



MINISTRY OF INVESTMENT

Globalization & the Good Corporation

Fighting Bribery & Corruption

Examples from regulatory environment in Egypt

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Introduction

- 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

- 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

- 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?

- 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

- 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

- 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

- 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?

- 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?

- 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

- 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

- 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?

- 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

- 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

- 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

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

Questions and Answers

THANK YOU