.

After this initial cinematic experience, Mohamed Fawzy was quickly promoted from being an “extra” to important roles through which he became a popular single star, completing thirty-six movies during his film career.

The success of Fawzy’s film career was harmonious with his remarkable success as a singer and composer; the relentless and seemingly untiring artist worked hard over a quarter of a century, to create more than four hundred tunes for himself and others.

Film production was the first step in Fawzy’s career with the financial aspects of being an artist. He founded his own production company in 1947, serving in this capacity for a variety of films. Then he created «Misrphone», a recording studio combined with a company which produced recording discs--- the first company of its kind in the Middle East. Fawzy invested all life savings in his projects, achieving a resounding and meaningful success with the leading actors and actresses who dealt with him. Unfortunately, the nationalization storm winds blew too strongly and destroyed the successful project, putting an unfortunate end to an idea that should have been encouraged simply for the recognition it brought to Egypt throughout the rest of the Arabic-speaking world.

The great artist was not a person...
who would take advantage of anyone, friend or foe, and his project funds were not tainted with anything harming his integrity. Nevertheless, the general atmosphere at that time took a devastating direction governed by no rational logic. Fawzy was greatly affected by this cruel and unexpected shock and fell victim to a curious illness. His weight dropped from 77 to only 40 kg; American doctors could not find a medical explanation or a promising treatment nor even explain the puzzling mystery. It should be mentioned that world medical encyclopedias still refer to that complex syndrome in the name "Mohamed Fawzy!"

After five years of suffering, between 1961 and 1966, the great artist passed away on October 20th, 1966, at the age of 48.

Mohamed Fawzy was married three times. His first wife, Mrs. Hedaya, was the mother of Samir, Nabil, and Mounir. His second wife was the great actress Madhiha Yousry, who bore him Amr and Wafaa; his last wife was Karima, sometimes referred to as «Miss Maadi».

On the human level, there is broad consensus as to how to characterize this personality. Mohamed Fawzy’s exemplified simplicity, humility and the ability to communicate with ordinary people. He was a lively, clever comic, possessing a keen and light-hearted sense of humor.

Mohamed Fawzy took Arabic songs to new heights. His music innovations have provided many new entries into an already rich history, including various versatile forms and pioneer adventures such as songs of light humor, romance, dating, youth, religious, spiritual, and songs for children. In addition, the show songs in his films widened the perspective of what could be achieved in that genre.

Compared to the giants of his time in singing and composing, we find that Mohamed Fawzy adopted an approach that characterized him not as traditional and conservative, but as an innovative, adventurous talent who produced a modern expression of rhythm in a changing reality in which all concepts in art and life are changing simultaneously.

Mohamed Fawzy is not only considered a very important milestone in the history of Egyptian music and lyrics, but also a leading power in the march of the Egyptian cinema, being an actor and a producer of a unique kind. He produced respected films worthy of attention and reflection in both the quantitative and qualitative aspects, in combination with a sincere love for senior directors, actors and actresses. He was eager to respect public taste and elevate it without falling into the abyss of degrading and stereotyping.

“The success of Fawzy’s film career was harmonious with his remarkable success as a singer and composer.”
His leadership and productivity is embodied in the daring early color production of two films: «Papa is a Groom» (1950) and «End of Story» (1951). Though the two films caused heavy losses for their bold producer, they were nevertheless a breakthrough in the history of Egyptian cinema. It is known that after he finished shooting his films, he sent them to France for acidification, but these two were severely damaged. He insisted on re-filming them and paid all costs, including actors’ wages. Though the cost of this re-production reached one hundred and twenty thousand pounds—an amount that would have enabled him to produce at least five films—he did not back down just to recuperate his costs, seeking only to renew and add value to this artistic endeavor.

Driven by Fawzy’s enthusiasm to work hard and exhibit an economic sense that did not neglect the humanitarian aspects, this project seemed destined for great achievements after such a successful start seemed to promise so much more. However, the sword of nationalization hit the fledging company suddenly, and Fawzy woke up one morning to find himself only a director of the factory which he owned, having spent all his savings to build it. He became simply a monthly salary earner of no more than one hundred pounds.

The last scene in Fawzy’s life was a culmination of the career of an artist who loved this country, when Egyptians reciprocated love with love. On the morning of the 20th of October 1966, his funeral moved from Omar Makram mosque in Tahrir Square, with thousands of mourners walking behind his casket to say farewell to such a dear friend who had made them happy and who had been so sincere in expressing their emotions through his songs. The representative of President Gamal Abdel Nasser walked at the front of the mourners, between Fawzy’s sons and surrounded by many movie stars—all faces solemn for the loss of Fawzy. Thousands of ordinary citizens, their warm emotions uncontrollable by the many security forces, clung to his body, as if refusing to admit and recognize that their talented, simple, and funny artist had left them forever.
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