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Finalised Version of the State Ownership Policy Document as Approved by President of the Republic



The Council of Ministers published the most important articles of the State Ownership Policy Document, including its objective, key guidelines, and methodology for decisions to maintain or sell state-owned assets over the coming period. Also highlighted are the role of the Sovereign Fund of Egypt, public and private partnerships as a mechanism for further strengthening the role of the private sector, framework of competitive neutrality, and governance principles of state-owned assets that guide the Egyptian state's ownership of assets.

[Link to the News Story](#)

Our Views

- The State Ownership Policy Document was published in its latest version at the end of 2022 after several months of dialog by various groups of stakeholders, with the aim of ensuring transparency and societal dialog regarding this important document that identifies in the parameters of state ownership within, Egypt's economy and removes the crowding-out effect against the private sector in production and employment. Two versions of the document were published before the final version was approved and signed by the President.
- Views on News¹ previously addressed this issue to highlight several crucial points that should be included in the document to achieve real institutional reform, not just the State's exit from some sectors. In particular, the existence of state investments with easier terms as a competitor to the private sector is the first reason behind the decline across both Egyptian as well as foreign direct investment, let alone the uncertainty of the private sector over new State investments that may completely crowd it out.
- Continuing the discussion of this issue by the Egyptian Center for Economic Studies, Views on News (over this and several upcoming editions) will compare the three versions of the document to identify noteworthy amendments, especially that the Prime Minister announced

¹ [View on News: "Council of Ministers concludes dialog on the state ownership document"](#)

the introduction of 85 percent of proposed amendments during the societal dialog.

- In this edition of Views on News, the following table conducts a comparison between the three documents regarding the general context and the basic guidelines that ensure successful implementation of state assets ownership policy.

	First draft March 2022	Second draft June 2022	Final version December 2022
General context	Based on empowering the private sector and enhancing its role in economic activity and creating a supportive and attractive economic environment for investment, it was crucial to	This document aims to complement the reforms adopted by the Egyptian state with a view to strengthening the role of the private sector in economic activity, and creating a supportive and attractive economic environment for	Same wording with the addition of "This includes assets owned by the State or in which it owns shares, including companies owned by the public sector, public business sector, economic authorities, holding

	<p>identify a "Map of the State's Presence in Economic Activity" and "The State's Ownership Policy for Public Sector Companies ," which defines the state's logic for ownership of public projects.</p>	<p>investments, in order to lay the foundations and main pillars for the presence of the state in economic activity, the ownership policy adopted by the State and the logic behind it; as a first stage in defining the Egyptian State's asset ownership policy, in a manner that contributes to optimal implementation of the policy in subsequent stages.</p>	<p>companies, firms affiliated with the armed forces operating in the economic field, and assets owned by other public entities, in a way that contributes to optimal implementation of the policy of state ownership of assets in later stages."</p>
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<p>The main guidelines that will be considered to ensure successful implementation of the ownership policy.</p>	<p>Not in the first draft.</p>	<p>Four main guidelines have been identified:</p> <p>1- Exiting in gradual stages, even if the stages are short-term.</p>	<p>Seven main guidelines have been identified:</p> <p>1- The same text with the addition of: “Provided that the exit is according to nature of economic activities and dictates of local and international economic developments .</p>
		<p>2- Considering strategic and security dimensions of economic activities upon making decisions on state ownership of assets.</p>	<p>2- The same text with the addition of: “The State will maintain its presence in a number of priority activities of a strategic importance.”</p>

		<p>3- Targeting ownership policy to improve the way economic resources are allocated.</p>	<p>3- Same text.</p>
		<p>4- Determine the methodology for operation after exiting to avoid unfavorable repercussions, in terms of: "Employment and Revenue."</p>	<p>4- Implementation of the State's exit from targeted activities and sectors is determined according to the willingness and actual response of the private sector to be present in those activities, with the State's commitment to continue all reforms that</p>

			would enhance and increase the degree of attractiveness of the business environment.
			5- Make an inventory of all state-owned companies or firms in which it owns shares to prepare a detailed database that enables it to determine feasibility of continuing with these companies and mechanism for private sector participation therein.

			6- Assess state-owned assets based on fair and impartial grounds in accordance with international standards of asset valuation.
			7- Same text as in No. 5 in the previous draft.

- With respect to the general context, the most recent version has a clear positive point, which is clarifying what is meant by state-owned assets, and that it is not only the business sector, economic authorities, and holding companies, but also companies affiliated with the armed forces operating in the economic field and assets owned by other public entities, implying General Intelligence, Military Intelligence, the Ministry of Defense, and other sovereign bodies.
- Basic guidelines ensuring successful implementation of the ownership policy were integrated in the second draft. The first is gradual exit in stages, which is logical. However, an addition is included, which is exit strategies according to the nature of the economic activity and the dictates of local

and international economic developments— an addition that does not change the original meaning (gradual exit) and therefore is not necessary, but rather opens the door wide for postponing exit. It is not clear who will decide that the nature of the activities that require postponement. Here it is important to point out the adoption of transparency in setting standards that allow for postponement and that the directing entity should not be governmental alone, especially the entity that owns the project itself. Naturally, this entity would not wish to exit. Also, there must be experts from the private sector and sufficient information on the performance of this sector globally to ensure the decision is based on sound and scientific grounds.

- As for the second guideline related to the strategic and security dimension, there is still ambiguity as to what is meant by that. It is useful to have criteria for defining these two dimensions, especially after adding an emphasis that the State will continue in several priority activities of a strategic dimension.
- The fourth and fifth guidelines overlap and involve some contradiction. In the penultimate version, it was mentioned that the methodology of operation after exit avoids unfavorable repercussions in terms of employment and revenues. The last version then raises the question of “whether the private sector wants to be present in these activities,” which implies continuation of State involvement. The fifth guideline then mentions an inventory of activities, and viability of continuing therein, and mechanism for private sector participation. The basic principle is to carry out feasibility studies for all State projects, evaluate their performance so far, and take the decision to liquidate, or

offer in an IPO in accordance with the vision of the responsible committee and with full transparency.

- The rest of the contents of the document will be assessed in the upcoming editions of Views on News.

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