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CORPORATE GOVERNANCE AND ITS ROLE INADMINISTRATIVE AND ECONOMIC REFORM AN OVERVIEW OF EGYPT'S CORPORATE GOVERNANCE PRACTICES

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ABSTRACT

The concept "corporate governance" has become one of the main pillars that must underpin economic units. It is one of the most prominent and important frameworks in the regional and international institutions and organizations. Corporate governance importance increased due to the economic change found place in the end of last century after the fall of communism system. This new economic system greatly depends on private companies, which are keen to study, analyze and apply governance framework. One of the most important institutions which are very much interested in the concept are: the International Monetary Fund (IMF) and the Organization of Economic Cooperation and Development (OECD). For all the above-mentioned information, the study presents an analytical review of the corporate governance concept, the importance of its determinants, the advantages and objectives of governance framework and its impact on companies' and countries' development. Also, the paper will briefly analyze the level of implementing good governance practices in Egypt prior and after the January 2011 revolution. And it will also shed the light on the Egyptian experience in applying corporate governance framework through a comparative study between the year 2005 and the year 2010.

At the end, the researcher will present few general recommendations regarding how companies should apply a good governance framework; and will present few special recommendations for the Arab countries and Egypt to follow in order to attain a successful implementation of corporate governance. At last, the researcher will emphasize on areas for future research to be considered.

KEYWORDS: Corporate Governance, Egypt's Corporate

INTRODUCTION

A growing interest in this subject of corporate governance has been evolved in many developed and emerging economies over the past years, especially after the various financial crises that have occurred in many of the companies in East Asia, Latin America, Russia and the USA in the nineties of last century. The concept sparked because of the financial corruption, mismanagement, lack of oversight, experience and skill, as well as a lack of transparency, which led to shareholders' heavy financial losses. Due to the emergence of globalization and liberalization of financial markets, and the prevailing of the free market concept in most developed countries, as well as the sparking of this new concept of governance framework, most developed countries and many developing countries are taking the matter of applying corporate governance framework seriously. Of course, it is obvious why!

To achieve high corporate profits and create new opportunities for investments, companies maintain the excellence of work to create a sound structure of corporate governance that ensures transparency. They know for sure, applying corporate governance is opening a gate to prosperity.

These circumstances prompted many investors to look for companies that apply the concept of corporate governance. A coordination of supervisory responsibilities among the authorities in any country is a crucial matter; and the role of central bank and ministry of investment in monitoring the compliance of authorities with corporate governance framework implementation, is also highly important to ensure greater coherence in applying a successful institutional development within a corporate governance framework.

Actually, issuing laws, legislations, and regulations regarding an effective corporate governance framework and ensuring an institutional reform is the easy part of the equation. If we look closely to this issue, we will figure out that the whole matter is underpinned by ownership structures in complex groups, the role of multiple shareholders, the dynamics of ownership structures, and the links between shareholders and their board representation. Also, is strongly related to the analysis of employee representation, interactions with suppliers and civil society institutions, and issues related to corporate social responsibility. Never-the-less, the culture of people and the culture of public organizations and their ability to enforce the law and coordinate their market activities more closely in order to ensure greater coherence. Successful implementation of corporate governance is with little use if not accompanied with human resource development.

As for Egypt, the corporate governance framework is underpinned by two legislations: The Capital Markets Law of 1992, and its executive regulations, which applies to all entities listed on the stock exchange and any others offering securities to the public; and the Companies Law 159 of 1981, and its Executive Regulations, which applies to joint stock companies, partnerships limited by shares and limited liability companies. Our experience in Egypt during last decades of last century and till now, is proofing that a successful implementation of institutional framework in the Egyptian government is conditioned by a corporate governance frameworkand visa-versa. What is noticed, governments in the middle-east achieved little progress regarding devolution of authority and responsibility at the territorial and functional levels and strengthening the role of civil society in public affairs; as well as sharing of power. Egypt specifically speaking made impressive strides in other areas of reform but has experienced problems with administrative decentralization and achieving public sector transparency and accountability. (Adriana Alberti and Fatma Sayed, 2007)

The main objective of this study is to present the importance of corporate governance determinants, the advantages and objectives of governance framework and its impact on companies' and countries' development. Also, the paper will briefly analyze the level of implementing good governance practices in Egypt prior and after the January 2011 revolution. And it will also shed the light on the Egyptian experience in applying corporate governance framework through a comparative study between the year 2005 and the year 2010.What lessons can be applied to regulatory corporate governance? How do the dynamics of institutional change influence corporate governance reform? Still, researchers and scholars haven't found the definite answer yet.

Followings the researcher will present the definition of the governance concept, the determinants, importance, and goals of corporate governance

DEFINITIONS OF TERMS

Definitions of the Concept of Corporate Governance

Corporate governance is one of the most important and comprehensive terminology that is spreading globally. During the last two decades there has been a growing interest in the application of governance principles in most developed and emerging economies. That is due to its regulatory and accounting, financial, economic, social and environmental aspects.

It should be noted that at the global level, there is no unified definition of governance concept agreed upon between all economists and legal experts, analysts, writers and researchers, but there are several definitions and concepts, according to the interests and concerns of these writers, researchers and analysts, and others. We shall mention some of them

- A set of laws, rules and regulations, standards and procedures aiming for regulating the relationship between the company's administration and owners in order to achieve high quality and excellence in performance.
- It is a set of incentive policies, carried out by the company's administration to magnify profits for the benefit of shareholders.
- An integrated financial and non-financial control system.
- It gives the shareholders the right to appoint the company's board of directors in order to monitor and manage them.
- Governance is a set of regulations, decisions and policies adopted by the company in order to achieve quality and excellence in the selection of capable and effective tools and methods to achieve the company's goals and objectives.
- It is aiming for achieving transparency, independence, justice, and integrity as a collateral against corruption and mismanagement.
- Governance framework is a particular system, which can be managed and which monitors the company's work to promote and develop the disclosure principle, transparency, and accountability in order to maximize the company's profits.
- It is the government legislation which deals with the shareholders, and ensures compliance to laws and regulations.
- Governance could be perceived as a legal framework; and it could be also perceived from an economic perspective. It is also considered a moral framework, which protects the rights of all stakeholders.

Since the economic change happened during the end of last century, public and private companies aimed for the expansion in business size, investments and number of shareholders. Companies applied corporate governance to deal with the conflicts occurring between companies' management (administration) and investors. The separation between management and ownership of the company is essential, by assigning non-executives to the board of directors. Practicing corporate governance keeps the relationship between investors and companies in its best shape, through financial control and owners' voting rights regardless of their shares size.

Corporate governance is directly related to reform and financial improvements of the market, and attracting foreign investments.

DETERMINANTS OF CORPORATE GOVERNANCE IN COMPANIES

There are two sets of parameters assessing successful implementations of corporate governance: the external and the internal (parameters) determinants, as following

The External Parameters (Determinants)

The existence of such determinants ensures laws and regulations which help to manage the implementation of a successful business. These set of regulations include:

- The existence of laws and regulations governing the labor market, companies and procedures.
- Management of competition and preventing monopolistic practices and bankruptcy.3. The existence of an efficient financial sector, which can
- Provide the necessary funds to implement projects. Also, efficient regulatory bodies should monitor and control companies.
- Self-regulatory organizations such as professional associations and companies should operate in the stock market.
- The existence of private institutions is necessary, such as financial advisory and investment offices.

The Internal Parameters (Determinants)

These parameters include:

- Rules, regulations, and principles which define the style and nature of the company's decisions.
- The distribution of powers and functions between the General Assembly and the Board of Directors and executives in order to reduce the conflict of interests among these parties
- Governance eventually lead to increased confidence in the national economy.
- Increase and deepen the work to mobilize market savings and raise investment rates.
- Protect the minority and small investors' right.
- Support and encourage private sector growth.
- Help projects to obtain finance and develop profits.
- Create Jobs.

GOVERNANCE STANDARDS

Many institutions have been keen to develop specific criteria and standards for the application of governance. In this section we will present some of these standards:

The Organization of Economic Co-operation and Development (OECD)

It has identified five criteria in 1999 and then issued an amendment in 2004, and these criteria are:

An effective corporate governance frameworks is essential for transparency and efficiency of markets, and the distribution of responsibilities among the various regulators and authorities

Protecting all shareholders' rights, such as:

Stock ownership transfer.

Choosing the Board of directors

Audits of the financial statements

Participating in the general assembly meetings

The right to vote

- Equality of all shareholders regarding gender, nationality, in terms of voting in the general assembly as well as their right to be informed and to know everything related to company's transactions.
- Establishing a legal mechanism that allows all shareholders to participate in an effective control and audit of the company and allows them the accessibility to the required information of banks, employers, employees, bondholders and customers.
- Disclosure and transparency for all company's businesses, including financial aspects, performance, and ownership.
- Identifying the board of directors' duties and responsibilities and the methods of selected tasks and functions of monitoring the company's management.

The Basel Committee on Banking Supervision, the Global Standards

In 1999, the Basel Committee developed instructions and guidance for corporate governance in the banking and fiancial institutions, the most important of these instructions are:

- Applying codes of ethics within institutions to spark good behavior.
- Developing a strategy of participation and contribution among employees.
- Identifying and allnocating responsibilities and decision-making positions among council members.
- Finding a system that includes internal and external audit and an independent management tasks.
- Finding formulas and mechanisms of the type and form of cooperation between the board of directors and auditors.
- Find the type of surveillance centers (such as major shareholders and senior management).

- Applying justice and equality in the distribution of tangible and intangible incentives.
- Ensuring an appropriate information flow.

Standards IFC Standards

In 2003, the International Finance Corporation of the World Bank developed rules and principles and standards of financial and administrative aspects of governance within the institutions. The most important rules and principles are:

- Good acceptable practices of corporate governance.
- Creation of new steps to ensure good governance.
- Fundamental contributions to the development and improvement of local good governance.
- Effective leadership.

The Objectives and Advantages of Successful Implementation of Corporate Governance

- Transparency, justice and protection of shareholders' rights and equity through implementation of rules, regulations and controls over all company's activities.
- Determining and activating the rules and regulations and administrative structures which grant accountable management of the company and ensure equity.
- Supporting the development and investment by deepening and escalating investors' confidence in the markets' capital.
- Work on savings development and maximize profitability and create new jobs.
- Work on effective financial performance through good management and enforce accountability for the favor of shareholders.
- Set good and effective control system over the economic units in order to develop and improve these units competitiveness.
- Work to combat unacceptable behavior, whether in the administrative or ethical aspect.
- Providing new job opportunities.
- Attracting local and foreign investment to reduce the outflow of national capital.
- Enforcing transparency in financial accounting audits to reduce and control corruption level in the company.
- Develop, improve and help decision-makers, such as managers and boards of directors to build a sophisticated strategy to boost the administrative and financial efficiency of the company.
- Stimulate the labor force of the company and improve their production level, and deepen their faith and trust the company.
- Disclosure of information, experiences and skills as one of the major governance principles.

Finally, the most important objectives of corporate governance are: enforcement of accountability, attracting local and foreign investments by issuing laws and legislations granting privileges to investors. Also, fighting against corruption with all available means, as well as instilling ethical principles and humanitarian and economic transactions among dealers within companies.

Corporate Governance and Legal Immunity

Corporate governance as it works to ensures the rights of different stakeholders, such as:company's shareholders and the board of directors, managers, employees, lenders, banks and other stakeholder's campaign.Laws and regulations governing companies work are the backbone of the relationship between the parties involved in the company and the economy as a whole.Among these laws and regulations are: corporate laws and capital markets, banking, accounting, auditing, and antitrust, tax, labor and others. In this regard, the International Finance Corporation in 2002, stressed the need to pass legislation to corporate governance and focus on two important pillars, which are disclosure and accounting standards.

In spite of the multiplicity of laws and regulations and procedures, these laws and regulations represent the safety valve to ensure good corporate governance.

Corporate Governance and Social Welfare

There is a comprehensive concept of corporate governance beyond the economic companies' concept, such as publicly or private owned companies, which is associated with production of goods or services,which have an impact on the welfare of members of the community.There is a common saying, that if the company is sound, nucleus magistrate's economy as a whole, and if it is corrupt, the impact extends to the detriment of large numbers of economic categories and society.Under this approach, the corporate governance has an impact on individuals, institutions and society as a whole, providing security for individuals to achieve maximum profits and ensure stability and progress of markets, economies and societies.

We can say that the companies are affecting the public life, especially jobs, incomes, savings and standards of living. It affects individuals and institutions as well. Because of all the above-mentioned, corporate governance is important to the progress of states'economies and that's why countries should focus on rules and regulations which lead to markets' economic stability.

The Economic Importance of the Application of the Standards and Rules of Corporate Governance

The need for overall corporate governance in the Arab world in particular and the developing countries have emerged after the economic reform,which started in the beginning of the new century in this country. It is well known that companies are at the end of each year participating in the preparation of final accounts.Disclosure and transparency are required in the preparation of these accounts because a sound and clear practices of corporate governance will combat economic corruption.

The Researcher will Present the Most Important Principles Governing the Rules of Corporate Governance

The board of directors set formulas, mechanisms, regulations and systems that ensure commitment and respect to corporate laws and regulations, to enforcedisclosureof information to shareholders, creditors and other stakeholders.

- Board members should consider themselves representatives of all shareholders.
- Board members should make sure thatexpertise and skills are available among non-executive directors.
- Minutes of meetings, records and books must be always available
- The annual report submitted to the shareholders must include company's business and financial position, andthe future outlook of company'sactivities.
- Determine the formulas and methods that allow shareholders to express their views and enable them to make thoughtful decisions.
- The need for audit committees, which affiliate withthe board of directors.
- The need of internal audit committee and the preparation and study of the efficiency of the internal control system. The financial statements should be submitted to the board of directors.
- The audit committees must play a vital role in ensuring the quality of financial reporting and the health of accounting information.
- The importance of disclosure and transparency regarding financial and non- financial information.
- The need for clarity in the stated policies, especially regarding the company's plans of policies and procedures, which ensures company's credibility.
- Maintaining the economic governance, which will contribute in defeating corruption.

These rules are essential to prompt companies listed in the stock exchangeand to financial institutions and companies that will be funded mainly from the banking system.

The Link between Corporate Governance and Many Aspects of Development[1]

The Link between Finance and Growth There is strong cross-country evidence establishing a positive impact of financial development on economic growth, especially after the international financial crises. There is a strong cross-country association between it and the level of growth in GDP per capita. Second, and importantly for the analysis of corporate governance, the development of bankings ystems and of market finance helps economic growth. In many studies, the impact on growth of the development of both the banking system and capital markets is economically large.[2] It has been proved, that it is not financial institutions or financial markets themselves that matter, but rather the functions that they perform. It also has been found out that, financial sector structure has no significant impact on growth. But to function well, financial institutions and financial markets, in turn, require certain foundations, including good governance, but not

[1]StijnClaessens&BurcinYurtoglu, Corporate Governance and Development (An Update), International Finance Cooperation: Forum Publication, 2012

[2] According to the estimates provided by Beck and Levine (2004), for example, an improvement of Egypt's level of bank credit from the actual value of 24 percent to the sample mean of 44 percent would have been associated with 0.7 percentage points higher annual growth over the period 1975–1998. Similarly, if Egypt's turnover ratio had been the sample mean of 37 percent instead of
its actual value of 10 percent, Egypt would have enjoyed nearly 1.0 percentage point higher annual growth.

necessarily a certain mix of banks and capital markets.

Research still needs to address other questions, such as those regarding the mix between banking and capital markets, and the structure of banking and other financial markets, which has been argued to be important for economic development. More research needs to be conducted to know all about the relationship between the structure and development; while it has been proven that there is a positive relation between applying good governance practices and attaining economic growth and development.

The Link between Legal Foundations And Growth

A good legal and judicial system is also important for assuring that the benefits of economic development are shared by many. Legal foundations include property rights that are clearly defined and enforced as well as other key regulations (disclosure, accounting, and financial sector regulation and supervision).

Scholars' papers such as LaPorta, Lopez-de-Silanes, Shleifer, and Vishny (1997, 1998), emphasized the importance of law and legal enforcement on firms' governance, markets development, and economic growth. Many other papers have since shown the link between legal institutions and financial sector development. [3]In weaker legal environments firms not only obtain less financing but also invest less than the optimal in intangible assets.At the firm level, studies have documented the importance of corporate governance for access to financing, cost of capital, valuation, and performance for several countries, using various methodologies. The research shows that better corporate governance leads to higher returns on equity and greater efficiency.

In conclusion, how does Corporate Governance Matter for Growth and Development?[4]

The literature has identified several channels through which corporate governance affects growth and development:

- Increased access to external financing by firms can lead, in turn, to larger investment, higher growth, and greater employment creation.
- Lowering of the cost of capital and associated higher firm valuation makes more investments attractive to investors, also leading to growth and more employment.
- Better operational performance through better allocation of resources and better management creates wealth more generally.
- Good corporate governance can be associated with a reduced risk of financial crises,which is particularly important given that financial crises can have large economic and social costs.
- Good corporate governance can mean generally better relationships with all stakeholders, which helps improve

[3] see Beck and Levine 2005; for a survey, see Bebchuk and Weisbach 2009; for a survey of the National Integrity System Study Egypt, 2009, p.133-134
theoretical analyses and empirical evidence of the effects of corporate governance and regulation on performance at the country and company levels, see Bruno and Claessens 2010b.
[4]StijnClaessens&BurcinYurtoglu, **opcit**, 2012

social and labor relationships, helps address such issues as environmental protection, and can help further reduce poverty and inequality.

Good Governance Practices in the Arab World

According to the united nations world public sector report[5], the Arab region didn't benefit much from globalization, as it still needs further promote reforms to create an enabling environment for trade, also investment and private sector development. The point is, institutional development and applying corporate governance within the public sector is of little use without complementary human resource development. Professional and technical skills and knowledge must be enhanced so that government employees and public officials are able to deal with new demands in an evolving democracy and market economy. Promotingproactive participation at all managerial levels within the public sector, and promoting the delivery of quality services to the public. Unfortunately, little progress has been made regarding the previous-mentioned and regarding the role of civil society in public affairs. Also, there is considerable internal resistance to the sharing of power resources are unevenly distributed, and local capacities remain weak. Egypt has made impressive strides in other areas of reform but has experienced problems with administrative decentralization and achieving public sector transparency and accountability.(Adriana Alberti and Fatma Sayed, 2007)

Corporate Governance in Egypt

Recent assessments indicate that Egypt, Lebanon, Morocco, and the West Bank rank as very weak in terms of their integrity system. In Egypt accountability remains a significant challenge across all branches of government as well as in other social sectors, including business, the media and civil society. The National Integrity System Study (NIS) of Egypt, Lebanon, and Morocco concluded that nepotism, bribery and patronage are so common that they are widely accepted as facts of life. The absence of ombudsman institution in these countries, and furthermore, Egypt, Palestine, and Lebanon do not possess national anticorruption agencies, even though such an agency has been proposed in Lebanon. , (Transparency International and USAID, 2010)In Egypt, the political interference comes mostly from the executive branch. There are concerns that the executive is able to use the Egyptian NIS report, for example, cites the cases of central auditing organization, whose oversight role in the recent privatization program has been curtailed.

The Egyptian study also mentions a legal provision which requires consent of the president to begin a judicial investigation against government officials. (National Integrity System Study Egypt, 2009, p.125)

Lacking Transparency

Egypt's Central Auditing Organization (CAO) is responsible for the auditing of public sector institutions and some other entities, and for producing audit reports. However, no mechanism exists to make CAO reports available to the public, nor is an effective system in place to ensure follow-up of CAO findings.

Public access to information is extremely limited across the country. Comprehensive laws on the freedom of information are missing and those laws which do address rights to access information do not contain enforcement provisions which could be used to ensure the compliance of reluctant institutions. This lack of access to information lead to lacking transparency and meaningful public participation and hinders the public's ability to uncover corrupt practices. This

[5] UN, **United Nations World Public Sector Report**, March 2010

is particularly problematic for the media, as it restricts journalists' ability to investigate suspicions of corruption without encountering legal obstacles. (National Integrity System Study Egypt, 2009, p.133-134)

Conflation of Private and Public Interests

In Egypt, situations posing a conflict of interest have recently increased,

Particularly the emergence of prominent businesspeople that simultaneously

Hold high-level public offices.(National Integrity System Study Egypt, 2009, p.55)

However, in Egypt efforts undertaken to fight corruption by the government and anti-corruption agencies have increased since the presidential election commission (PEC) in 2005; as it was established and charged with supervising the presidential election process and monitoring campaign financing and campaign rules by the media. As well as taking proper action if such rules are violated. Also, Egypt established a multi-stakeholder Transparency and Integrity Committee under the auspices of the Minister of State for Administrative Development, and set up a Centre for Transparencylocated at the Ministry for Investment.In Egypt, "the government, together with the general prosecutor's office, has been cooperating with concerned international organizations to fulfill its obligation in regard to the UNCAC".(United Nations Convention Against Corruption)

Corporate Governance in Egypt Prior and post the January 2011 Revolution

Prior the January 2011 Revolution

In the late 1990s, the world bank and the international monetary fund (IMF) supported implementing an economic reform programme in Egypt. The aim was to encourage foreign investors and local businessmen to invest in Egypt, rather than investing abroad. The Egyptian authorities understood the need for good corporate governance practices, which ensures reliable corporate information, sound financial principles, and adoption of international accounting and auditing standards. In 2001, the world bank and the IMF, jointly conducted an assessment of Egypt's corporate governance practices. This assessment was based upon the organization for economic cooperation and development (OECD) principles of corporate governance. The results indicated that Egypt applied 62 per cent of the principles. An important achievement of the Egyptian government was establishing theEgyptian Institute of Directors in 2003.[6]This institute worked jointly with a range of international organizations, including the WB, the International Finance Corporation, the UNCTAD, and the Center for International Private Enterprise, for the aim of strengthening the corporate governance practices in Egypt.The institute seeks to fulfill its mission through training programs and workshops activities, and through the provision of information on corporate governance principles, codes, and best practices.

In 2005, the Capital Market Authority (CMA) further contributed to corporate governance reforms by restructuring its organization and initiating a separate sector focused on corporate finance and corporate governance. (fig. on p.6) The Ministry of Investment and the General Authority for Investment and Free Zones (GAFI) introduced in the same year (2005) the first Egyptian Code of Corporate Governance (ECCG) written in Arabic. The ECCG is also applicable to companies that use the banking system as a major source of financing; this compliance with corporate governance standards assists in strengthening the rights of creditors. In 2006, the Ministry of Investment issued the Code of

[6] The institute was supervised by the Ministry of Investment (MOI) according to presidential decree No. 231/2004

Corporate Governance for State-owned companies based on the ECCG and the report of the OECD working group on privatization and corporate governance of state-owned assets.In addition, the CMA issued the Corporate Governance Manual for family businesses in October 2006. This manual is considered the first guide in Egypt and the MENA region for family companies seeking growth and sustainability for their business.

In April 2007, the institute hosted the first meeting of the "Certified Director Forum of Egypt". A certificate program offered by the institute jointly with the International Finance Corporation aimed at promoting awareness of corporate governance issues to senior company officials.

In May 2007, the institute conducted competitions for the best annual report and best website to promote world-class standards in corporate reporting. It also issued a manual for audit committees to make sure that corporate governance principles will be applied properly. Also in 2007, CMA issued a new code of ethics for auditors in Egypt. The code discusses issues such as independence of auditors, objectivity, competence, confidentiality, and professional conduct. The code presents conditions and rules for hiring auditors, conflicts of interest, fees, marketing of services, and gifts. (UNCTAD and AUC, 2007)

Post the January 2011 Revolution

After the January revolution, due to the financial crisis, there was a need to strengthen governance and systems of internal control in banks and strengthening the role of the regulatory systems. The central bank of Egypt distributed instructions to all banks registered with it. In 23rd August 2011 the central bank created systems of governance. The main features of the regulations on banks governance were: The concept of governance according to the central bank's vision board of directors and according to the relationship between banks internal audit committee and board of directors with the external auditors. Finally, in case any bank could not abide by any of the required instructions, it should report to the central bank accompanied by strong justifications. It is important to adhere to the key rule of governance, namely: "Comply or Explain"

In May 2013, the Egyptian society of accountants and auditors released its first draft regarding corporate governance regulations to be a part of the acceptance exam for the society.It is important to mention that the Egyptian Financial Supervisory Authority (EFSA) is keen on engaging all the market's parties and professional associations participate in the process of issuing rules through a form that has been prepared by the EFSA and presented on its website page.

Next we will show an evaluation of the level of good corporate governance practices in Egypt, through a comparative study between the year 2005 and the year 2010; conducted by dr.Nermeen F. Shehata and dr. Khaled M. Dahawy through a paper presented to United Nations Conference on Trade and Development, November 2013. (Nermeen F. Shehata and Khaled M. Dahawy, 2013) The study's results are summarized in 2 tables:

Table 1 Is Presenting the Various Sectors within the Study and the Number of Companies of Each Sector

Table 1: EGX 30 Industrial Classifications

Sector	No. of Companies
Banks	3
Basic resources	1
Chemicals	1
Construction and materials	2
Financial services excluding banks	6
Food and beverage	1
Industrial, goods and services and automobiles	1
Personal and household products	3
Real estate	7
Technology	1
Telecommunications	3
Travel and leisure	1

Comment on Table 1

The tableis presenting the level of good corporate governance practices within variety of sectors in Egypt, and the number of companies of each sector. As we review the table, we notice that the highest number of companies was in the real estate sector, then the financial services excluding banks, then come the banks, the personal and household products and telecommunications. The companies of the following sectors come at the end of the list: construction and materials, basic resources, the food and beverage, the industrial, goods and services and automobiles, chemicals, technology, and travel and leisure.

Table 2 is presenting a review of the implementation status of corporate governance disclosuresin 29 companies[7] in Egypt with the ISAR benchmark and the UNCTAD publication guidance on good practices in corporate governance. This disclosure items are organized into five categories and next to each item is the number of companies found to be disclosing this item. The five broad subject categories are:

- Financial transparency and information disclosure
- Ownership structure and exercise of control rights
- Board and management structure and process
- Corporate responsibility and compliance
- Auditing

Following

[7]The sample of companies is composed of the 30 companies that make up the EGX 304. The EGX 30 is the most commonly used index to measure the performance of the Egyptian capital market.
One company was delisted in 2011 making the total no. of assessed companies 29 instead of 30 since the 2010 annual report was not available for that company.

Table 2: Is Presenting a Review of the Implementation Status of Corporate Governance Disclosures in 29 Companies

Disclosure Items by Category	Number of Companies Disclosing this Item (Max. = 29)5 2010	Number of Companies Disclosing this Item (Max. = 30) 2005
Ownership Structure and Exercise of Control Rights		
Ownership structure	20	13
Control structure	13	13
Availability and accessibility of meeting agenda	10	5
Control and corresponding equity stake	9	13
Process for holding annual general meetings	7	4
Rules and procedures governing the acquisition of corporate control in capital markets.	5	2
Control rights	3	13
Changes in shareholdings	1	3
Anti-Takeover measures	0	0
Financial Transparency and Information Disclosure		
Financial and operating results	29	30
Company objectives	29	30
Board`s responsibilities regarding financial communications	26	4
Critical accounting estimates	25	29
Nature, type and elements of related-party transactions	21	26
The decision making process for approving transactions with related parties	4	0
Impact of alternative accounting decisions	1	0
Rules and procedure governing extraordinary transactions	0	1
Auditing		
Internal control systems	26	1
Process for interaction with external auditors	6	2
Process for interaction with internal auditors	4	1
Process for appointment of external auditors	2	1
Process for appointment of internal auditors / Scope of work and responsibilities	2	2
Rotation of audit partners	2	1
Board confidence in independence and integrity of external auditors	1	2
Duration of current auditors	1	1
Auditors` involvement in non-audit work and the fees paid to the auditors	0	0
Corporate Responsibility and Compliance		
Policy and performance in connection with environmental and social responsibility	22	8
Impact of environmental and social responsibility policies on the firm's sustainability	17	8
A Code of Ethics for all company employees	9	1
Mechanisms protecting the rights of other stakeholders in business	9	2
A Code of Ethics for the Board and waivers to the ethics code	7	1
The role of employees in corporate governance	7	1
Policy on "whistle blower" protection for all employees	5	0
Board and Management Structure and Process		
Risk management objectives, system and activities	28	24
Types and duties of outside board and management positions	15	7
Number of outside board and management position directorships	15	7

held by the directors		
Governance structures, such as committees and other mechanisms to prevent conflict of interest	14	5
Qualifications and biographical information on board members	14	7
Professional development and training activities	14	4
Duration of director's contracts	13	4
Composition of board of directors (executives and non-executives)	11	10
Performance evaluation process	9	1
Role and functions of the board of directors	8	4
Material interests of members of the board and management	8	0
Existence of plan of succession	8	6
Composition and function of governance committee structures	7	4
Existence of procedure(s) for addressing conflicts of interest among board members	7	1
Availability and use of advisor- ship facility during reporting period	7	1
Independence of the board of directors	6	4
Determination and composition of directors` remuneration	5	4
"Checks and balances" mechanisms balancing the power of the CEO with the power of the Board (especially in a unified board structure)	3	6
Compensation policy for senior executives departing the firm as a result of a merger or acquisition	0	1

Comment on Table 2: Comparing thenumber of companies disclosing the five broad subject categories in the year 2005 and 2010, we'll notice the following: There is a general increase in the corporate governance disclosure regarding the **Ownership Structure and Exercise of Control Rights** category; except of **the** *Control and corresponding equity stake, Changes in shareholdings, and Control rights*item(the control rights item dropped heavily from 13 company attained disclosure of this item in 2005 to 3 companies in the year 2010). As for the **Financial Transparency and Information Disclosure category,** there is a remarkable increase in number of companies which attained disclosure regarding the *Board`s responsibilities regarding financial communications*item (from 4 companies in 2005 to 26 company in 2010) Also **Auditing**category, the number of companies attaining *Internal control systems*disclosure increased from 1 company in the year 2005 to 26 company in 2010. In the **Corporate Responsibility and Compliance category** the number of companies achieving disclosure in the item *Policy and performance in connection with environmental and social responsibility* increased from 8 companies in 2005 to 22 company in 2010. As for the last category **Board and Management Structure and Process,** there was a significant increase in the number of companies attained a disclosure in all items under the category (between 2005 and 2010), except of one item, which is *Composition of board of directors (executives and non-executives)* the difference of number of companies in both years was only one company.

General Comment

The Egypt Corporate Governance Project, forged a strong, yet arm's-length, relationship with the Egyptian Ministry of Investment and Capital Markets.

Authority, which in turn facilitated the project's ability to launch a series of advisory services for the private sector, as well as the region's first instituteof directors and the world's first country code of corporate governance for state-owned enterprises. Practically speaking, signing a Memorandum of Understanding rather than a formal agreement with the project's public sector counterparts is often the best way forward. This allows the relevant government counterpart to take ownership and offer support, yet also keep a healthy distance from the public sector. I do believe, Egypt is on the right path towards applying a good corporate governance framework in varies categories (Financial transparency and information disclosure, Ownership structure and exercise of control rights, Board and management structure and process, Corporate responsibility and compliance, and Auditing) Still, it's a long journey which needs the cooperation and integration of all country's resources.

RESULTS AND RECOMMENDATIONS

Results

Despite the importance of corporate governance, still it is a highly controversial topic. Many scholars and researchers have a lot of disagreements regarding the concept of corporate governance and its various impacts within companies and country's economy. Different terms of the concept have been used, but the most widely used in academic and research field is 'Corporate governance'.

- In recent years, interest has increased dramatically of the concept of corporate governance.It has become one of the main pillars that must be taken into great consideration by various economic units.
- The application of corporate governance is the director and the pledge to ensure the rights of stakeholders within companies and private investors.
- The applicationof the concept of corporate governance has great positive impacton individuals, institutions and communities in many economic, legal and social aspects.
- Good corporate governance in the form of financial information disclosure is working to reduce institutions' capital cost.
- Good corporate governance helps to attract foreign and local investment, and helps to reduce capital outflow and combat corruption.
- The obligation to apply the intellectual aspects of corporate governance is well reflected on the performance of the financial and monetary economic units.

Recommendations

- Researchers, academics and professional organizations should give greater attention to the corporate governance concept to attain its great impact on the economic, political, and social life of the country.
- Increasing disclosure and transparency in companies is a must.
- Raising awareness regarding the importance of corporate governance implementation, through seminars, meetings and conferences.
- Staff training is of a great importance from the outset and should be included in the budget.
- Replicate successful country projects at the regional level. Once successfully piloted and "standardized'' in a country, can help corporate governance spill over other countries.

- The success of a corporate governance project will ultimately depend on the quality of project staff. Hiring the right individuals with real and practical corporate governance expertise, leadership qualities, and communication skills poses a serious and time-consuming, yet not insurmountable, challenge.
- Set and develop many legislations, regulations and laws in the Arab world to improve the performance of boards of directors, managers and shareholders' equity in the company.
- Nations should know more about ownership structures in complex groups, the role of multiple shareholders, the dynamics of ownership structures, and the links between shareholders and their board representation.
- Governments should encourage the analysis of employee representation, interactions with suppliers and civil society institutions, and issues related to corporate social responsibility.
- Governments should find ways and facilities to enhance enforcement in environments with weak property rights, poor legal systems, and limited market-driven forces for adopting corporate governance reforms.
- Develop a unified view of the concept and application of corporate governance in the Arab world.through seminars, conferences and meetings and exchanging experiences..
- Egypt, with a population of nearly 90 millions, should concentrate on developing its human resources starting from ensuring and providing health services to education, training and enhancing various talents and skills of this valuable resource.
- Egypt should consider other nations' successful implementation of corporate governance framework.

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