



MINISTRY OF INVESTMENT

# Globalization & the Good Corporation

Fighting Bribery & Corruption

Examples from regulatory environment in Egypt

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# Introduction

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- One WB & African Commission report said “good governance is the key...unless there are improvements in capacity, accountability, & reducing corruption, other reforms will have only limited impact”
- Egypt has taken the position to fight corruption due to the unfairness it creates & due to its direct negative impact on investment
- The Egyptian government has established the EIoD and the Center for Transparency under the Ministry of Investment to foster companies’ application of good CG which leads to less corruption

# General Indicators

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- According to WBI, US\$ 1 trillion of bribes paid annually, almost twice the GDP of Africa
- The WB estimates that firms in Central America and Middle East pay 2.8% of their sales as bribes to “get things done”
- The amount in East Asia is 1.8%, OECD 0.5%
- No. of companies expected to give gifts for tax purposes 27% in Egypt, 40% region, 31% worldwide average

# Combating Corruption: A Policy Tool Kit

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- Countries need to tackle corruption's demand as well as supply side
- Demand: public procurement system, monitoring bodies, external audits, simplification of procedures, tax & wage reforms, & creation of NGO's
- Supply: training media & press, educating the public on the cost of corruption, accountability, following international standards of transparency, insider trading, use of independent directors, freedom of information & conflict of interest regulation

# What is done so far?

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- Egypt is starting to tackle corruption on various levels & through different organizations
- Signed the UN's "Global Compact" agreeing to play an active role in fighting corruption & money laundering
- Signed and ratified UNCAC
- Both government & opposition newspapers, & TV are active in revealing corruption at all levels

# On the Demand Side

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- Egypt has issued a public procurement law no. 89 year 1998 with clear, transparent guidelines & checks & balances
- The government adopted a clear step-by-step system to privatize law 203 companies
- The one-stop-shop is introduced
- During 2006, Egypt undergone systematic tax reductions & simplification of procedures
- Central Agency for Accountancy is the public auditor, other authorities take care of public servants
- Public servants' wages have been raised considerably over the last 3 years

# On the Supply Side

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- Egyptian companies are obliged to use the Egyptian Accounting Standards, almost fully compatible with IFRS
- Strict regulations regarding transparency, insider trading & conflict of interest, have been introduced by the “Single Regulator Authority”
- Listed companies & SOE’s are encouraged to use independent directors
- Various training courses on governance have been designed and delivered by the EloD and Transparency Center
- Some key public servants were tried and jailed
- The parliament removes immunity from members accused of corruption, they are tried, prosecuted, & sanctioned
- The EloD and Transparency Center are cooperating with the WBI & local NGO’s to raise the awareness of impact of corruption on businesses in the long term

# One Stop Shop

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- Local studies showed that there were too many administrative bodies responsible for investment (22 ministries, 78 other governmental bodies)
- Too many services required, 349, approvals, permits, licenses, etc.
- Complicated procedures, overlapping responsibilities, long time needed
- Wasting time moving between different bodies

# The “One Stop Shop” idea?

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- Group all investment-related entities under one roof, ministerial reps are delegated to make decisions & solve problems
- Simplification of procedures
- Making the General Authority for Free-zones & Investment, GAFI, the administrative body responsible to deal with all authorities on behalf of investors (communication officers)
- Shops get the application & finish procedures
- Shops open in all major cities & industrial areas

# The Results?

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- 33 different government entities are present at each shop
- 6 of them serve in the establishment of firms
- 27 offer after-establishment services
- Establishment period is down from 14-140 days to 3 days
- 19 of the common services' procedures were reduced to 3, taking from 1 hour-3days instead of 15 days
- Tax registration done in 1 day instead of 21
- Considerable impact on FDI

# Example 2: Procedures for Sale of Law 203 Companies

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- Egypt started privatization in 1991
- The program has accelerated since July 2004
- The government prepared a detailed step by step system to ensure maximum accountability, transparency, & public support
- The system has many checks & balances in:
  - the selection of companies/ assets,
  - valuation & audit on valuation,
  - selection of investor advisors,
  - advertisement,
  - bidding procedures,
  - deal negotiations,
  - deal approval by ministerial committee,
  - then GA of the HC

## Example 3: Public Procurement Law

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- To fight corruption within government procurement system, the government issued law 89 for 1998
- The process includes specifications, prices, & inspection committees, clear & specific procedures, checks & balances
- It sets the rules for dealing with suppliers' violations
- Drawback: It is flexible within conditions & checks and balances

# Finally, what can the private sector do?

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- Private companies should lead the path to corporate integrity
- Each company must have a code of ethics that it actually observes & updates
- Companies must be proactive by having an anti-corruption pact or an NGO, we have one, but!!
- Companies with more effective CSR and environmental policies maybe in better position to get government support
- Push for CG, Transparency & Ethics to be taught in private universities

# The way forward

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- Involve a facilitator as a neutral party in the process when initiating and implementing a CA module
- Be patient: Do not rush for success because building trust and confidence among stakeholders takes time
- A well defined and narrow scope (specific sector – specific country) increases credibility and allows easier monitoring and audit

# The way forward

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- Clarify funding of initiative at the early stages of the project
- Focus on achievable results and improvements to provide the foundation upon which to build more challenging initiatives later on
- Get the top management commitment
- Create public awareness/initiate broad communication campaigns

# The way forward

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- Establish certification as positive incentive for participants
- Agree upon clear consequences in case of violations

# Questions and Answers

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**THANK YOU**