

Full Length Research Paper

Corporate governance and its potential implementation in Egypt in light of international experiences

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Accepted 4 September, 2009

Governance has appeared similarly to other terms such as privatization and globalization. The corporate governance concept has had a great importance due to the financial declines and economic crises which several states have witnessed in the money markets and corporations located in a number of states in East Asia, Latin America and Russia during the 1990s of the twentieth century. Furthermore, the US economy has lately witnessed financial and accounting declines and the world financial crisis of 2008 - 2009 whose one of its most important reasons is related to the lack of transparency and disclosure of the financial and accounting data of a number of corporations and economic units of the money markets. Definitions of corporate governance are varied according to the different adopted viewpoints related to the research scope. Governance can be defined as the corporations' rational governance through a group of laws, rules and bases that guarantee transparency and law enforcement. This Paper aims to identify the various concepts of governance and state the motives behind adopting this new trend while clarifying the main features and objectives of governance, the fundamentals upon which governance is based and the internal and external determinants the control the performance of governance. The study aims as well to review the most important criteria and different principles of governance in light of the institutional framework that organizes its work nature, the international endeavors to activate it and the information and statistics' role in the sound implementation of governance. The study aims also to identify the status quo of the corporate governance in Egypt in light of a group of international indicators concerned with good governance with reference to the Egyptian banking system's experience in this regard and the possibility of getting benefited from the international experiences and experiments in the field of governance to ensure its successful implementation. The Paper relies on the descriptive method and depends on theoretical library researches and the literature review in this field. Finally, the study introduces its concluded results and recommendations.

Key words: Corporate governance, transparency, Egypt, banking system, governance of family, owned corporations, international experiences in the field of governance.

INTRODUCTION

The term corporate Governance or Governance has appeared similarly to other terms such as privatization and globalization. They are newly used terms in the economies, institutions and economic units of the developing countries. Over the past few decades the corporate governance concept has had a great importance due to

the financial declines and economic crises which several states have witnessed in the money markets and corporations located in a number of states in East Asia, Latin America and Russia during the 1990s of the twentieth century. Furthermore, the US economy has lately witnessed financial and accounting declines and the world financial crisis of 2008 - 2009 whose one of its most important reasons is related to the lack of transparency and disclosure of the financial and accounting data of a number of corporations and economic units of the money markets (Al-Essawy, 2003).

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The corporate governance concept refers to a group of organizing, administrative, legal and financial frameworks that organize the relationship between the administration and the owner (investors and shareholders) and other beneficiaries. The concept includes as well the structure through which the corporate objectives are devised with clear determined paths to how to achieve such objectives and the performance surveillance systems. The good governance system should include suitable incentives for management so that objectives can be achieved.

The regulatory rules of the corporations' administration applied in Egypt are consistent with the international principles in the context of 39 principles out of 48 principles. The laws governing the corporations and stock market stipulate the same principles and they are fully implemented with indicating criteria of good performance. Some of the principles included in the current regulatory laws are not practically implemented in the Egyptian market due to the weakness of the shareholders and the corporation administration's awareness of these criteria.

There is a close link between the term corporate governance and the new world system known as globalization. Since the term governance has been associated with globalization and crises, it has become an argumentative topic and a theme of debate within the circles of economists both academicians and world politics experts. Therefore, the international monetary fund and the World Bank had adopted a new trend to achieve the structural reforms according to a package of laws and principles. They evaluate the economic reform programs particularly in the emerging and developing countries in addition to the traditional followed technique that entails the implementation of structural reforms and economic reform programs in the developing countries in order to improve the socio-economic conditions. Under the new world context, the term governance has changed the investment agreed-upon strategy (that is, the higher the risk, the more the return) and adopted a new vision known as the trend of Flight to Quality. The transfer from the risk measure into the quality mechanism is based on a group of principles and guidelines that ensure transparency and law enforcement (Youssif Mohamed, 2007).

Research problem

The decline of more economic units has led to wasting the rights of their beneficiaries particularly the current investors and to losing the trust among the awaiting investors in the accounting information included in the reports and financial statements of these units. Today, the developing countries are facing a fundamental challenge represented in how to transfer from governance systems based on the relationships basis to governance systems based on laws basis.

The corporate governance implementation depends on the cooperation between private and public sectors and the extent to which the legislative authority is strong to

enforce the corporation adopting its implementation. Therefore, it is expected that there would be a sort of non-response among the losing corporations that are highly speculative in nature since governance nullify the importance of rumors and deter the financial and administrative corruption which is always associated with such corporations. In addition, the speculative investors will threaten implementing the corporate governance reforms as they consider them a stumble on their way of performance because such reforms may deprive their exploitation of internal data and weaken their market profitability. Some economists still view corporate governance as relatively unimportant in the developing countries due to the limited number of corporations that have current shares.

Research objectives

The research aims to identify the various concepts of governance and state the motives behind adopting this new trend while clarifying the main features and objectives of governance, the fundamentals upon which governance is based and the internal and external determinants the control the performance of governance. The study aims as well to review the most important criteria and different principles of governance in light of the institutional framework that organizes its work nature, the international endeavors to activate it and the information and statistics' role in the sound implementation of governance. The study aims also to identify the status quo of the corporate governance in Egypt in light of a group of international indicators concerned with good governance with reference to the Egyptian banking system's experience in this regard and the possibility of getting benefited from the international experiences and experiments in the field of governance to ensure its successful implementation. Finally, the study introduces its concluded results and recommendations.

Research significance

Since 1997 and with the breaking of Asian Financial crisis and its subsequent world financial crises, the world has adopted a new vision towards corporate governance and the above-mentioned financial crisis. That crisis could be described as a crisis of trust in the institutions and legislations that organize the business activity and the relationships among business establishments and the government. The several prominent problems that appeared during the crisis include the processes and transactions of internal employees, relatives and friends between the business establishments and the government. The corporations obtained huge sums of short-term debts and were keen at the same time on not informing the shareholders of such matters. The corporations applied sophisticatedly created accounting methods and system to conceal such debts. The latest events- starting

from the Enron company scandal and the subsequent discovered chain of manipulation, on the part of the company, of its financial statements- have clarified the importance of corporate governance even in the countries which are usually considered as nearly perfect financial markets. As such there is an emphasis on the effective role of that term and its included means of treatment and reforms for such declines and crises.

RESEARCH METHODOLOGY AND TECHNIQUE

The research relies on the descriptive method to describe, interpret and analyze the findings of other studies relevant to its thesis statement, in order to determine their concluded results and how to make use of them in overcoming the research problem. The research depends on theoretical library researches and the literature review in that field with the purpose of analyzing them and making use of them in formulating the research's theoretical aspects.

Research hypotheses

The effective implementation of governance is conditionally linked to the ethical and empirical reform of legislative infrastructure and the existence of democratic atmosphere and social equity. Therefore, the implementation of governance's sound principles leads to creating the necessary precautions against corruption and ill-administration.

Research Plan: The research is divided into the following parts:

- Part One: Concept, Features and Motives of the corporate governance trend.
- Part Two: Objectives, Fundamentals, Criteria and determinants of corporate governance.
- Part Three: Institutional Framework of Effective corporate governance.
- Part Four: Stats Quo of corporate governance in Egypt.
- Part Five: International Experience in corporate activation field.
- Part Six: Research's results and recommendations.

Part one: Concept, features and motives of the corporate governance trend

Concept and nature of corporate governance

Definitions of corporate governance are varied according to the different adopted viewpoints related to the research scope. Governance can be defined as the corporations' rational governance through a group of laws, rules and bases that guarantee transparency and law enforcement (Youssif Mohamed, 2007). Virtually, the governance concept has been transferred from the field of politics and state administration into corporations. The economy experts are of the opinion that governance is a guidelines package voluntarily offered to corporations that wish to implement it in order to achieve transparency. In other words, avoiding the compulsory formula the corporation as more transparent and clearer and increases its credibility in the business and money market.

Jensen and Meckling (1976) are among the early economists who defined the corporate governance term. They explained the contradiction between the interests of shareholders, the board of directors and directors. Some shareholders might wish to obtain their profit share while others and the board of directors and directors prefer to reinvest the profits to encourage the corporation's

growth. In such a case, the board of directors is responsible to manage the conflicted interests by making a satisfactory decision for all parties. They determined law enforcement as the only solution to curb the fraud means, conflict of interests and unethical conduct. Some of the unethical aspects are unjustified stock market practices, dominance of quick profit desire, tendency towards speculation, spread of herd phenomena of joining and withdrawing from the stock market.

The raised question is how can we find ethically distinguished members of board of directors as Adam Smith described them in the 18th century with the characteristics of prudence, justice, goodness, decency, modesty and self-constrain for implementing effective and trustful governance?

Laporta and Shleifer (1997) clarified that the issue of corporate governance's legislations and laws has tangible effect on the corporation's efficiency and performance. The corporations' trend towards financial creativity, development and derivatives and adoption of new concepts such as electronic trade increase the difficulty of governance's implementation, due to the inability of curbing transactions transparency and the difficulty of determining the future investment risks.

A group of experts like (Davolio, Gildor, Shleifer, 2003) discussed a research paper entitled "technology, information production and the market efficiency". They attributed information quality deterioration to the large number of inexperienced investors who invest in the market, a matter that distorted the data and information that should be disclosed.

Corporate governance is a group of principles, rules, systems, procedures and laws that govern the relationships among the main parties, corporations' administrations, shareholders, beneficiaries, disclosure and surveillance systems. Therefore, governance influences the corporation's performance and aims to achieve quality, improve performance rates through devising the plans and objectives of such corporations. Governance includes as well determining the administration's appropriate incentives in order to achieve its objectives in a way that serves the shareholders' interests and encourage them to implement the transparency principle and avoid interests conflict and other unaccepted ethical and administrative conducts within the surveillance systems over the corporations' administrations and their members of boards of directors. In addition, governance assigns the rights and responsibilities among the boards of directors, shareholders and implements procedures that determine the corporations' work performance in order to achieve the governance objectives.

The international financing corporation (IFC) defines governance as a system through which the corporation's administration is conducted and its businesses are controlled (Alamgir, 2007).

The Organization for Economic Cooperation and Development (OECD) defines governance as a group of relationships among those in charge of administering the corporation, the board of directors, shareholders and other contributors (Freeland, 2007).

Others define governance as the "total game rules" that are internally used in administering the corporation and enabling the board of directors to oversee the administration in order to protect the shareholders' financial rights and interests (the National Bank of Egypt, 2003).

Some define corporate governance as a group of contract agreements that associate the corporations' administration with the shareholders and beneficiaries through the procedures and techniques used in administering the corporations' affairs and directing its businesses to ensure the development of its performance, disclosure, transparency, accountability, engross the shareholders' long term benefit and protect the interest of different parties (Katherine, 2002).

The international corporations have adopted and developed the governance concept in the late 1980s in order to denounce extravagancy and waste in managing the public money on the part of some developing countries' governments. The World Bank, in this regard,

decides on the good governance because of its "authority in providing the state's socioeconomic resources necessary for development." The UN Secretary General Kofi Anan says in this concern "the good governance is about to be the only fundamental factor of eliminating poverty and flourishing growth" (World Bank, 2004).

Governance means the attempt to fill in the potential gaps through which corruption may creep into the private or public economic institutions.

As all-means fighting against corruption is considered as a national, socioeconomic, political and human cause, the state is not the only party which holds the responsibility but other parties like (private corporations, civil society, official media, the public) should share the responsibility besides the close cooperation between private and public sectors.

The World Bank reports estimate the annual paid bribes as \$ one trillion, about \$ 2.77 billion daily at the world level. It is a great figure as compared to the world economic volume estimates \$ 30 trillion annually.

Despite of the governance various definitions, the most common definition is the one which the UN Development Program has adopted. It states "the practice of economic, political and administrative power to manage the state's affairs at all levels through mechanisms, processes and corporations that enable the individuals and groups to achieve their interests" (The UN Development Program, 2005).

A study has pointed there are two approaches to determine the corporate governance definition. These approaches are as follows:

- a. Shareholder's approach which is concerned with engrossing the shareholders' rights as represented in profitability.
- b. Approach of the corporation's related multiple parties such as managers, clients, debtors, workers and other parties. This approach is concerned with achieving the interest of such parties.

The study has concluded that the second approach is more comprehensive in expressing the corporate governance definition as it concentrates on the corporation's surrounding environment and its different social issues. In addition, the second approach helps communicate the appropriate financial and non-financial data and information with the decision makers within and outside the corporation (Eugene, 2003).

In light of the earlier mentioned overview, the following points are noted

- The corporate governance definition contains various dichotomies whether they are economic, legal, administrative, accounting, social or ethical dichotomies because of the disagreement on a common definition or concept of the term corporate governance. While some economists view it, based on the economic aspect, as the mechanism that helps the corporation get the financing and engross its shares value for a long term, others legally define corporate governance as it refers to the management contract nature either complete or incomplete. That nature determines the right and responsibilities of shareholders and beneficiaries on the one hand and those of the administrators on the other. In addition, there is a third party that is socially and ethically viewed. In other words, that definition pays attention to the corporation's social responsibility in protecting the rights of minorities or small investors, achieving equal economic development and preserving the environment.
- The corporate governance concept spreads widely after the occurrence of several economic declines and crises for many giant economic units. It is an indication on the corporate governance effective role and its contained means of reform and treatment for such declines and crises.
- The corporate governance concept helps eliminate inconsistency and achieve interest balance among different groups interested in

the economic unit either within or outside it. This could be achieved in a way of controlling the administration, granting larger authorities to other groups particularly the shareholders and other beneficiaries.

- The corporate governance pays attention to achieving disclosure and transparency in all information particularly financial information because of its importance and effective role in achieving the beneficiaries' objectives at the economic unit.
- Despite the roots of corporate governance' content are dated back to the early 19th century where the project theory and other administration and planning theories had handled it, the English language has not used this term, whose concept was not crystallized, until almost two or three decades.
- Although the corporate governance is a modern concept and many of its rules and criteria are still at the stage of revision and development, there is a semi-agreement among the researchers and experts on its most important determinants and evaluation criteria.

Features of corporate governance: According to the UN development program of 2005, governance has certain features and pillars, namely, sharing, rule of law, transparency, quick response, creating consistency and unanimity, equality and comprehensiveness, effectiveness and efficiency, accountability and strategic vision. Below is a detailed explanation of each feature:

(a) Sharing: It considers the sharing of all men and women as a main stone of good governance. Sharing could be directly or through representative, meddling and legal corporations. It is remarkable that the representative democracy does not necessarily means the concerns of the weakest group in society are taken into considerations in the decision-making process. Therefore, sharing should be known and organized. For instance, the freedom of gathering and expression on the one hand and establishing a civil organized society on the other.

(b) Rule of law: The good governance requires just legal frameworks neutrally implemented and full observation of human rights as well. The just implementation of law requires independent judiciary and unbiased and uncorrupted police.

(c) Transparency: It means that the decision-making process and its implementation are carried out according to specific rules. It also means the information is available and accessible to those affected by the decisions' implementation. Furthermore, it means the information is available in clear forms through the mass media.

(d) Quick response: The processes and corporations should be suitable to all doers.

(e) Agreement and unanimity: There are several doers and visions in the society. The good governance requires the mediation of various interests in society in order to conclude a broad agreement regarding what may constitute the common interest for the society at large and the means of its achievement. It require as well wide and long term vision on the requirements of a continued development and how to achieve its objectives.

(f) Equality and comprehensiveness: The reform of society depends on ensuring that all its members have equally shared in it not they have been excluded from the society's main current. This requires that all classes particularly the weakest one has equal opportunity to improve and preserve its interests.

(g) Efficiency and effectiveness: The good governance means the results of processes and corporations are consistent with the needs of the society through the optimal use of its sources. The efficiency concept includes as well the current use of the natural

resources' continuity and environment reservation.

(h) Accountability: Not only is accountability a mile stone of the good governance for the public sector corporations, but also for the private sector corporations and the civil society organizations which should subject to accountability before the society and those in charge of the corporations. Generally, an organization or an corporation should be accountable before those who are affected by its decisions or actions. Accountability cannot be valid without transparency and rule of law.

(i) Strategic vision: The leaders, the public and those in charge of administering the corporations should possess long-term vision for good governance and development in parallel with the requirements of that development.

On the other hand, governance is defined as the good performance level of the government system in its broad sense. That is the administrations, corporations, systems, ministries and other government bodies concerned in decision-making implementing the policies or overseeing and controlling the enforcement of laws and legislations (Fawzy, 2003). As such governance is inaccessible without democracy. It requires as well the activation of issues related to transparency, credibility and accountability. It will ultimately lead to increasing the economic growth rate, improving the standard of living, activating the participation of all society members and its corporations in the making and implementation of decisions and laws, controlling the performance level, correcting the deviations and ensuring the achievement of continued development. The World Bank studies have pointed (World Bank, 2006) the good governance study should concentrate on two world values: consolidation and liability. The former value focuses on the equality concept in the sense of providing equal opportunities for all people to participate in the government administration, the government's equal, unbiased and undiscriminating treatment for the public before the law and equal accessible opportunities to information. On the other hand, the latter value is related to liability. It means those selected for the government in the name of people should subject to liability before the people. It is based on providing knowledge and information and transparency in the government mechanisms. It focuses on providing incentives to encourage government officials who are administering the government in the name of people to honestly, effective and sincerely perform their tasks. These incentives are available in the presence of competitiveness in selecting public officials, laying out the policies, and providing the code of ethics for the employees of public profession in order to achieve the public interest.

There is a close relationship between good governance and development process. The good governance has become in its all dichotomies a main condition to achieving the continued development through creating the political, legal, economic and social circumstances necessary for liberating these human abilities and hence reinforcing the human welfare through eliminating poverty, creating job opportunities, preserving environment and elevating the position of women.

Governance has several scopes as it is not necessarily restricted to the political systems but includes the performance method regardless of these systems types. The political governance focuses on certain matter, namely, political participation (the role of civil society, decentralization activation, soundness of election process, women rights, minorities rights), rule of law (constitution, judiciary, legislation and powers separation) and transparency and liability (the people right in accessing information and the media freedom). Therefore, governance is concerned with roles clarity (government role and the private sector role), financial information accessibility to the public, audition and liability methods, transparency of financial and monetary policies, good financial administration and effective following-up systems (Digital Governance. org. Initiative, 2005). Fi-

nally, the features that should characterize corporate governance in order to achieve its objectives and advantages can be summarized as follows:

Liability before different parties- Independence of board of directors and other various committees- Self-discipline and adherence to law- Prohibition of exploiting power and internal information of the economic unit and Protection of the economic unit's assets.

Motives and importance of corporate governance trend: The international business establishments, international financing corporation and development programs have laid great importance to corporate governance due to the events that took place during the last two decades and were the main reason behind the concern of this issue. The need for governance has appeared in several advanced and emerging economies during the last few decades particularly after the occurrence of economic declines and financial crises in a number of Southeast Asian countries, Latin America and Russia during the 1990s of the last century. Its appearance is also attributed to the financial and accounting declines which the US economy has recently witnessed during 2002 and the world financial crisis of 2008/9. The declines of mega business establishments- such as the Accredited and International Commercial Bank's popular scandal, the catastrophe of Savings and Loan Banks, the US Enron corporation's bankruptcy, the great financial crises and the huge gap between the salaries and allowances of executive officers at the corporations and the performance of such corporations. All these elements constitute the momentum behind the concern of corporate governance (The National Bank of Egypt, 2003).

Some examples of private corporations that contributed to talks increase about governance because of corruption: Enron, Anderson, Rolled COM, the roles of banks and institutions in breaking out the Southeast Asian crisis in 1997, financing funds, some energy corporations, pension funds of corporations' employees, General Electric corporation, Fiat corporation, Universal Vivindy corporation.

What has Enron done? It has not adhered to disclosure and auditing because of using complicated accounting techniques aim to shroud overdependence on loans in financing its activity and conceal its revenues. The over-implementation of off balance sheet activities tightens the difficulty of their realization and discovery due to the gaps of US accounting criteria for handling the off balance sheet activities in contrary to the case in the European states that adopt international accounting criteria.

The importance of corporate governance has increasingly grown due to the trend adopted by several world countries to transfer into the capitalist-based economic systems in which the private companies are heavily relied on to achieve higher and continued rates of economic growth. The expansion of such projects volumes has led to the separation of equity from administration. These projects have started to look for less-cost financing resources from the banking resources as they have oriented towards the money markets because of the financial markets liberalization which the world is currently witnessing. Therefore, the capitals have increasingly transferred across the boarder in an unprecedented way. The expansion of the corporations' volumes and the separation of equity from administration have weakened the surveillance mechanism over the administrators' conducts and the occurrence of successive financial crises for such corporations.

Furthermore, globalization, financial markets liberalization and the opening up of new world markets, which provide the potentiality of achieving higher profits, have a great role in the motives behind corporate governance. This is attributed to fierce competitiveness among the corporations under the capitalist vibrations. The corporations need further capital levels exceeding the potentiality of traditional financing sources in order to internationally expand and have competitiveness. The failure to adequately attract capitals has

threatened the existence of the establishment itself. This failure might have entirely negative effects on the states' economies because the inadequate capitals help erase the establishments' competitiveness, reduce employment and lose the establishments' socioeconomic gains and thus the gains of the state where they are operating (Fawzy, 2003).

The original need for corporate governance has become prominent because of the separation of equity from administration (the control) in the public-owned corporations. The investors attempt to invest their capitals in the establishments as many of them have the time and experience necessary for operating the establishment and ensuring the achievement of a yield for their investments. Therefore, they employ administration experienced personnel to carry out the duties of the establishment's administration and daily operation in order to ensure that the business aspects, which the establishment is carrying out, will reinforce long-term profitability and performance. Among the disadvantages of this order is that the managers or the board directors members are not often the establishment owners. Thus, they will not endure the burden of investment or profit loss whenever the corporation performance fails. Consequently, they might adopt harmful procedures to the shareholders' investments value.

However, the need for corporate governance in the developing, emerging and transitional economies exceeds resolving the problems resulted from the separation of equity from administration as the emerging and developing economies always face subjects like shortage of equity rights, misuse of minor shareholders' rights, encroachment of contracts, squander of assets and self-treatment. The practices of corporations' administrations do not often subject to punishment due to the dominant refute in many developing, emerging and transitional economies of political and economic corporations and legislations necessary for democracy and markets to perform their business. Without the existence of such corporations and legislations there will be a limited effect for the corporate governance.

It could be said "there are certain factors associated with the economic atmosphere in the Western countries that have led to the emergence of corporate governance concept. Some of these factors are as follows (Fawzy, 2003):

- Necessity of referring to a higher economic capacity and handling the problems resulted from wrong practices on the side of the corporations' administration, internal or external auditors or the interference of boards of directors in a way which hinders the progress of such corporations.
- Corporations' need for seeking the financing from the money markets whether in the form of issuing bonds or securities.
- The breaking out of the Asian financial crisis in 1997 due to the lack of trust in the establishments and legislations that organize the business activities and relationships between the business establishments and the government. The several prominent problems that appeared during the crisis include the processes and transactions of internal employees, relatives and friends between the business establishments and the government. The corporations obtained huge sums of short-term debts and were keen at the same time on not informing the shareholders of such matters. The corporations applied sophisticatedly created accounting methods and system to conceal such debts. This has led the world to adopt a new vision towards the corporate governance.
- Practices of Multi-national corporations: the call for adopting corporate governance has been strengthened by the practices of such corporations in the economies of globalization. They attempted to possess through the means of merging corporations in order to dominate the world market. Thus, there are only one hundred corporations among thousand of multi-national corporations that dominate alone the destinies of foreign trade all over the world due to such monopolized practices.
- Weakness of legal system with which contracts enforcement can-

not be carried out and disputes cannot be effectively resolved besides weak information that led to prohibiting surveillance and control, a matter that led in turn the spread of corruption and non-existence of trust.

- Continued increase of popular corruption causes in the mega corporations like the US Enron corporations as the analysts believed that its financial statements did not virtually express its de facto because of its collusion with a professional international auditing and accounting company. Therefore, the Organization for Economic Cooperation and Development has issued a guidelines package regarding the corporate governance in general.

Based on this viewpoint, the corporate governance is heading towards focusing on a simple model as follows: Shareholders should select the members of board of directors who represent them.

Members of board of directors should hold voting on the main matters and should make decision unanimously. Decision-making process should be transparent so that members of board of directors are held accountable before the shareholders and other beneficiaries. A corporation should adopt accounting criteria that provide the members of board of directors, investors and other beneficiaries with information necessary for the decision-making process. A corporation's policies and practices should adhere to the national laws, the US laws and domestic regulations.

Part two: Objectives, fundamentals, determinants and criteria of corporate governance

Objectives and benefits of corporate governance

The rules and constraints of corporate governance aim to achieve transparency, justice and to grant the right of holding the corporation administration accountable. Consequently, they preserve the rights of all shareholders and securities holders with taking into consideration the business and workers' interests. They also curb the misuse of power in a way which against the public interest, a matter that leads to developing the investment, encouraging the investment flow, developing the savings, engrossing the profitability and providing new job opportunities. Corporate governance increases the confidence in national economy, deepens the money market's role and increases its capacity in mobilizing savings, increases the investment rate and preserves the rights of minorities and small investors. On the other hand, the corporate governance encourages the growth of private sector and strengthens its competitiveness, helps the enterprises get necessary financing and generates profits and finally creates job opportunities.

These rules emphasize the importance of adhering to judgments of the laws; ensure the review of financial performance and the existence of administrative structures that facilitate the administration accountability before shareholders. These rules also help create auditing committees which comprise executive non-member of board of directors. Such committees have several tasks, specializations and authorities to achieve independent surveillance over performance.

The benefits and objectives of corporate governance can be summarized as well follows (The National Bank of Egypt, 2003): Corporate governance determines the distribution of rights and liabilities among different participants in the corporation such as the board of directors, managers, shareholders and other beneficiaries. Corporate governance clarifies the rules and procedures necessary for decision making regarding the corporation's affairs. Therefore, it provides the structure necessary for devising the corporation's objectives, the means of achieving these objectives and performance surveillance. Good governance leads to risk reduction-performance reinforcement- the improvement of financial market accessibility- the increase of goods and services marketability- the improvement of leadership- the prominence of transparency and

social accountability. Corporate governance help increase the financing availability, the potentiality of obtaining the cheapest financing sources. Thus, governance has become increasingly important particularly for the developing countries. Profit management: some economic units practice the profit-management policy in order to achieve many objectives such as the attainment of previously announced levels of predictions, avoidance of profits or losses announcement or obtaining certain high-profit associated advantages such as bounces or commissions. Consequently, the profit management process means that the administration attempts to affect or manipulate the accounting information included in the financial reports regardless of its objective (Plummer and David, 2000). Good corporate governance, in the form of financial information disclosure, may help reduce the establishment's capital cost, attract foreign or domestic investments, curb capital inflow, fight against corruption which everyone realizes nowadays the extent to which corruption can impede growth. Achievement of disclosure and transparency: good disclosure and transparency in presenting financial and non-financial information are among the main principles and pillars upon which corporate governance is based. Therefore, none of the reports issued by an organization, corporation or scientific study did not emphasize the importance of governance role in achieving disclosure and transparency, particularly, they are among the effective techniques that achieve the interests of all parties concerned. They are also among the important indicators which positively or negatively decide on the governance system's implementation within the different economic units. Therefore, one the governance principles set by OECD and amended on 12th April, 2004 states that the governance framework should contain the accurate and proper timing disclosure of all important relevant matters related to the economic units. The disclosure includes information related to the financial position, financial, cash and employment performance and other aspects related to members of board of directors and higher administration (OECD, 2004). Evaluation of economic units' performance: the importance of corporate governance emanates from its role increasing the sources use efficiency, engrossing the economic unit value and supporting its competitiveness in markets, a matter which help achieve expansion, growth and providing new jobs opportunities. In addition, among the main criteria of corporate governance are the achievement of effectiveness and efficiency of the economic unit's performance and assets protection. The adherence to implementing good corporate governance is well reflected on the economic unit's performance at its cash, financial and operational dichotomies and on various used measures as well. That is, the governance implementation helps constitute a concept and comprehensive measures for the economic unit's performance. This could help sustain its capability of continuity and growth and achieve the interests of other beneficiaries. Liability and accounting surveillance: the report of Cadbury commission, issued in 1992 in its second element, clarified that shareholders should hold the board of director accountable as both of them has a role in activating the accountability. The board of directors performs its role in providing good data for the shareholders, whereas the shareholders' role represented in showing their desire in practicing their responsibility as owners.

The report of Organization for Economic Cooperation and Development (OECD) issued in 1999, clarified within the item related to the responsibilities of board of directors the board of directors' necessary and effective follow-up of the executive administration and the board of directors' accountability before the shareholders. In addition, the New York stock market's criteria of 2003 (NYSE, 2003) related to the corporate governance- referred to the necessity of activating the shareholders' controlling role through the participation in the corporation's decision-making.

Therefore, it can be said that liability and accounting surveillance, which the corporate governance adopt, have two trends: First: vertical liability and surveillance starting from higher administrative

levels to lower ones. Second: horizontal liability and surveillance which are reciprocal among the board of directors, shareholders and other beneficiaries at the economic unit. The corporate governance depends, finally, on the cooperation between the public and private sectors for creating competitive-market system in a democratic society established on the basis of law. This could be achieved through the consideration of economic structures and structures of works that reinforce the private sector's competitiveness and encourage the attraction of foreign direct investment.

Corporate governance fundamentals: Implementing the corporate governance at the economic unit requires the availability of following fundamentals (Egyptian Banking Institute, 2006):

Availability of laws and regulations related to the discipline of the economic unit's administrative performance. Existence of main committees including an auditing committee affiliated to the board of directors in order to follow-up the economic unit's performance. Clarification of authorities and responsibilities in the economic unit's organizational structure. Effectiveness of the report-system and its ability to achieve transparency and provide information. Multiplicity of surveillance bodies over the economic unit's performance.

The criteria governing the corporate governance process

Because of the increasing concern of governance concept, several institutions have shown interest in studying, analyzing the concept and setting limited criteria for its implementation. Among these institutions are the Organization for Economic Cooperation and Development (OECD), Bank of International Settlements (BIS) represented by Basel Committee and the international financing institution affiliated to the World Bank. Indeed, whenever the governance's introduced definitions differ, the criteria governing the process of governance differ as well due to the different perspectives and viewpoints that set the criteria. For instance:

Criteria of the Organization for Economic Cooperation and Development (OECD) include the following principles (National Bank of Egypt, 2003; Shaker Fouad, 2005):

Shareholders rights: They include a group of rights ensuring secure ownership of shares, the shareholder right of ample disclosure of information, voting rights, participation in the decision of selling or modifying the corporation's assets including merger and the issue of new shares.

Equal treatment of shareholders: The Organization for Economic Cooperation and Development pays attention to the protection of minor shareholders' rights through establishing systems that prevent employees within the corporation including the managers and members of board of directors from benefiting from their distinguished positions. For example, the internal selling of shares was clearly prohibited and it became incumbent to members of board of directors to declare and disclose their financial interests in the shares' selling process.

Other beneficiaries' role in the corporate governance: The Organization for Economic Cooperation and Development acknowledges the existence of other beneficiaries rather than the shareholders such as banks, bonds holders and employees who are important beneficiaries to the corporation's methods of conducting work and making decisions.

Disclosure and transparency: the Organization for Economic Cooperation and Development has devised a number of texts for disclosure and report on the corporation's related fundamental facts. These facts contain the financial details and governance structures

including the board of directors and the bounces whose members obtain. The guidelines define as well the necessity of annual auditing by two independent auditors according to the highest criteria of quality.

Responsibilities of board of directors: The guidelines provide a great part of details related to the tasks of board of directors in protecting the corporation, its shareholders and other beneficiaries. They include other matters related to the corporation's strategy, risks, the performance of executive employees and their salaries, accounting systems and preparation of reports (OECD, 2004).

Criteria of Basel committee for world banking surveillance

In 1992, Basel committee devised guidelines related to the governance of financial and banking institutions. These guidelines focus on the following points (Shaker Fouad, 2005): The Corporation's values, conventions of ethics for good conduct and other good conduct criteria and systems whose use lead to the implementation of such criteria. The corporation's well-prepared strategy according to which its total success and the individuals' contribution to that success could be measured. Sound distribution of responsibilities and the decision-making positions including the hieratical series of members of board of directors for required approvals. Setting up an effective cooperation mechanism between the board of directors, the accounts auditor and the higher administration. The existence of strong inner disciplinary system including the inner and outer auditing tasks and a risk independent administration while observing the consistency of authorities to responsibilities. Special surveillance of the risk positions in the sites where conflict of interest is growing including the deal with bank's associated borrowers, great shareholders, the higher administration or the main-decision makers at the corporation. Financial and administrative incentives of the highest administration that soundly perform the work and the incentives of managers, employees as well whether they are in the form of compensations, promotions or other elements.

Criteria of the international financing institution

The international financing institution affiliated to the World Bank has determined in 2003 general and fundamental rules and criteria for supporting the corporate governance at different institutions whether they are financial and non-financial institutions. These rules and criteria include the following four levels (Shaker and Fouad, 2005): Acceptable practices of good governance- Additional steps for ensuring the new good governance- Main contributions for locally improving the good governance and Leadership.

The guidelines of the Organization for Economic Cooperation and Development (OCED) are somewhat general. Therefore, these guidelines could be comforted with the American and British systems and the systems applied in Europe in order to become more effective.

Legal framework and effective implementation

The studies indicate that states which implement Anglo-Saxon based legislations have strong practices of common civil law, they are immediately followed by states which implement Germany-Scandinavian. At last, the weakest governance practices exist in states which implement French-Latin civil law. In addition, states which implement institutional legal laws based on the public British unrecorded law give utmost priority to shareholders in most of its decisions. The raised question is can common criteria and measures of governance be adopted at the world level? The answer is: governance principles should be adapted and modified in consis-

tence with domestic needs as a measure cannot suit all countries. Below are some notices to insert clearer criteria: Countries should be required to establish independent share records. Frequently, the newly privatized corporation or the partially privatized corporation volatized their shares and simply fail in recording the shares purchased by the processes of foreign direct investment. There should be a clear stipulation of the transparency criteria, preparation of reports on asset-selling processes along with the executive mechanisms and procedures which investors could use in demanding compensations. There should balance between the search of beneficiaries' participation in the guidelines of OCED and handling the topics of conflict of interests and domestic trade in the corporation's shares. The matter requires devising criteria or guidelines for both directions. The implementation of internationally accepted accounting criteria should be openly required along with elevating the level of national criteria to a consistent level with the international criteria. The corporation's inner auditing tasks should be clarified along with open stipulation of joining the outer members of board of directors to the auditing committees.

Fundamental determinants of corporate governance

There is an agreement that the implementation or nor of good corporate governance depends on the extent of realizing the quality level of two determinants groups, namely the internal and external determinants (Iskander and Chamlou, 2002; Fawzy, 2003):

The external determinants: They refer to the general investment environment in the state, which includes for instance, laws that organize the economic activity (such as laws of money market, corporations, organizing competition, prevention of monopolized practices and bankruptcy). That environment refers as well to the financial sector's efficiency (banks and money markets) in providing the financing necessary for projects, the competitiveness ratio of commodities and production elements markets, efficiency of surveillance authorities and bodies (money market corporation and the stock market) in tightening surveillance over corporations and some self-organizing corporations that ensure the markets' efficiency (for example, the professional associations that devise the ethics code for the employees in the markets such as auditors, accountants, lawyers, corporations working at the stock markets and others). In addition, that environment includes the private-free profession institutions such as bureau of lawyers, auditing, credit rating and financial and investment consultation). The importance of external determinants is attributed to the fact that their existence ensures the implementation of laws and rules which ensure the corporation's well-management that lessens the contrast between the social return and private return.

The internal determinants: They refer to the rules and laws determining the ways of decision-making, the authority distribution within the corporation between the general assembly, board of directors and executive managers. The existence of such determinants on the one hand and their implementation on the other hand lead to lessening the contrast between the three parties' interests.

Part three: Institutional framework of effective corporate governance

The systems of corporate governance rely on a group of legislations (laws, regulations, contracts and rules) which enable the self-governing establishments to work as the main component of the competitive market economy. These legislations help ensure the implementation of internal corporations' governance, the administration's liability before the corporations owners (shareholders) and other beneficiaries. The public and private sectors should work to-

gether to devise a group of binding rules for all. They should also devise self-governance methods for the corporations. Below is a description for a group of institutions and legislations whose existence provides a tangible effect for internal governance constraints. Clearly, each state needs to evaluate its weakness aspects and take suitable remedial procedures (Report of Arab Humanity Development, 2005):

Equity rights: One of the most important main legislations and the most important for establishing democratic economy based on the market basis, to set procedures for corporations' governance is the equity rights system which leads to private ownership rights. Among the main matters that establish the equity rights laws and their regulations are simple and clear criteria that accurately determine who owns what and how to assemble or exchange such rights.

Contracts law: In the absence of legislations and regulations which ensure the soundness and verification of contracts, there would be a very few number of commercial processes that could be conducted. One of the main advantages is that these legislations protect suppliers, debtors, business owners, workers and others.

Well-organized banking sectors: The existence of a healthy and sound banking system is one of the main absolute pillars for the sound business of the stock market and the corporations sector. The banking sector provides necessary capital and liquidity for the corporations' processes and their growth. The existence of good governance in the banking sector is particularly important in the developing countries. In this regard, the banks provide the large portion of the financing. In addition, the financial markets liberalization has led to expose the banks to a greater amount of volatility and to further new credit risks. The East Asia and Russia Crises have proved that the banking systems' weak governance and huge capital outflow can seriously destroy the national economies. Therefore, the existence of a framework that sustains and reinforces the availability of flexible banking system is considered crucial and of great importance.

The existence of sound stock market: The efficient stock market is distinguished of punishing quick speculators by giving price signals and allowing investors to quickly liquefy their investments with less cost. This move affects the corporation's share prices and the corporation's ability to attract capital.

The efficient stock market requires: Existence of laws based on transparency and justice that govern how corporations can issue and circulate shares and bonds. These laws stipulate the responsibilities and obligations of the bonds issuers and market mediators (brokers, accounting establishment and investment consultants). The existence of laws and regulation is particularly important to govern the activities pension funds which allow the establishment of unlimited and open investment funds.

Existence of entry requirement in the stock markets based on the criteria of the open disclosure and transparency bases with the existence of independent shares records. Existence of laws that protect the minor shareholders' rights. Existence of a government corporation such as stocks committee comprises independent qualified and influential organizers that help organize the corporations' stocks processes and implement the stocks laws.

Competitive markets: Their existence is considered as one of the important components of external surveillance over corporations, which force corporations achieve the efficiency and productivity in fear of losing or reducing its mark allocation. The lack of competitive market existence leads to the deterioration of business organization and reinforcement of administration and corruption's strength and the reduction of productivity.

Transparent and just privatization procedures: The privatization way of establishments does not affect only the ownership structure but reflects the culture of states where corporations are located. Hence, the existence of clear featured, accurate and transparent laws and procedures stipulating the method and timing of privatizing the corporations is considered as a main matter. The ill-formed privatization can possibly lead to the destruction of economy and negatively affect the business surrounding and environment.

Clear and transparent tax systems: The tax systems should be reformed in such a way that clarity, simplicity and accuracy become some of their characteristics. The laws and regulations should require an adequate amount of financial information's disclosure and should be effectively and permanently implemented in certain times.

Existence of independent judiciary system that performs well: It is considered as one of the most important institutions in the democratic economy which is based on the market basis. The establishment of the corporate governance's institutional framework requires reforming several existed laws and regulations and replacing them with new ones. The public should have ample opportunities to participate in creating this framework in order to create a better environment for the new framework.

Reform of government bodies and administrations: It is necessary to reform the government bodies and administrations which have become over bureaucratic and inefficient. This could be done by coordinating the work procedures within such bodies, regularly evaluate their performance according to totally clear and defined criteria.

Strengthening and sustaining the administrative power and the executive capacity of the governmental bodies: Providing the mechanic and technical resources necessary for quick and effective implementation of laws and providing modern technology based vocational training programs for civil employees, paying attractive salaries to attract efficient and qualified civil individuals and prevent bribery taking.

Sustaining and strengthening reputation-building agents: They are individuals or groups work to fill in the gap of internal and external information. They conduct their task by attempting to collect and provide all information to the outers about the inners performance and the establishments. Examples of reputation-building agents are (mass media, lawyers, auditing and accounting experts, consuming activists, credit rating bodies, active shareholders and investors, etc.).

Fairness based active society of businesses: The member of private sector such as labor unions and chambers of commerce cannot only play an important role but actually perform that role in many countries in encouraging corporate governance by devising domestic constitutions for conducts and ethical practices of businesses based on justice, clarity, transparency and accountability.

Adopting sound relationship with the beneficiaries for the establishment's interest: Some believe (Afifi, 2003) that the target of achieving profits contrasts with caring for the beneficiaries affairs (beneficiaries comprise employees, debtors, suppliers, clients, environment experts and members of society in general). Studies have shown (International Transparency Organization, 2005) the most successful corporations in the world are the ones that adopt clear business, liability and transparency along with accountability towards shareholders and beneficiaries. This helps improve the corporation's reputation, attract investors and give a competitive advantage to the corporation. Establishments depend on the beneficiaries in provi-

ding a series of main inputs such as commodities and services in the shape of labors and various supplies according to expected bases. The suspension of supplying such commodities and services can harm the corporation's capability of working, competition and continuity. Hence, it is necessary to preserve the productive relationships with the beneficiaries in order to achieve better long term interest for the corporation.

The observation of Global Sullivan Principles that provide valuable recommendations for business and aim to reinforce the establishment of more transparent, liable, equal and accountable environment (www.cipe.org).

International endeavors for sustaining and activating corporate governance

The advanced industrial communities have realized that investment attraction and international competition requires the necessity of reforming and reshaping governance. Therefore, the United Kingdom Cadbury Committee, the Franc-based Vieno Committee, the Organization for Economic Cooperation and Development (OECD) and the South Africa based King Committee for corporate governance have all issued recently new guidelines for corporate governance (Hesil, 2001).

The corporate governance's improvement efforts have started by laying out international criteria since 15 years and recently acquired lots of improvements. The World Trade Organization (WTO) and its member states have led that trend. Such efforts include laying out the criteria which help corporations grow and expand over the boundaries through convincing the investors and debtors that they can confidently invest in those countries or in the region. The accounting authorities and national accountants unions have laid out a group of international accounting criteria for achieving that target.

In addition, the World Bank and most regional banks of development, various corporations, national development authorities and OECD principles have recently launched or expanded corporate governance programs during the last years. Similarly, the business-relevant institutions such as centre for private enterprises (CIPE) affiliated to the US chambers of commerce- has placed corporate governance on the top of its concerns. The Think Tank Centers, labors unions and syndicates all over the developing world and transitional economies have focused their resources on corporate governance (Hesil, 2001).

Role of statistics and information in prudent governance

There are two necessary elements for the activation of prudent governance (The Committee for the Coordination of Statistical Activities, 2005). The first element represents the necessity of providing new statistics and information produced by a national efficient and effective system of statistics and information as the statistical system quality and its information and statistics output are considered a fundamental part of good prudent governance. The second element represents the information accessibility right and the public's right to get acquainted to such information. The activation of governance and guarantee of its well implementation require comprehensive and accessible information and statistics available to all members of the society, as the accessibility and free circulation of information are two of the main governance's pillars.

Countries and the international organization have paid attention to statistics quality and sound performance of statistical systems as several international initiatives to improve data quality have appeared. The most important of these organizations are the World Bank system for publishing data GDDS and quality data record site QDRS. The United Nations has laid out, through its various statisti-

cal committees, a group of principles associated with national statistics systems, their performed activities and offered services. These principles aim to assert the importance of official statistics existence characterized by quality, comprehensiveness and high confidence. They also emphasize the ethical and professional practices (codes) of different corporations that deal with statistics and information.

As to information accessibility and free acquisition to the public, the information accessibility is one of the most important requirements for prudent governance. It is necessary for the public to get acquainted to the government's information in order to develop and maintain the civil society and democracy. Information facilitates knowledge and dialogue among all walks of society and the opening and transparency of decision-making process help preserve the public's confidence in the government's activities.

The international conventions and charts, particularly the UN Human Rights Declaration's article no. (19) and the international convention of civil and political rights of the public to have accessibility to information and get acquainted to them. The UN general assembly in its first session in 1946 stated "the freedom of getting information is a main right of the human rights and considered as a test to rest of liberties devoted by the United Nations (The United Nations, Statistical Organization Directory, 2004).

The international community has stated as well the importance of information accessibility for other reasons. The UN Anti-Corruption Treaty, endorsed in 2003, calls for the governments to allow the public to access information as a means of fighting against corruption.

It is notable that the public's practice of his right to access information sustains the reciprocal relationship between the state and the public. This relationship is based on rights and duties, determination of the state's responsibility and the public administration towards the public. The public's rights have a great importance in getting the official institutions' information, which help the public employee performs his work in a transparent atmosphere and hence reveal the spots of defect and deviation.

Is corporate governance restricted only on the public sector?

Among the most important challenges that face the developing, emerging and transitional economies is to the public establishments can adopt corporate governance. The public sector's corporations in certain developing countries have the greatest share of contribution in the gross national product, employment, income and the use of capital, in a manner which exceeds the contribution of the private sector' corporations. The public sector's establishments often constitute the public policies of these countries. Therefore, the adoption of corporate governance within the public sector is considered as a main matter for economic development, growth and reform. This rule is also applied to countries that are intended to adopt privatization, or in the way of adopting it. The public corporations have to transfer into venture corporations before conducting privatization and the transformation process may require long time and after their transformation into venture corporations, there will be a long time before the new corporations can benefit from the activities of their owners and the labors' skills. Thus, the administration of the corporation's resources can be conducted clearly and effectively and, hence, the corporation's productivity and its value will be increased. Several international organizations finance the corporate governance's initiatives that aim to follow-up the advance countries modes of corporate governance. Such attempts often fail in improving the corporate governance because such models are not formulated in accordance with the domestic facts and challenges. Therefore, it is necessary for each country to adapt the international model to its domestic circumstances. The center for international private enterprises (CIPE) follows a different approach in encouraging the corporate governance in the developing, emerging and transitional economies. It has organized several con-

ferences and symposiums on the corporate governance in different regions of the world (Hesil, 2001).

Part four: Status quo of the corporate governance in Egypt

Status Quo of the corporate governance in Egypt

Egypt has started to pay attention to the corporate governance in 2001 with the initiatives of the Ministry of Economy and Foreign Trade (Currently, the Ministry of Trade and Industry). The ministry has founded that the completion of Egypt's economic reform program started in the early 1990s requires organizational and controlling framework that governs the private sector's activity under the free market. Hence, Egypt's adherence to the international rules and criteria of corporate governance have been studied and evaluated by different reports as they pay attention to the implementation of the corporate governance criteria in the Egyptian economic environment (Fawzy, 2003). Despite the contents of these reports that Egypt has adopted serious steps in implementing the corporate governance, through the existence of concept and principles of governance in a number of ruling laws and their executive regulations and amendments such as the law no. 159 for 1981 of venture corporations, shares recommended corporations and limited-responsibility corporations; the law no. 203 for 1991 of public entrepreneurs sector; the law no. 95 for 1992 of capital market; the law no. 8 for 1997 of investment's incentives and guarantees, the law no. 93 for 2000 of central deposit and entry and the issue of several auditing and accounting criteria and others (The National Bank of Egypt, 2003). The evaluation results of some reports have shown the following:

The regulatory rules of the corporations' administration applied in Egypt are consistent with the international principles in the context of 39 principles out of 48 principles. The laws governing the corporations and stock market stipulate the same principles and they are fully implemented with indicating criteria of good performance. Some of the principles included in the current regulatory laws are not practically implemented in the Egyptian market due to the weakness of the shareholders and the corporation administration's awareness of these criteria. Therefore, these criteria are not practically consistent with the international principles in the context of 7 principles out of 48 total principles. These are the two principles which are not absolutely applied in Egypt.

The reports' included criteria of the corporate governance in Egypt point out the existence of several positive practices. On the other hand, there are a number of items that requires development in order to avoid some negative practices. As to the positive practices in Egypt, the law ensures the shareholders' main rights such as the participation in profits distribution, voting right at the general assemblies and acquaintance of the corporations' private information. The Egyptian law protects the beneficiaries' rights such as the bondholders, lenders and labors. The Egyptian auditing and accounting criteria are consistent with international criteria. As to negative practices, they are associated with the disclosure of equity ownership, open, hidden or entwined ownership structures, the board of directors' allowances and the disclosure of financial and non-financial information (such as the potential risk factors). In addition, the sound accounting and auditing practices should be sustained. The practices of the corporations' boards of directors should be developed and the practices of the shareholders for their ensured rights should be sustained. Egypt is considered as the first state in the Middle East region that pays attention to the implementation of corporate governance's principles. Its implementation leads to transparency and helps attract new domestic or foreign investments and leads to the decline of corruption.

Furthermore, governance concept does not distinguish between the corporations of private and public sectors. This can lead to the

contradiction between the concept and privatization process in Egypt. The raised question is: in the case of public sector corporations' success in implementing governance rules and achieving economic efficiency criteria, so why does the privation trend of such corporations exist currently and in the future? The answer is: these corporations of the public entrepreneur sector may achieve short-term efficiency and will not be able to resist for a long term because of the negative practices of some political and administrative leaderships. Such practices encourage the corporations to deviate from the right path. Therefore, they can more easily leave the market in the process of selling than implementing governance. This trend depends on the general atmosphere in the state.

Hence, the most important obstacles before governance implementation are as follows: the existence of some legal hiatus in the current laws requires the completion of some laws in Egypt such as money market law, the regulatory law of auditing and accounting profession, the common law of corporations and the bankruptcy law.

It is notable that the beginning of talking about corporate governance in Egypt was not at the corporate level but at the civil society level. It was a talking on how the state can prudently manage the economic activity in light of the events and developments. In addition, it was on the necessity of completing the legal framework that ensures the sound implementation of governance such as issuing the amended money market law, the corporations' common law, the laws of practicing the professions of auditing and accounting and the bankruptcy law.

Finally, the governance's role is not only restricted to laying out the rules and controlling its enforcement or implementation, but it also includes providing the necessary environment for sustaining the governance's credibility. Such role can only be achieved through the cooperation among the government, controlling authority, the private sector and other doers including the public. The World Bank's report entitled "Good governance for development in the Middle East and North Africa" (World Bank Report, 2002) points out the development in the Middle East and North Africa at the socioeconomic and human levels is hindered by the weakness of public governance administration in which it lagged behind the rest of the world. The report explains the roots of weak growth in the Middle East and North Africa dwells in the gap of governance's administration. The ill-governance, in its turn, curbs the existence of sound business atmosphere that attracts investment and production besides the declined level of the types of public services and commodities. Generally, the Middle East and North African countries represent a limited pattern of transparency. They have the least of scientific data on issues related to the systems of governance's administration and none of these countries ensure its public the accessibility of government's information.

The World Bank and the international monetary fund have devised a common program entitled "reports on respecting standards and laws." It aims to evaluate the corporate governance in light of the Organization for Economic Cooperation and Development. The program has selected Egypt and Turkey as models.

As to Egypt, it is found that the corporations' main regulation system neither handles the rights of capital structure nor requires auditors to submit reports on the existed or predictable market risk factors. In addition, the authority decision is still shared between the board of directors and the shareholders and here is no basis for the concept of independent director or non-executive director.

The World Bank researchers (Daniel, Aart and Massimo, 2006) have devised assembly's indicators expressing governance that include a large base of data and depending on 352 variables to measure the good governance's various dichotomies collected from 37 different sources of different organizations. These sources comprise data related the surveys of individuals and corporations in addition to the evaluation of the institutions of commercial risks evaluation and non-governmental organizations covering 216 countries during the 1996 - 2005 period. The World Bank has relied in

formulating its good governance indicators on the comprehensive definition of good governance as it is a group of traditions and institutions that the authority is practiced through which in a country. This definition contains the following elements: the process of selecting the government, the government's effective ability of formulating and implementing several policies, the mutual respect of individuals and the state to the institutions governing the socioeconomic interactions (World Bank, 2004). The good governance's indicators consist of the following dichotomies (Christopher, 2005):

Voice and accountability: These indicators measure the political and civil rights besides the human rights.

Political stability: These indicators measure the possibilities of political change and the threat of violence including terrorism. Government effectiveness: these indicators measure the spread of bureaucracy and the types of offered services.

Regulatory quality: These indicators measure the effects of non-market policies on the good governance's framework.

Rule of law: these indicators measure the commitment and strength of law enforcement and the role of courts.

Control of corruption: These indicators measure the misuse of power to get personal gains and benefits including the different aspects of government's corruption.

The main indicators value rang between (-2.5 and +2.5). The highest values represent improvement in the state performance according to the indicator. The main indicators are more capable of expressing the good governance directions in the state than the collected variables from individual sources. The approaches followed in forming the main indicators provide the ability of governing the accuracy and inaccuracy of calculated estimates for each state.

Table 1 shows Egypt's rank according to the good governance indicators of 2005 as it occupies the 95 rank according to the rule of law indicator out of 208 state. It is considered as the best indicator of good governance in Egypt, on the contrary to the voice and accountability indicator in which Egypt occupies the 170 rank out of 208 states during the same year.

Table 2 shows the values development of the good governance in Egypt during the 1996-2005 periods, as Egypt's performance declines according to many indicators of good governance during 2005 as compared to the previous years.

Egypt occupies the 116 rank out of 204 states according to the control of corruption indicator, while it occupies the 120 rank out of 210 states according to the government effectiveness rank. It also occupies the 133 rank out of 203 states according to the regulatory quality indicator and the 168 rank out of 213 states according to the political stability indicator. Therefore, the Egypt's performance is not satisfactory to a great extent according to the good governance indicators.

Evaluation of statistics and information system in relation to the prudent governance in Egypt

Evaluating Egypt's statistical image on the world map necessitates the handling of its adherence to the UN fundamental statistical principles and Data Quality Adherence Framework (DQAF), then evaluates its adherence to the criterion rules related to publishing the data (SDDS). The UN affiliated statistical committee has laid out ten fundamental principles for official statistics. Through the questionnaire carried out by the UN socioeconomic council and its affiliated committee at the world state level (The United Nations, Statistical

Committee, 2004) it is evident that confidentiality (principle 6) and legislations (principle 7) are the best applied principles, whereas the misuse (principle 4) and the national coordination (principle 8) are the least applied principles.

As to Egypt and based on reviewing the UN affiliated economic committee's website, there is information on two principles only out of the ten principles: principle 1 and principle 8. This implicitly means that Egypt does not fulfill the other eight principles.

As to the data quality adherence framework which contains six dichotomies for data quality's main requirements for quality, objectivity guarantees, methods soundness, accuracy and documentation and accessibility, it is evident through thorough examination of the detailed criteria included in this framework that Egypt does not fulfill a large number of them. Therefore, great efforts should be done to develop the statistical work in Egypt and ensure its quality.

Egypt has joined the system related to data publishing on 31st January, 2005. It is considered the state no. 59 out of 64 states that joined this system. Many ministries and authorities share the responsibility of data publishing according to the defined timing, namely ministry of economic development, ministry of finance, the central system for public mobilization and statistics and the central bank. Each ministry covers certain fields of statistics and information (Edward, 2003).

The functions refer to Egypt's adherence to the criterion related to publishing data in all statistics and information which it publishes except for the data related to wages and salaries and the central government processes. As to the publication's timing, there is an exceeded-limit delay in a number of statistics such as: data of employment and unemployment rate, the central government processes and analytical accounts of the banking sector. Despite of Egypt's fulfillment of the criterion rules for publishing data, the regular comparison of Egypt's issue of such data with a number of advanced and developing world countries, there is a necessity of developing the regular issue of a number of statistics particularly the data related to employment, unemployment, wages and salaries, the central government processes, the debts of central government, the balance of payment and population.

Governance of the Egyptian banking system

It means performance control on the part of board of directors, higher bank administration, protection of shareholders and depositors rights in addition to the concern of their relationships with the outer doers which are determined through regulatory framework and the authorities of corporation's control. The banking sector governance is applicable to public, private and common banks. The fundamental elements of governance process are represented in two groups (Azab, 2007).

The first group represents the inner doers, namely shareholders, board of directors, executive administration, controllers, and internal auditors. While the second group represents the outer doers, namely the depositors, deposits insurance fund, mass media, credit evaluation and rating corporations and the controlling, regulatory and legal framework.

Governance focuses mentioned earlier on main elements that should be available tightly complete the effective surveillance over banks performance. These elements are transparency, information availability, implementation of international accounting criteria and development of human capabilities level through training.

The success of banking sector governance is not only linked to laying out controlling rules, but also to the importance of its sound implementation which depends on the central bank and its surveillance on the one hand and the bank concerned and its administration on the other hand. The bank administration should be convinced of the importance of such rules and constrains in order to facilitate their implementation. This reveals the roles of board of directors with its executive and non-executive sections, the follow-

Table 1. Egypt's rank according to good governance indicators in 2005.

Indicator	Total no. of states	Egypt' rank	State occupied first rank	State occupied last rank
Voice and accountability	208	170 (-1.15)	Denmark (1.51)	Myanmar (-2.16)
Political stability	213	168 (-0.90)	Iceland (1.58)	Iraq (-2.82)
Government effectiveness	210	120 (-0.35)	Iceland (2.20)	Somalia (-2.21)
Regulatory quality	203	133 (-0.47)	Hong Kong (1.89)	Somalia(-2.35)
Rule of law	208	95 (-0.02)	Iceland (2.10)	Somalia(-2.36)
Anti-corruption	204	116 (-0.42)	Iceland (2.49)	Equatorial Guinea (-1.49)

Source: Good governance indicators 1996-2004, study about good governance, World Bank 2005.

Table 2. Development of Egypt's evaluation according to good governance's indicators in 1996 - 2004 periods.

Indicator	1996	1998	2000	2002	2003	2004	2005
Voice and accountability	-0.8	-0.89	-0.91	-0.88	-1.11	-1.02	-1.15
Political stability	-0.64	-0.33	-0.17	-0.64	-0.72	-0.87	-0.9
Government effectiveness	-0.3	-0.09	0.263	-0.33	-0.26	-0.23	-0.35
Regulatory quality	-0.05	0.119	-0.08	-0.5	-0.5	-0.46	-0.47
Rule of law	0.19	0.011	0.103	0.014	0.015	-0.02	0.023

ing-up committees that provide the necessary data on the bank performance for the board, examination committee within the banking sector that submit its reports to the board of directors and the shareholders who should perform their controlling role on the bank performance besides providing the capitals whenever the banks are in need for them.

Generally, governance sound practice leads to the support and soundness of the banking system through the Basel Committee's criteria. Basel Committee is a controlling committee on the banks which organizes and controls the banking industry. The most important criteria are as follows (BIS, 2006):

Declaration of the banking system and the banks' strategic goals and determination of the administration's duties. Assertion of the effectiveness of members of boards of directors and their full understanding of the governance concept and the non-existence of intended errors on the part of the highest administration. Effectiveness guarantee of the controllers' role and the understanding of their controlling role's importance. Necessity of providing transparency and disclosure in all actions and activities of the bank and its administration.

The emphasis on the practices of sound governance at the banking sector should go through two ways: the first stage led by the central banks as they are in charge of regulating and controlling the banking system. Whereas the second way is represented in the items per se as the absence of governance means anarchy and decline.

In addition, the auditing and scrutiny procedures conducted by the banks and the bank's adherence to the inner and outer scrutiny procedures and the role of the central bank in scrutinizing their actions, the troubles, which banks have suffered from, have shown the need for the evaluating and strengthening the auditing process.

The banks' concern of the corporate governance's issues and providing its sound practices during the decision-making process by granting credit to customers are the main approaches encouraging corporations to implement and adopt the governance concepts. The provision of governance's sound practices is an effective factor in two ways: the first way represents governance as one of the credit-decision pillars. This leads the borrowers to adopt governance's

sound practices to facilitate getting the credit. The trend contains the interest rates granted to customers should be flexible towards the customers' adherence to governance sound practices. The customers will, then, get convinced of the governance benefits and roles in facilitating the process of getting low-interest rates credit.

In spite of the banks' concern of the governance issues during the decision-making of granted credit, this concern cannot be considered yet as one of the main pillars of granting credit. This is attributed to several considerations. The most important ones are the banks, themselves, lack of governance and their boards of directors and highest administrations do not have full awareness of the governance importance. In addition, the local culture still considers the governance issues as less important issues because of the spread of family ownership. Furthermore, the competition among the banks themselves leads to abandon the governance's principles in order to maintain their market shares and achieve profits.

The review of the banks' credit policies reveals the need for including a specific action in these policies which pays attention to the corporate governance within the bank's vision and objectives. The bank's definition should also include the concept of best customers who are granted prime lending rate. These are the customers who have sound practices of the corporate governance's principles.

Even though, the customers rating process is practically concerned with the governance's issues, its further activation is considered as one of the instruments through which banks can reinforce the corporate governance's principles. Such principles can at last reduce risks and ensure the avoidance of sudden changes occurrence.

The inclusion and strengthening of the corporate governance culture within the dominant culture managers and those in charge of credit is inevitable to reinforce and sustain that trend whenever the small and medium enterprises are considered. Such enterprises should adopt different principles and policies of corporate governance from those adopted by the bigger corporations. It is notable that the central bank of Egypt has adopted a number of procedures in light of the fundamental rules endorsed by the Basel Committee. The legal, controlling and regulatory framework of the central bank of Egypt devises cautious controlling rules over the bank's busi-

ness. These rules include determination of the size and field of each bank's activity; proportions of reserves and liquidity and controlling the implementation of capital sufficiency criteria. The central bank of Egypt has decided to increase this proportion from a percent to 10% and asked the banks to adhere to these proportions (Freeland, 2007).

In this context, the central bank of Egypt has paid attention to the assets rating technique and allocation determination appropriate for each group, since the banking safety can only be realized whenever the rating is soundly performed. It has also paid attention to the criteria of one-customer or one-currency loan concentration, in order to protect the bank against the fluctuations that might occur to any of these groups. It has paid attention as well to lending to associated parties or relevant parties; a matter which can cause crises for the banking system. In this regard, the central bank of Egypt made a decision in November 2002 which entails the necessity of strongly cautious handling of this type of lending. The governance success in the banking system requires the existence of punishment whenever an error occurs and the existence of error-correction mechanism.

Governance of family-owned corporations and their transformation into public venture corporations: Family-owned corporations are owned and managed by a family that gained its reputation from the corporation or vice versa. They are restricted to small and medium enterprises and have multi-legal forms such as (limited responsibility company, consolidation, simple trust, shares trust, and private or closed venture corporation). On the other hand, public venture corporations offer some of their share for public subscription, whereas the closed venture corporations do not offer their shares for public subscription because of the founders' full subscription of all shares. The Egyptian law no. 159 of 1981 allows the establishment of venture corporations through two means:

First: the offer of not less than 30% of shares for public subscription.

Second: it includes private subscription or closed corporation in which the founders have the full subscription of shares. For example, some corporations in Egypt have managed to remarkably change their financial structure and legal form within five years as their capital volume reached L.E 30 billion from its starting capital estimated L.E. 6 million in 1995. Their legal form changed from a simple trusty into a venture corporation.

The features of family-owned corporations: Internationally the family-owned corporations represent 85% of the registered corporations, contribute to 75% of the world gross product and employ 60 percent of the world labors. They can hardly get extinct or suspended because of their easiness and simplicity of their establishment; they exist as long as the founders or inheritors exist (Cadbury and Adrian, 2000).

The most important external challenges that face family-owned corporations are globalization, merge, multi-national corporations, World Trade Organization or GATT, technology revolution.

The most important internal challenges that face family-owned corporations: The problems of presidency transfer after the founder's demise, the conflict over authority and administration, the change of ownership pattern and the generation succession problem. The number of corporations transferred to the second generation does not exceed 30% while their average duration does not exceed 25 years, weak strategic planning of these corporations and Ownership can be hardly separated from these corporations. These challenges size differ from a country to another according to the dominant economic system, the private sector's role and so on. The raised question is: could these corporations resist in facing such challenges?

International and domestic different initiatives for developing the current circumstances of the family-owned corporations: International regional organizations have adopted these corporations' developing initiatives to face the above-mentioned challenges. These organizations are international financing institution, center for international private enterprises, academy of family-owned corporations based in Jeddah, Arab organization for administration development, some unions of chambers of commerce, associations of family-owned corporations in certain countries. The development mechanisms are the restructure of family-owned corporations, strategic alliances, merger of domestic corporations and transformation into public venture corporations. The raised question is: Do family-owned corporations accept these trends? Indeed, the adherence of family-owned corporations to the realized gains, social reputation and weak trust of public venture corporations may constitute a stumbling stone before their transformation process into public venture corporations. This is attributed to the fact that the family may lose its social position, the fear of others' dominance over the administration and the family's isolation from the realized achievements over long years. In such a case, the family-owned corporations prefer the gradual transformation process into the public venture corporation.

Part five: International experiences in the field of corporate governance activation

Many of the advanced states have adopted important procedures in their attempts to sustain the corporate governance activation. Below is a review of some experiences

First: the United States experience: The New York stock exchange has suggested entry rules which force the corporations to assign independent directors to attend the board of directors' meeting. The National Association for Corporate directors (NACD) has created a risk following-up committee to support the independent directors and regular auditing of potential risks. The US Department of justice moves decisively to handle the corporations' criminal conduct using the tools of Sarpien-Oksely of 2002. These tools entail the adoption of strict procedures against the corporations' officials and other specialized employees who issue their authority to enrich themselves in the expense of other beneficiaries (Andrei and Robert, 2003). The claims, filed against some corporations because of fraud and misconduct, have proved that the criminal activities have penetrated into the highest levels at several major venture corporations. Thus, the interests of investors, pensioners who deposited their financial future in the hands of those officials were hurt whenever they trusted the promises and fairness of those corporations growth. The revelation of the culture of corruption and deception in a number of very prominent corporations has threatened people's trust in the corporations, financial markets and economy. It doubles as well the need for anew emphasis on the effective corporate governance. To handle the violations which recent fraud scandals of corporations have revealed- such as Enron, WorldCom, Health South and Odeliphia, an anti-fraud team was created in all corporations in July, 2002. The team is in charge of the investigation and imposing regulatory laws in order to achieve the maximum cooperation. Legislatively, the congress has ratified the Sarpienz-Oksely bill in July, 2002. The bill represents the most comprehensive reform for the practices of US business corporations over the last 60 years. It grants the attorney general and the supervisors of regulatory laws the right to implement a new means to reform corporate governance, improve the corporations' liability and transparency and protect the corporations' employees and shareholders. The bill commits the corporations' highest officials to certify that their financial statements are true and accurately reflect their financial position and the results of their operations. They must also certify that the corporations' infor-

mation accessible to investors are true not false and accurate. (Andrei and Robert, 2003)

Second: Japan experience: Tokyo stock exchange has announced that it will devise a directory for the corporate governance good applications, in order to guide the Japanese institutions. This move comes in line with the preparation of local Japanese criteria which comfort with the commercial law of Japan (Daniel, Aart and Massimo, 2006).

Third: the European commission: The European commission has delegated teamwork in Brussels to develop and unify the legislative framework of the corporations' law in order to support disclosure and protect investors.

Fourth: Latin America: Seven countries in San Paolo have activated their participation in the association for corporate governance institutions in Latin America.

Fifth: Brazil experience: Brazil's latest reforms present a useful image of the possibility of forming the investors' trust through the corporations' fairness as one of the main fundamentals the growth of capitalist market. The reform program has been implemented in Brazil's stock market since October, 2000 after years of stagnation. In less than a year, the second stock market was launched and called Novo Mercado (the new market). It imposes strict criteria for corporate governance as a pre-requisite to approve the corporations' inclusion. Thus, it has been successful in attracting investments. The corporate governance procedures, which the Novo Mercado created and implemented, have reinforced the investors' trust in the fairness of corporate institutions and in those in charge of overseeing their investments. It has proved the importance of transparency, opening and the existence of good corporate governance for investors. This lesson is not restricted to countries which have a stock market but can be applied to any corporation or country endeavors to get new capitals for growth from continuously developed world stock markets. It also endorses the other capital suppliers such as banks which can improve its domestic economies through improving its own governance. Thus, they can attract deposits; improve the borrowers' governance through granting loans to the borrowers who prove the good governance or administration (Freeland, 2007).

The developing countries can take into considerations corporate governance applied in other parts of the world for guidance whenever they formulate or make local laws and rules of corporate governance. Such rules and laws are able, in the world financial market, to reinforce the investors' trust in the forms of local corporations. This will lead finally to the economic growth and flourishing.

Sixth: The Korean experience: During the 1997 - 1998 Asian Financial crisis, the financial system that linked the economic political elements in Korea- had declined because of internal factors resulted from the corporations' contradicted structure in Korea. Since the Korean government has created, out of national security and fast industrialization, a group of public policies and institutions. As such a class of investors and businessmen has appeared at the international level. This class is known as Chepol which comprises a group of family-owned and managed corporations that monopolized a certain product or certain industries. In return of receiving financial governmental aids, Chepol helped the government by providing job opportunities and performing some social functions in a society that was deprived of social securities (Center for international private enterprises, 2002).

In the mid of the interdependence relationship, the government dominated the financial sector in the 1960s and the 1970s when it entirely owned and managed the banking sector. The Chepol fully relied, then, on the banks for getting the capital at low-cost interest rates. In the 1970s, the banks granted loans at a negative level of

actual rates (when the inflation rate was 12%, the loan-interest rates reached 6 percent only) for the corporations consistent with the industrial strategy dictated by the Korean government. In return of the low-rates the government demanded Chepol to follow its strategies for industrial development based on manufacture and exports promotion. As such the government introduced a structural incentive for the corporations to rely on banks that provide the necessary financing. As a result, a corporations sector that underwent a heavy and huge indebtedness's burden was created. During the last three decades the Chepol's debt burden ranged between 300 - 400% of the debt origin. As the corporations' success was attributed to the huge-governmental support, they feared the possibilities of canceling such aids or at least hardening the credit-granting processes. Therefore, these corporations attempted to maintain their good relationships with the Korean government. In addition, there was an incentive for these corporations to practice working in the government-encouraged sectors which have special credit privileges. Out of these policies, the government was able to change the investment map and direct productive activity to the economic sectors which it desirably encouraged.

The unusual variation was realized through the establishment of new sub-corporations. In addition, the giant varied Chepol structure- accompanied with credit-granting accessibility through its outstanding-relationship with the government- was necessary for Korea's success in getting a large share of the world market. This is attributed to the government's ability of covering the losses of any sub-corporation by the profits achieved by the other sub-corporations.

The 1997 financial crisis proved that Chepol did not achieve financial gains as its activities were based- except rarely- on the market powers represented in supply, demand and prices. In addition, Chepol often attempts to get an over-market share even though the strategy leads to financial losses or being at the edge of bankruptcy.

In the late 1997 he sharp increase of interest rates (a defensible policy of the realized gains) pushed Chepol to the edge of abyss. According to some analysts' views the increase of interest rates accompanied with currency fluctuation was the reason behind the lack of liquidity of 49% of the Korean corporations and the bankruptcy of 40% of them. Five of the Chepol big corporations (whose workforce was 100 thousand labors and accumulated assets estimated \$ 26.7 trillion were unable to pay their debts and quickly reached the case of bankruptcy. More than 30 Chepol big corporations (whose workforce was 250 thousand labors and its indebtedness estimated \$ 130 billion) faced the possibility of bankruptcy.

The financial crisis led to economic reform including the corporations' restructure. The reform program had tangible effectiveness because of three factors:

The first Factor: The financial crisis volume had led the international financial institutions to participate in the reform process.

The second Factor: The new political leadership was adherent to the reform process. It strictly dealt with the existing relationships among the government, banks and Chepol. It was adherent as well to the rule of law to which the Korean government and corporations subject.

The third Factor: The government continued reliance on the industrial policy to achieve a free economic system.

The 1997 - 1998 crises had urged the Korean government to attempt solving the accumulated loans problem. The crisis and its subsequent rescuing attempts for the institutions from the financial predicament urged the international financial institutions such as the World Bank and the international monetary fund to play their

role in the reform process.

The Kim Dim Gong government adopted several procedures to impose the reform process of corporations' reform process. The Korean President asked the giant Chepol groups to barter the giant sub-corporations and merge together in the shape of giant entities in the fields which they have a great competitiveness. This led to curb interference or entwine of the investments and curb the waste of productivity surplus over the periods of time.

Implementing the reform procedures, the Korean government had created a financial control committee. It is considered as an independent body which directly files its reports to the Korean Prime Minister and has the task of restructuring the sector of corporations and financial institutions. The committee adopted the phase- execution method and tried its experimental method on the biggest 64 - 6 Chepol. The corporations voluntarily participated in the phase of experimental process. The experimental process contained several processes of transforming debts into shares, extend the debt settlement periods and deferred the settlement of the loans' origin and interests. They also reduced the interest rates, revoked debts, expand the grant of further credits, cancelled the mortgage guarantees, the selling of sub-corporations and the issue of new shares. If the experimental process on the Chepol groups were successful, similar procedures would be implemented on the five largest Chepol groups.

RESULTS AND POLICY IMPLICATIONS

The research has concluded the following results

Corporate governance concept includes several economic, legal, administrative, accounting, social or ethical dichotomies because of the disagreement on its common definition or concept.

Corporate governance spreads widely after the occurrence of many economic declines and crises for several economic giant units. Corporate governance term pays attention to achieving disclosure and transparency in all information particularly the financial information which has an effective role in realizing the objectives of the economic units' beneficiaries. Corporate governance helps increase the financing availability and the potentiality of having cheap-financing resources. Therefore, its importance is increasingly growing particularly for the developing countries. Governance's activities and its proper implementation require comprehensive statistics and information accessible to all individuals of the society. Adoption of corporate governance within the public sector is fundamental for the economic development, growth and reform. The regulatory rules of corporations' administration implemented in Egypt come inline with the international principles in the context of 39 principles out of total 48 ones. Some principles included in the current governing laws of the Egyptian market are not practically implemented due to the weakness of the contributors or the corporations' awareness of such criteria. Egypt adheres to the criteria related to publishing all statistics and information data except for those related to wages and salaries and the central government processes. Governance is not the magic solution for the corporations' problems in Egypt. Regardless of the conspiracy

theory, governance is the product of the experiences of societies that have different socioeconomic levels. Therefore, there is a need for a auto-vision to activate the governance concept in order to avoid the wasting of time, money and effort. Governance adds nothing new as its principles focus on the rights of shareholders, employees or the aspects of disclosure and accounting. These are actually regulated matters according to the laws. However, their practical implementation is not sound enough such as the taxation law, financial legislations and the law of work and social securities. It is evident that the problems dwell in the state's public atmosphere and the activation of the state of law. Governance requires a code of ethics, a matter which is not much practically useful unless there are effective controlling authorities. The existence of a large number of corporations classified under the small and medium enterprises and most of them are family-owned corporations. Thus, it is hardly to implement governance in an appropriate way. The auditing companies are not actually dependent from their customers so that governance can be activated.

In light of the above-mentioned results, the study introduces the following recommendations in order to implement the practices principles of the prudent administration authorities or governance: Necessity for issuing legislations to protect junior investors. Necessity for charging two independent scrutinizing corporations of reviewing the corporations accounts, banks and insurance companies. Holding actual seminars and workshops to help promote the concepts of prudent administration or governance. Benefiting from the failure of other experiences due to the individual work. There are many experiences over the world. The accounting expert profession should be given the full independence. Reinforcement of the effectiveness of the controlling authorities and bodies' roles. Implementation of automatic settlement and central preservation.

Existence of effective entry rules in the stock market which ensures the non-inclusion of small or losing corporations. Existence of auditing and accounting criteria consistent with the international criteria. Corporations should regularly or quarterly submit reviewed and accredited reports from neutral parties. Establishment of accountants and legal auditors association. It might be affiliated to the money market corporation. It is in charge of auditing the corporations' financial reports. It should get paid by the money market corporation to which it submits the results of its reports. Cultural awareness of investors and employees through different mass media. The necessity of practical and scientific rehabilitation for the members of internal auditing administrations in order to assimilate the principles and criteria of governance.

The corporations' size (small, medium or big) should be taken into considerations when issuing the governance criteria. The participation of public and private sectors and the academicians in devising the criteria of governance. Activation of laws related to corporate governance

and the issue of supplementary laws in order to avoid the current legal hiatus. The application of reward and punishment principle, adherence to the code of ethics in the commercial transactions and the attempt of reinforcing the judiciary independence to ensure the feelings of security and trust.

Finally, whenever the good implementation of corporate governance's principles occurs soundly, it will represent the path of progress to individuals, institutions and the society at large. It ensures investors to achieve reasonable profitability for their investments. Such mechanisms ensure as well the sound and strength of the institutions' performance. Thus, it sustains and stabilizes the progress of financial markets, economies and societies.

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