



Arab Republic of Egypt
The Cabinet

Executive Summary

State Ownership Policy Document

Arab Republic of Egypt



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State Ownership Policy Document

Over the past decades, the role of the Egyptian State has witnessed many transformations to cope with the economic and social changes and the prevailing economic thought. It witnessed advocates of limiting the role of the State to creating ways that ensure the success of liberal regimes based on free economy and advocates of the State's direct intervention in the economic activity.

The Egyptian Government is always keen on maximizing the welfare of its citizens as per a comprehensive social contract, which ensures that the State responds to the social and economic entitlements of its citizens. This contract varies from one era to another according to the economic and social conditions. The significant presence of the State, sometimes, resulted in the expansion of the Egyptian state-owned assets portfolio to include many companies of the public sector and the public business sector. On one hand, it has been present in many other sectors concerned with strategic goods or fundamental services. On the other hand, the State is present in other sectors to realize specific economic or social dimensions.

The Government of Egypt (GoE) is well aware that its presence in the economic activity is not the ultimate end, but rather the achievement of social, strategic and economic goals, when needed. Its presence comes to an end with the achievement of those goals and the end of motives behind them. The recurring crises that the State went through and their repercussions at various economic and social levels necessitated, at some point, that it should not stand still without the needed intervention that is necessary to protect the Egyptian citizen from these repercussions.

For instance, the increased presence of the State in the economic activity in the aftermath of 2013 is justifiable. It is meant to face a number of challenges, including low GDP growth rates that resulted in a decline in welfare levels coupled with a decline in the most important foreign exchange sources, including tourism revenues and foreign direct investment inflows. This is in addition to an increased deficit in the balance of payments, at unprecedented levels for 30 years, high unemployment rates, and a deterioration in the standards of living of citizens. All of these factors resulted in the decline of Egypt's rank in international indicators and a deteriorated performance compared to similar economies.

Therefore, the Egyptian State has embarked on three main paths to rectify the economic path, namely pumping government investments to support economic activity, half of which are directed to infrastructure, transport, education and health sectors, implementing national projects, and launching economic reform programs to boost economic growth.

These main paths, which GoE has been working on, have had a positive impact, reflected in many economic performance indicators. Moreover, they improved Egypt's rank in a number of international indicators. However, in light of the successive developments witnessed by the world and the Egyptian economy recently, the GoE has already started to take a number of steps for adopting the economic governance standards to keep pace with the global changes and constitutional commitments.

This document intends to complement the reforms adopted by the Egyptian State within

the framework of strengthening the role of the private sector in the economic activity and creating an enabling economic environment that attracts and reinforces investments. It is considered the first stage in outlining the Egyptian State Ownership Policy.

In light of the foregoing, this document presents the most important features of the Egyptian State Ownership Policy, including its objective, its most important guidelines, and the methodology used for making decisions to retain or exit state-owned assets during the coming period. It also highlights the role of the Sovereign Fund of Egypt (TSFE) in this context and the dimensions of the public-private partnership as a mechanism to further enhance the role of the private sector.

In order to achieve its objective, the document adopts a methodology -based on international experiences and specialized expertise- to regulate the ownership policy at the sectoral/activity levels as per specific criteria and decide on the State's exit from/presence in economic sectors and activities. Based on these criteria, three orientations have been identified for the State ownership and presence in the economic activity:

1. Exit Within 3 Years:By identifying the sectors/activities from which the State will exit in the coming period.
2. Fixing or Reducing the State's Economic Presence in Various Sectors:By identifying sectors/activities where the government will fix or reduce its investments during the upcoming period, reflecting positive signals for the private sector to increase its investments in those sectors.
3. Fixing or Increasing the State's Economic Presence in Various Sectors:By identifying sectors/activities where the State will be fixing or increasing its investments during

the coming period, based on its strategic or social dimensions, while allowing the private sector's partial participation in some activities.

In order for the GoE to implement the State Ownership Policy, a number of mechanisms will be adopted for the State's total or partial exit from the economic activity to encourage the private sector's participation. Those mechanisms differ from one economic sector to another and from a certain state-owned public asset portfolio to another. They are based on the objective of the private sector's ownership of public assets with the aim of maximizing the economic return of different economic activities.

With regard to the State-owned assets that should be retained, the Egyptian State will be guided by the «Guidelines on Corporate Governance of State-Owned Enterprises» issued by the Organization for Economic Co-operation and Development (OECD). It is considered an international reference for governments and helps the State-owned enterprises (SOEs) adopt the best practices in an efficient, transparent, and accountable manner.

As stipulated in article (27) of the Constitution of the Arab Republic of Egypt, the economic policy of the Egyptian State is based on supporting competition and ensuring a competitive environment for the economic activity. Thus, the new State Ownership Policy necessitates the application of the principles of competitive neutrality within the Egyptian markets in order to enhance the efficiency of the Government in providing high-quality public services to citizens and increase the efficiency of SOEs. Consequently, the economic growth rates will significantly increase.

The government's efforts in this regard will be based on a number of pillars, namely activating the Competition Protection Agency's strategy with regard to competitive neutrality, reviewing and evaluating all measures taken to ensure a competitive environment, and enhancing the efficiency of the Competition Protection Agency.

To complete the implementation of the State Ownership Policy, GoE is adopting broad macroeconomic stimulus policies

for boosting the private sector's activity at multiple levels. The Egyptian State is keen on adopting a monetary policy supportive of price stability, enhancing the basis of macroeconomic stability, reducing inflation rates, stimulating the levels of credit granted, and adopting a flexible exchange rate policy that boosts the competitiveness of Egyptian exports in a way that supports the overall business environment and achieves the macroeconomic targets.

