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BOARDROOM GOVERNING DYNAMICS:

A CASE STUDY OF STATE-OWNED OIL AND GAS JOINT VENTURES IN EGYPT

A Thesis Submitted to the Public Policy and Administration Department in partial fulfillment of the requirements of the degree of Master of Public Policy and Administration

By

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September 2015
“And wait patiently for the judgment of your Lord, for surely you are before Our eyes, and celebrate the praise of your Lord when you rise” (52:48)
Acknowledgement

I would like to extend my profoundest appreciation and gratitude to my thesis advisor Dr. Hamid E. Ali for his patience, unreserved help, tremendous supervision, positive spirit and encouragement. Without those elements, the completion of my thesis would not have been possible.

Beside my advisor, I would like to express my warm and sincere thanks to my thesis committee members, Dr. Ghada Barsoum, and Dr. Shahjahan Bhuiyan for their insightful remarks.

My warmest thanks to Dr. Bremer for her inspired support and guidance at the earliest stage of the thesis. She has set the foundation to start the thesis.

Special thanks go to my family. I will never be able to articulate enough my deepest love for them in words. I am immensely grateful to my parents for their constant spiritual support and prayers. I thank my sister for shining my life with her presence, innocence smile.
The American University in Cairo  
School of Global Affairs and Public Policy  
Department of Public Policy and Administration 

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Aliaa Ali  
Supervised by Professor Hamid Ali 

ABSTRACT 

The aim of the thesis is to investigate the differences in perceptions towards corporate governance practices on the boards of joint ventures between international or domestic private firms and Egyptian state-owned companies using the oil and gas industry as a case study. A questionnaire was distributed to 13 oil and gas joint venture companies where 100 board members completed the survey. The study reveals the barriers hindering board effectiveness between the domestic and international board members. The differences towards governance practices do exist between local- Egyptian board members who represent the state as an owner, Egyptians representing the private partner, and foreign board members or joint venture boards. The results of the questionnaire shows that nearly half of foreign board members are not satisfied with the board composition and the capabilities of the directors which are considered an important factor in achieving board effectiveness. Nearly half of the Egyptian board members representing the private partner support the view that the board is not allowed having an access to information in the right time, in contrast to the views of their foreign counterpart. In addition, there is a need for board members to dedicate more time to strategy, performance, talent, and risk management. Nearly half of the foreign board members support the bringing of independent directors into their boards. As for the agenda and materials preparation given to board, almost half of the foreign board members see the need for improving the preparation of board meeting materials and for actively engaging in discussions during the meetings to achieve board efficiency. 

Keywords: Corporate Governance, SOEs, local and foreign Board members, Oil and Gas joint ventures, Egypt.
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Chapter 1: Introduction

Enhancing Board effectiveness is considered a fundamental instrument and one of the centerpieces of corporate governance in any enterprise (Menozzi et al., 2010; Aguilera, 2005; IFC, 2010; OECD, 2007).

However, the hefty differences that separate corporate governance’s national models cause foreign board members to reach divergent conclusions as to the way, the practices and issues of corporate governance – related to improving the board effectiveness - should be tackled and followed if compared to their local counterparts (EU Corporate Governance Framework, 2011). This leads to major differences resulting in higher management complexity and conflicts in a Joint Venture (JV, hereafter) (Bogun, 2008) and consequently lead to a no-win governance situation and to the formation of a confused board which therefore results in a confused company (Ward 2000). According to Bogun (2008), research has confirmed the inner workings of an IJV board are considered challenging if they are compared to those of an unitary firm, mainly because of continuing active cooperation established between two or more partner firms (Oseichuk et al., 2009). What weakens the performance of the board of directors are cultural differences pertaining to practices, values, and ethics, dissimilar motivations, restricted communication, the pressures and expectations of parent firms, higher need to create personal connections with the other side, many calls for resources, vague and intricate network borders, and unclear information flow (Hofstede, 1980; Salk and Shenkar, 2001).

It was found that those firms that are monitored, controlled, and governed according to international best practices tended to be more successful in terms of profitability and growth.
Conversely, it was also noticed that those enterprises lacking in proper corporate governance practices are more susceptible to poor performance, leakage, and insolvency (Oseichuk et al., 2009).

Corporate governance encompasses transparency and ensures that the board, who are considered the representatives of the owners of the organization, are guarding resources as well as allocating them to make planned progress towards the defined targets of the organization. Corporate governance also focuses on the issue that board is held appropriately to account by stakeholders (ACCA, 2009). Therefore, structuring corporate governance to ensure board effectiveness is crucial. Several mechanisms have been developed to make sure that companies are managed in an effective manner in a way to achieve a maximization of value for both shareholders and stakeholders (Aguilera, 2005).

According to Wang et al. (2009), globalization is the process by which the global economy is transformed from a group of national and regional markets into a group of markets which operates without the existence of national boundaries (Thomas, 2012). Globalization allows private sector firms to transfer operations to countries where sound corporate governance as well as sound ethical practices are seen to dominate in business. Different researchers Ahunwan, (2002), Armstrong (2003), McKinsey and Co. (2002) as cited by Thomas (2012) point out to the negative effect of the perceptions of corruption on international foreign direct investment to developing countries. Rossouw (2005), in this way, suggests that there has been a recognition in Africa that good corporate governance can draw local and foreign investment as well as it can prevent both corruption and unethical business practices that damage the business image of Africa.
In the late 1990s Egypt had begun to place a considerable importance on the issue of corporate governance for the realization of a better economic performance and a higher sustainable production and growth rates (Fawzy, 2003, the Egyptian Code of Corporate governance for the Public Enterprise Sector, 2006, and Dahawy, 2008).

Egypt had undertaken extensive measures in an attempt to shape up its corporate governance practices (Dahawy, 2008). In October 2005 the EIOD\textsuperscript{1} of the Ministry of Investment had published a Code of Corporate Governance for Listed Enterprises in the stock market (the Egyptian Code of Corporate Governance for the Public Enterprise Sector, 2006). In 2006 Egypt has utilized the OECD guidelines for Governance of State-Owned enterprises and adapted it to conform to its laws and regulations (Gamal, 2010). Another code or guidelines of corporate governance had been issued. That voluntary code served as a guidebook for state-owned enterprise in order to be able to compete with the private sector on an equal footing (Kolderstova, 2011; MENA-OECD, 2010; and the Egyptian Code of Corporate Governance for the Public Enterprise Sector 2006). The code is viewed as a complementary material to the introduced legislation – the Egyptian Business Public Sector Law 203 of 1991\textsuperscript{2}- which is considered an extensive coverage of the practices of corporate governance regarding the holding companies and affiliate ones.

\textsuperscript{1}The Egyptian Institute of Directors (EIOD) was inaugurated in 2003 as an initiative to foster better governance. The Ministry of Investment (MOI), in 2006, published a Code of Corporate Governance for the Public Enterprise Sector. Although The Egyptian Financial Supervisory Authority (EFSA, Egypt’s financial market supervisor) was legally obligated to replace EIOD since June 2011, (the jurisdiction of EIOD was transferred to EFSA ), the organization will continue working as expected on the issue of governance in both the private and public sector.

\textsuperscript{2}This law covers only those corporations that were originally intended to be privatized under the previously named Ministry of Public enterprises – Ministry of Investment now, not the whole state-owned sector.
However, many of the principles and guidelines in these documents are, for the most part, voluntary. In other words, unless the Code of Corporate Governance is specifically enshrined within a law or regulation, the firm will not be required to meet the entirety of the standard, code, or guideline (Johnson, 2007). The principles also lack clarity and enough details of what constitutes board effectiveness and do not give a detailed description about which information to disclose.

In Egypt, joint ventures form a significant and an increasing segment of SOEs. Therefore, improving governance in joint ventures established between the state and private partners deserves earnest regard. Firstly, this is because such ventures are very familiar in Egypt and more commonly in the Middle East and North Africa (MENA). The creation of new Joint Venture companies with state participation is still common, even though relatively few new SOEs are now being established in countries adopting market-based approaches (Bremer, 2012). Secondly, public-private joint ventures encounter specific challenges vis-à-vis governance issues that varies in significant respects from those of companies that are wholly state-owned or wholly private. The state’s ownership goals may differ heavily from those of the private investors. The two groups of owners may have very divergent opinions on such important governance challenges as disclosure and transparency, risk appetite, as well as obligations to both social and environmental criteria. Thirdly, such companies may in addition be prone to complex and vague reporting regimes, partly due to their distinct groups of owners who must abide by divergent regulatory restrictions along with reporting requirements which depends on whether they are government agencies, listed companies, state-owned enterprises, privately-held companies, other joint venture companies, or even individuals. Achieving Arm’s length relations between the regulator and the regulated are unattainable if the government is on both
sides of the table. Moreover, as Oseichuk et al. (2009) view the board’s role, IJVs board of directors are finding themselves considering a higher number of factors, for instance the lack of a shared national environment, regulators associated with government, and community organizations. Whereas those above issues often beset international joint ventures that are affiliated wholly to the private sector, governmental joint venture partners are expected to encounter further pressures from political considerations, competing goals among various government shareholders, and nationalistic attitudes pertaining to some stakeholders (Bremer, 2012).

Surprisingly, in light of these considerations corporate governance for public-private JVs has not gained the required attention (Bremer, 2012). This could be justified by the fact that the issue has simply fallen between two stools; neglected by both mainstream analysts of corporate governance as well as that handling public sector governance. The formation of such joint ventures is very important in Egypt first because in the petroleum and petrochemical sector which is rapidly developing, any foreign investments is required to be made through joint ventures where the state holds a 50 percent ownership stake in any formed enterprise. Second, joint ventures formed between Egyptian companies and the Egyptian government are considered a crucial part of the publicly traded corporate sector.

Thence, IJVs differ from any other enterprise in the sense that the quality of their board decisions is highly influenced by the openness existing among the board of directors as well as by the willingness shown on their part to build consensus and come out with a shared vision for the future. Child and Faulkner (1998) perceived that monitoring both internal and external relationships in an IJV is considered an influential factor in the success of an IJV (Oseichuk et al., 2009). Ergo good governance is no longer an option; it became an imperative. Firms are now
reconsidering and strengthening the structures of their governance from the boardroom to the management level.

This study aims at examining the extent of differences in perceptions on the boards of oil and gas joint ventures between international or domestic private firms and Egyptian state-owned companies towards corporate governance practices.

- Why this study aims to focus on the Petroleum Sector?

In developing nations with considerable oil and gas resources, the petroleum sector is an important means of wealth and establishing a sustainable economy as well as positive and good long-term human development. Producer governments’ and citizens’ concern over reliance on volatile oil revenues has resulted in increasing the stakes, and also led to the rising of public expectations (Lahn et al., 2007). The Egyptian Ministry of Petroleum oversees the petroleum industry through its four holding companies, which act as the government’s agents for supervision of supervise oil, gas, and petrochemical activities (AmCham BSAC, 2005).

The four holding companies -- The Egyptian General Petroleum Holding company (EGPC), the Egyptian Natural Gas Holding Company (EGAS), The Egyptian Petrochemicals Holding Company (ECHEM) and Ganoub El Wadi Petroleum Holding Company (GANOPE) -- are companies entirely owned by state. In the swiftly growing petroleum and petrochemicals Egyptian sector, all foreign investment must be done through joint ventures where the EGPC and the contractor retains 50% of ownership (Model concession of agreement, 2013). The petroleum sector deserves special consideration to guarantee good governance, not only due to the fact that
investments tend to be huge but also because it is widely identified as being prone to specific governance challenges.

The growing focus on petroleum sector governance and its performance in the economy is attributed to the difficulties encountered in the attempt to manage oil revenues in an efficient and equitable manner, pressure from continuous developing international standards as well as the provisions of economic liberalization (Lahn et al., 2007). Amid the hard and tumultuous times Egypt is experiencing, the Egyptian Petroleum Sector is suffering from significant debts owed to foreign petroleum firms by the Egyptian Government (Egypt Oil & Gas, 2011). The debts reached nearly over $4 billion which threatens to hinder oil and gas production stability. Therefore more transparency and disclosure are needed –especially after a revolution sparked by corruption.
Chapter 2 : Statement of the problem

Despite the putative significance of the international joint venture board directors for the success of IJV and the magnitude of research into various issues of IJV operations – for example, reasons for the formation of IJVs, performance/instability, management of human resources, control, trust, and relationship of inter-partners, governing joint ventures, organizational culture/national culture, and impact of cultural diversity on management (Forbes and Milliken, 1999) – no research could be identified, even after an extensive review of literature, that examined the difference between the perception of state’s ownership board members and private ones in state-owned JVs towards the concept of corporate governance and their board effectiveness in Egypt. It is very rare one can find any literature about the confusion among the different board members regarding the way they perceive corporate governance and how effective their board should be, and its consequences (Oseichuk et al., 2009). Consequently this might lead to the formation of a failing board is characterized by arguments, disharmony and lack of effectiveness and sometimes also accompanied by financial turmoil.

Research Questions:

This study investigates if there are differences in perceptions on the boards of joint ventures between international or domestic private firms and Egyptian state-owned companies using the oil and gas industry as a case study. The investigative questions are as follows:

- Whether there are differences among foreign, Egyptian private and Egyptian government board members (and all Egyptian directors) in their assessment of the governance practices of their boards in terms of the below issues?
  - Board composition and director capabilities
✓ Board composition and diversity
✓ Specific industrial and functional expertise
✓ Current capabilities and their future development

○ Director roles and accountabilities

✓ Roles and responsibilities of Board committees
✓ Board processes and protocols

○ Delivery on roles of the Board

✓ Strategy
✓ Performance management
✓ Attitudes toward company performance issues
✓ Risk management
✓ Talent management

○ Effective dynamics

✓ Preparation and participation
✓ Challenge and conflict
✓ Effective dynamics

○ Overall Board effectiveness and renewal

✓ Board evaluation
Whether there are differences between Egypt and the GCC board findings?

- Most crucial levers in achieving board effectiveness;
- Time given to the board duties, tasks, and responsibilities;
- Existence of international expertise in the board rooms;
- Proportion of independent directors on the board;
- Utilization of board committees;
- Board meeting dynamics (i.e. the quality of information provided to the board, and the level of board members’ preparation and participation in board meetings);
- The presence of a formalized process of evaluation.
Chapter 3: Literature Review

States Owned Enterprise and Governance:
This section provides an overview of SOEs governance including the principles set out for state-owned enterprises by OECD, the historical context of the establishment of state-owned enterprises in the MENA region, then moves into SOEs governance in Egypt, legal framework and regulatory environment in which SOEs are operating, Egyptian state-owned Joint Ventures and finally a glimpse of the statutory legal, supervisory and regulatory framework for the oil and gas sector in Egypt.

The misuse of natural monopolies, externalities, failure of capital market and equity issues are the most frequently cited reasons for the raison d’être of SOEs (Odainkey and Simpson, 2012). SOEs contribute to the reduction of the unequal distribution of both economic inefficiencies as well as surpluses along with the reduction of capital market. Kumar noted that after the 2008 worldwide financial crisis, SOEs role has become more important than before. Growing calls have been made demanding public sectors in many developing countries to offer quality public services that satisfy the needs of its citizens, be more accountable for the decisions they make and actions they take as well as to manage resources in a more careful and wise manner, while promoting private market-led growth (Odainkey and Simpson, 2012). These growing calls have been made because of the public sectors’ primary role and its contribution to the process of development, particularly in developing nations (Hemming and Mansoor, 1988). As a part of the public sector, State-Owned Enterprises (SOEs) have noticeable impact on key economic indicators including GDP, employment and others, particularly in the Middle East, Africa, and Asia.
State-Owned Enterprises (SOEs) especially in developing countries have become the foremost targets of numerous reforms in an effort to meet the demands of making them more accountable, and hence guaranteeing their efficiency as well as their effectiveness in their performance and operations (Odainkey and Simpson, 2012). The reforms that have been introduced to boost the efficiency of SOEs in their utilization and allocation of resources can be categorized into privatization, more competition and making administrative, political and institutional reforms. This is due to the fact that SOEs, in developing economies, have been identified as one of the major sponsors for socio-economic development, but often do not live up to the public’s expectations or their market potential.

In spite of that, evidence on the SOEs performance, as Trivedi (2005) argues, has not been promising due to the fact that SOEs have not yielded the results they are expected to render particularly with regards to developing economies (Odainkey and Simpson, 2012). The poor performance of SOEs has been attributed to several theoretical and empirical factors (Chang 2007). The World Bank’s Report (1989) pointed out to the fact that the poor performance of the public sector and retarded growth is due to its over-extension which leads to the scarcity of financial and human resources. This slower growth has chiefly sprung from the increased involvement of SOEs in several industries and sectors of developing nations as in public utilities, leading governments to be both financially and managerially over-stretched. Moreover, the SOEs’ poor performance has pointed to governance issues along with financial propriety issues beside others, regardless of ownership structure (Kumar, 2011).

Increasing evidence backs the opinion that there is a negative relationship between corruption and, investment and economic growth in developing nations (Thomas, 2012). Corruption and related corporate governance transgressions existing in state-owned enterprises (SOEs) -
previously thought to foster development in third-world nations – have become an international phenomena. Nicholl (2006) expresses the view that, whereas the public sector is not basically obliged to account for economic competitiveness, poor governance existing within this sector unavoidably holds back this process of competitiveness. In spite of that, stakeholders’ reactions to governance transgressions are starting to rally governments in favor of dealing with operations done at SOEs for the purpose of transforming SOEs into organizations nurturing national competitiveness (Crawford et al., 2003). The OECD Guidelines on Corporate Governance of State Owned Enterprises noticed unique challenges pertaining to corporate governance encountered by SOEs. “On the one hand, they may suffer from undue hands-on and politically motivated ownership which may result in an uneven playing field and a loss of transparency. On the other hand, SOEs may also experience situations where state ownership can be characterized as passive or distant” (MENA- OECD, 2010: 31) In those conditions, SOEs – especially if it is not a wholly owned- might experience a “dilution of accountability” towards the government, shareholders, stakeholders and the public (MENA- OECD, 2010: 31). Originally, corporate governance challenges stem from the fact that accountability for SOEs performance comprises of an intricate chain of agents without clear identifiable, known principals (MENA- OECD, 2010).

For more than a decade corporate governance (CG) has been a major policy topic in nations with developed market economies (Muhamad, 2009). According to Hashim (2009), CG is a mixture of processes and structures directed by the board of directors aiming at authorizing, directing, as well as overseeing management for achieving the objectives of the organization. An increasing recognition of the importance of effective CG in guaranteeing good quality of financial reports has begun to appear in recent years. Effective CG ensures high, sound financial reporting, and
credible accounting which in turn leads to the transparency of information which enables users, particularly shareholders and investors to make well-informed decisions. Rezaee (2005) indicates that the board members are appointed to work as the eyes and ears of the shareholders to assure the shareholder value creation. Mallin (2003), stroke a note that CG, in the last decade, has managed to grow as well as develop significantly and that many countries have released CG codes which includes recommendations that embody good CG, which without suspicion contribute towards more transparency and disclosure. Yuan and Yuan (2007) proposed that CG has a higher influence on enhancing business efficacy more than an internal control system. Enhancing CG is a more effective method than increasing the strength of the internal control system in deterring fraud and enhancing business efficiency.

Corporate governance principles and recommendations for state-owned enterprises:

The foundation of corporate governance is based on a system of ethical practices (Young and Thyil, 2008) or on a group of relatively shared norms and values which are communicated and negotiated (Fleming and McNamee, 2005). It is involved with norms of behavior and values along with moral philosophy that direct a corporation’s behavior in a society (Francis and Armstrong, 2003). Corporate governance links the relationships between the organization’s management, its board of directors along with its stakeholder together by way of structuring goals and their means of accomplishment as well as performance monitoring(OECD, 2004) in ethically defensible manner (Fleming and McNamee, 2005).

A growing realization, during the past years, of the requirement for more accountability in the public sector, has led to the Organization for Economic Cooperation and Development (OECD) which plays a major role in creating guidelines relating to ethical practice in public
organizations, mainly but not solely for OECD member countries (Thomas, 2012). The
Principles of Corporate Governance developed by OECD, published for the first time in 1999
have received worldwide acknowledgement as an ‘‘international benchmark’’ as well as a tool
for reference to indicate good corporate governance (Jesover and Kirkpatrick, 2005, p. 127).
These shared principles are being acknowledged internationally as one of the 12 main pillars
aiming at achieving international financial stability. Subsequently, Principles intended for SOEs
but put in relation to the general principles, were advanced among the guidelines pertaining to
Corporate Governance of SOEs (OECD, 2005).

1.1 Principle: the Framework of corporate governance

This principle focuses on the requirement of a legal and regulatory framework within which
SOEs function to guarantee that market competition is there, so that any market distortions could
be avoided. Effective and sound governance should ensure that systems are developed so that to
manage to oversee the effectuality of this kind of governance framework (Howard and Seith-
Purdie, 2005).

1.2 Principle: key ownership functions

This principle pinpoints the style of management by government- as being the owner or key
shareholder of State-Owned Enterprises (Thomas, 2012). It also suggests that SOEs should
obtain operational autonomy so that their targets- as specified and overseen by government-
could be accomplished. It is the government’s obligation to guarantee the establishment of
effective and transparent structure of governance to foster the SOEs long-term interests.
Hence, Howard and Seith-Purdie (2005) emphasize the crucial nature of the designation of board members to guarantee an effective level as well as mixture of skills. Van der Walt et al. (2006) suggest that the composition of the board is determined by the organization’s stage of life, the established strategic environment, the ownership structures’ nature as well as the requirements set for both governance and performance.

1.3 Principle: Equal treatment of shareholders

This Principle advocates the rights pertaining to shareholders; their treatment in an equitable manner and their ability to have an equal access to corporate information (Thomas, 2012). It also proposes transparency towards shareholders as well as establishing active communication along with offering consultation with them. The principle promotes the participation of shareholders that constitute a minority. Lu et al. (2009) noticed that getting an equitable treatment should encourage the shareholders’ participation in critical decisions as well as it should ease the process of posing questions during meetings, ensuring their right to obtain timely relevant information that could have an effect on the decision-making process.

1.4 Principle: Stakeholders’ role in the organization

Stakeholders are a broader group than that of shareholders (Thomas, 2012). They should be given attention by SOEs for having a legitimate concern in firm’s business. Ferrell (2004) defines a stakeholder as being an individual or some identifiable group upon which the organization’s continued survival is determined. According to Clarkson (1995), primary stakeholder grouping is comprised of customers, suppliers, employees, shareholders, and investors. Governments and communities are also categorized as public stakeholders who offer infrastructure and markets, where obedience of its laws and regulations are obligatory, and where one has to comply with its duties and obligations. Werther and Chandler (2004) noticed the
strong association between an organization and its stakeholders and the influence of causing damage to these relationships on the organization’s survival. SOEs, in this way, are urged to frequently give an account of their stakeholder relationships as well as to create an internal code of ethics that consider the rights of stakeholders. Lu et al. (2009) emphasize the significance of disclosing matters. This could have an impact on stakeholders like for example: incentive schemes, employee benefits, and the way environmental issues are tackled.

1.5 Principle: disclosure and transparency issue
This Principle addresses matters as for example: the need for frequent annual reporting, good accounting and auditing criteria, disclosing fully the risk factors, and an annual separate outside audit (Thomas, 2012).

1.6 Principle: Duties of the board members
The primary responsibilities of the board of directors are outlined involving accountability to government including the annual appraisal pertaining its functioning, equitable treatment of all shareholders, management oversight, objectivity, impartiality, and independence of judgment, attaining of unbiased and just information, the authority to designate and expel the CEO, and the formation of specialized committees to aid the board in its task (Thomas, 2012). Much the same principles formulated by the USA-based National Association of Corporate Directors (NACD, 2009) also stress the principal role that the board has in monitoring as well as in accountability, involving guaranteeing that the selected board of directors are proficient and dedicated as shown in both the time they committed themselves to the organization along with their dynamic attention to the task they are having at hand. These principles of the NACD (2009) emphasize the necessity for independent, impartial, and nonpartisan board leadership that demonstrates integrity, ethics, moral rectitude and reliability all of which inculcates the spirit of the corporate
culture. In this way the effectiveness and impartiality of a board can be indicated by simply noting how many of the members are not rooting for any ideological party and the need for spiritual independence of spirit and structural independence. In the debate about corporate governance, the role played by the board of directors has been subjected to scrutiny in such domains like the board composition, the board size, internal control, internal audit, risk management, and leadership. Nonetheless, it is usually the more small (but important) and less measurable constituents within the culture of the board of directors that affect the success of the board (Thomas, 2012). Such subjects lay particular stress on for example board integrity, recognizing each and every member’s contribution, opening channels of communication as well as promoting constructive and productive debate. Concerning the above mentioned point, Dalton and Dalton (2006) perceived that paying whatever amount of attention to effective and efficiently process wasn’t enough to deal with directors who are elected and are behaving with less, integrity, rectitude, honor, and honesty along with paying less respect for other members.

The bottom line, according to McLellan (2009), is that sound corporate governance pertaining to SOEs should involve more appreciation of the relationship existing between governance, compliance and organizational culture, forming adequate structures to foster good governance, possessing the knowledge of when to employ teams and hierarchies as well as committees, being cognizant of and capable of managing conflicts of interest, handling the various stakeholders’ expectations along with implementing and overseeing the organization’s values.

The origins of state-owned sectors in the region:
Historically speaking, MENA countries’ governments have been administrating, controlling, planning, and organizing most activities through public institutions (Dawley et al., 2008). As for the Arab countries, according to Younis (1996), politics and history as well as law and psychology have played a role in producing a restricted process of privatization. This mixture of dominance of state and socioeconomic factors has formed the structures of the whole economy.

To fully understand the context in which SOEs function, the role of public sector and the challenges it faces, a brief overview of the main political economy factors that lead to the emergence of the state as the owner of commercial enterprises in the countries of MENA should be discussed (Akoum, 2012 and OECD, 2012).

Until the 1950s, most of the region was under colonial rule. Some did not even obtain their independence until 1970s (Younis, 1996). As a result of the attainment of independence and the enjoyment of a considerable degree of political sovereignty, discussions and development concerns took place accompanied with a higher degree of open hostility towards colonial powers which was shown in the refusal of any political patronage of colonialists as well as their economic doctrines though they represented only an economic face of colonialism.

Another repercussion of obtaining independence is that most of the region countries have embraced socialism along with a slightly different model of development based on substantial state intervention in economic activities, self- sufficiency, protectionism, and import substitution (Akoum, 2012, and OECD, 2012). A deluge of nationalization has sprung up, recapturing some of the assets to state ownership. Most remarkable examples were the nationalization of Suez Canal in 1956 in Egypt and also the nationalization of the oil sector in 1951 in Iran (Akoum, 2012).
This development model’s legacy over the years has formed the state ownership’s structure and objectives in the region imposing choices about the frameworks and practices of governance (OECD, 2012). In Egypt, SOEs were set up across a group of strategic and non-strategic industries. The evolution of SOEs has had a considerable influence on the whole economies of the region. The SOE’s impact socio-economy has not waned at all, in spite of the continuous zealous privatization programmes in some countries that have begun more than 20 years. SOEs have functioned and still function as the prime providers and suppliers of fiscal revenue, cheap public goods and services (from food to military equipment), and last but not least employment. The announcement of the intent of undergoing privatization program has caused a great outrage reflected in labour strikes and protests due to the common perception among Egyptians that privatization automatically means layoffs (OECD, 2012).

Now the concerns of the policy makers in the region countries are directly aiming at optimising the portfolio of their ownership, improving SOEs standards of governance, setting up public private joint venture companies, and definitely boosting the performance of the public sector to be in line with the private one sector (OECD, 2012).

SOEs governance in Egypt:

A significant rise in awareness of corporate governance and its advantages has been witnessed in Egypt, despite the fact that the concept of corporate governance – known as Hawkamah in Arabic- was not known in MENA and Egypt until the 1990s. These reforms and initiatives incorporate the inception of the Egyptian Institute of Directors under the umbrella of the Ministry of Investment and introduction of two corporate governance codes: the Egyptian Code of Corporate Governance for Listed Companies in 2005 and the Code of Corporate Governance...
for State-Owned Enterprises in 2006 (MENA – OECD, 2010). The principles of the two codes are rooted in the OECD guidelines mentioned above.

Legal framework and regulatory environment in which SOEs are operating:

In most jurisdictions, there are differences between state-owned and private enterprises. These differences emanate from various elements as level of government control, legal form, etc. The issuance of the *Egyptian Code of Corporate Governance for the Public Enterprise Sector* in July 2006 was a step of specific significance. The code is considered the first of its kind in the MENA region. Its basis is found in the OECD Guidelines on Corporate Governance of State Owned Enterprises. It has been formed with the OECD experts input. The code, which clearly takes the perspective of the state as an owner, defines corporate governance in a broad way as follows “a set of relationships between a company's management, its board, its shareholders and other stakeholders” (MENA – OECD, 2010: 10).

Egypt has developed a legislation that sets out the requirements of corporate governance for SOEs in an attempt to shape ownership structure as well as practices of governance. The Public Business Sector Law 203 of 1991 is an example. The purpose of the law is to set out the governance frameworks concerning SOEs as well as the stakes owned by the Egyptian government in JVs placed for sale under The AMP\(^3\). The law is not applicable to all SOEs; exempted from it a number of corporations (that are not monitored by the Ministry of Investment) and those corporations are considered of strategic interest overseen by line

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\(^3\) Asset Management Programme created by the Ministry Of Investment in 1993 marking the beginning of Privatization in Egypt.

\(^4\) Actually MOI only has jurisdiction over the holding companies and the companies that were originally slated for privatization (and put under the holding companies). In theory it has jurisdiction over state-owned enterprises, but, as I understand it, it is entirely dependent on the companies and the ministries to send in information and, basically, they don’t. 1991 is the privatization law and established the Ministry of Investment, earlier called the
ministries in sectors of military, banking, water, telecom, production, etc. (MENA – OECD, 2010; and Amico, 2012).

The law deals with several major corporate governance practices such as: the constitution of the board, requirements for quorum, participation of stakeholder, the composition of the general assembly, and requirements of board members’ selection (Amico, 2012). The reform of 1991, which intended to reform the structure of ownership, was originally created to provide a support to the privatization program, and therefore encompassed only those firms intended to be included in this effort under the aegis of Ministry of Investment.

As the legislative framework has been evolving, so do too the voluntary corporate governance practices for SOEs (Amico, 2012). The legal framework is now supplemented with a code or guidelines of corporate governance for SOEs which cover issues that include appointment of board members, responsibilities and duties of the board, requirements for disclosure, and handling of stakeholders.

In order to understand the context in which state joint ventures in Egypt operate, there is a need to grasp the regulatory context affecting these firms. A major impediment to the effectual monitoring of governmental ownership in the Egyptian joint ventures as well as evaluating the quality of such monitoring, is that there is no consolidated report on state-owned joint ventures or even the state-owned enterprise sector in general (Bremer, 2012; and MENA – OECD, 2010). The composition and exact size of the whole Egyptian SOE sector are unknown which hinders

ministry of public enterprise, but renamed in the reorganization undertaken by Mohie-eddin and Boutros Ghali. (Personal communication with Dr. Bremer).

The MOI website at one point had a listing of companies with their underlying law according to Bremer (personal communication), but now this website is not working.

For a clear picture of the Laws governing Public Sector and Holding Companies see Gohneim in Appendix 1.
any effective examination of the sector and its constituencies’ governance as well as their performance (Bremer, 2012). Hence, no effort was made to form a consolidated report of governmental ownership stakes, particularly for the strategic entities overseen by the Military or Ministry of Petroleum or corporations of strategic interests like water, banks, and telecom were set aside (Bremer, 2012; and MENA – OECD, 2010). This difficulty in obtaining the relevant consolidated data and information on the Egyptian SOEs mirrors the lack of a distinct government entity having the authority to monitor the whole SOEs sector including state-owned joint ventures as well as indicating that there is no streamlined structure for SOEs’ corporate governance arrangements and general monitoring (Bremer, 2012).

In Egypt, there are two prime categories of laws that govern the legal framework dealing with the concept of corporate governance (Dahawy, 2008). Those are the laws which govern companies and also listed companies in the Cairo Alexandria Stock Exchange (CASE). The laws governing the companies’ incorporation in Egypt are as follows: Companies’ Law (CL 159/1981), Investment Law (IL 8/1997), and Public Business Sector Law (PBLS 203/1991).

The Companies ‘Law is the one regulating joint stock and limited liability companies, and partnerships limited by shares. As for the Investment, it offers some facilities in some specific economic and industrial sectors by providing tax free zones and exemption from certain income tax (Dahawy, 2008). The Public Business Sector Law governs the incorporation of companies in the public business sector and lays out also the governance framework for SOEs (Bremer, 2012; and Dahawy, 2008). It differentiates between the public sector and the public business sector. The law sets the regulations upon which the relationship between the Holding Companies and their affiliated firms is determined. For example the law includes the nomination of the General Assembly (GA) of each holding company by the prime minister – This GA is headed by the
responsible minister, the nomination of the board of directors of the Holding Companies being done by the Prime Minister is based on the relevant minister recommendations\(^6\) (Gamal, 2010). The Holding companies’ board of directors is the general assembly of all its subsidiaries or affiliated companies and half of the board of directors of the affiliated companies is selected by the holding company board of directors- The GA (Gamal, 2010). Since law 203, which governs state-owned enterprises, is short of the detailed requirements for corporate governance, the Egyptian Government saw the dire need to introduce a code of corporate governance to cover those missing details in the law, such as the overall framework, transparency and disclosure of information, relationship between the board and management, the rights of stakeholders, the objectives of ownership and, internal control environment (Gamal, 2010).

The law also set the legal foundation for privatization by moving 314 public companies from government ministries’ authority and regrouping them as subsidiaries overseen by sixteen public holdings (Egypt Business Law Handbook, 2009).

As for subsidiary companies, they are incorporated under Law no. 203/1991, and law no. 159/1981 (Ghoneim, 2005). Their legal status is that of Joint Stock Companies. Holding companies\(^7\) are the one who supervises them and it should own more than at least 50% of its capital. As for Holding companies, they are subject to the following laws: Law no. 203/1991, and law no. 159/1981 and are considered as joint stock companies. **As for the ownership**, the holding companies’ capital is fully owned by the state or public judicial persons (Ghoneim, 2005). As for the JVs, its stakes are owned by the government and have been sold to foreign investors (MENA – OECD, 2010) where the state owns 50%.

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\(^6\) if the holding companies own the 203 companies, then there is a need to have an independent board along with separate board and general assembly bodies (Bremer personal communication)

\(^7\) This sector is not transparent and very little information is available on how it is structured.
State-owned Joint Ventures:

There has been a persistent expansion in the sector of joint ventures over the past 20 years. Entities of the state have entered into new partnerships with foreign as well as domestic partners (Bremer, 2012). The Ministry of Investment developed a consolidated listing for only the corporations it oversees as of 2009. This is because of the sharp decline happened since the revolution 2011 in all kinds of regulatory compliance inside government. The database belonging to the Asset Management Program – created by the Ministry of Investment - before its termination in October 2011 contained 662 JVs. Out of these 662 JVs, 386 were wholly or partially owned by one of the nine holding companies overseen by the Ministry of Investment. At the same time the holding companies under the aegis of the Ministry of Investment do not necessarily include all the public-private JVs in their sector. In addition, 276 JVs were listed as being partially owned by other Ministries and entities. Some of these companies’ shares are owned by one or more public sector companies or other entities within the public sector. Public sector banks and insurance companies represent the largest shares in these non-holding companies (Bremer, 2012).

Not only does the database of the Ministry of Investment not include all joint ventures, but the nine holding companies under the aegis of the Ministry of Investment are not the only Egyptian public sector holding companies (Bremer, 2012); here are five holding companies: The Egyptian Petrochemicals Holding Company (ECHEM), The Egyptian Natural Gas Holding Company (EGAS), Ganoub El-Wadi Petroleum Holding Company (GANOPE), The Egyptian General

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8 This actually came from Bremer’s analysis of the data coming from the MOI website concerning holding companies and their subsidiaries.
Petroleum Corporation (EGPC), and The Egyptian Mineral Resources Authority (EMRA)-overseen by the Ministry of Petroleum. Those holding companies own extremely large portfolios of public shares in petroleum joint ventures, though they are not disclosed publicly. “The ownership structure within the government can be equally complex. It may include ministries, public sector firms (including government-owned or JV banks), intergovernmental organizations (jointly owned by multiple Arab governments) and other stakeholders such as unions… some, but not all, of these ownership shares may be reflected in board positions” (Bremer, 2012: 119).

A brief overview of the statutory legal, supervisory and regulatory framework for the oil and gas sector in Egypt:

The key laws governing the petroleum sector include: Law No. 66 for 1953 or what is known as the Fuel Raw Materials Law pertaining to the fuel raw materials, Law No. 217 of 1980 pertaining to Natural Gas, Law No. 61 of 1958 pertaining to the incentives being granted to investments concerning natural resources, and Law No. 86 of 1956 relating to quarrying and mining (Egypt Oil and Gas, 2013). As for the laws governing state-owned oil and gas joint ventures, they are as follow: Law no. 89 of 1960 regulating the granting of residence to the expatriate personnel of the operating company and the employees appointed by the contractors, and Law no. 4 of 1994 promulgating the law concerning the environment.

EGPC was created under Law no. 20 of 1976 (Model of concession agreement, 2013), while EGAS, ECHEM, and GANOPE were established in accordance with Law no. 203/1991 (Egypt Oil and Gas, 2013). As for EMRA, it is established under Law No. 86 of 1956. ECHEM is established according Law no. 159 for 1981 Business Public Companies Law (public sector companies) for joint stock firms, limited partnerships as well as limited liability companies.
As for the holdings companies of Petroleum Sector\textsuperscript{9}, EGAS has 39 subsidiaries or affiliated companies. As for ECHEM, there are 8 companies and 12 belong to GANOPE (Egypt Oil and Gas companies’ directory)\textsuperscript{10}. There are also four types of Oil and Gas companies’ establishments: 12 Oil and GAS Public sector petroleum companies (12 companies), state-owned Oil and GAS joint ventures (41), 106 investment companies (106) and Petroleum multinational companies (67). \textsuperscript{11}

In Egypt until 2004, the major government agencies involved in the upstream oil and gas sector are the Ministry of Petroleum, the EGPC, and the Parliament (Egypt Oil and Gas, 2013). The Ministry of Petroleum is in charge of formulating policies, preparing rules and guidelines, along with controlling, coordinating, and monitoring the activities of the oil and gas sector. As for EGPC, it is in effect a government agency overseen by the Ministry of Petroleum according to the law establishing it. According to the law governing EGPC, it is in charge for the whole oil and gas sector’s activities from exploration, production, and transportation through refining\textsuperscript{12}.

And this restructuring included separating the activities of natural gas and petrochemical activities from those activities performed by EGPC as well as establish a single agency focused on Upper Egypt (Egypt Oil and Gas, 2013). In 2004, EGAS (Egyptian Natural Gas), ECHEM (The Egyptian Petrochemicals Holding Company), GANOPE (Ganoub El-Wadi Petroleum

\textsuperscript{9} See Appendix 2.
\textsuperscript{10} It is noticed that there are discrepancies regarding the number and names of the affiliated companies between the Ministry of Petroleum’s directory existing on their website and its hard copy directory.
\textsuperscript{11} See Appendix 3.
\textsuperscript{12} Although GANOPE and ECHEM are also in this (the latter only in processing).
Holding Company), and EMRA (Egyptian General Authority for Mineral Resources) were founded by the government where EGAS became responsible for the natural gas activities, GANOPE became in charge for managing and overseeing all petroleum activities south of latitude $28^{13}$ – known as Upper Egypt, ECHEM is responsible for petrochemical activities, and EMRA is in charge for assessing, planning, and developing the mineral resources (including petroleum and gas). The restructuring process also included the transferring of 14 petroleum concessions from EGPC to EGAS. EGAS is now in charge for awarding concessions concerning the exploration of non-associated natural gas in the Delta, Mediterranean Sea, as well as in some small parts of North Sinai and Red Sea. As for EGPC, it is responsible for awarding concessions in the remaining parts of Red Sea and Western Desert. But since there is no law issued to clarify these geographic divisions, a scope of conflict developed and continues between the EGPC and EGAS jurisdictions. Moreover, in theory, since no legislative amendment has been made to EGPS’s mandate, the jurisdiction of EGPC still remains all over the activities concerning petroleum in Egypt.

The right for exploration and production of oil and gas is granted by the Ministry of Petroleum according to the Egyptian Law No.86 for 1959, taking the shape of a concession agreement held between the contractor (i.e. the bidding firm succeeded in obtaining the concession) and the Egyptian state -represented by the Ministry of Petroleum and EGPC or EGAS as relevant- (Model of concession agreement, 2013). The parliament enacted a law allowing the Petroleum Minister to conclude the Concession Agreement between the Egyptian state on one side, and EGPC – the concession holder- and the foreign oil company (i.e. the contractor) on the opposite side, granting the right to produce and explore oil and gas in a particular zone and according to

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$^{13}$ Beni Suef, El Fayoum, El Menia, Assiut, Sohag, Qena, Luxor And Aswan (GANOPE website).
the stipulations set in the law as well as the rules, procedures “that have the force of Law and prevail over other Egyptian Legislation including the above mentioned Law No. 66 for 1953 as amended” (Model of concession agreement, 2013: 9).

The agency that leads the negotiations of the concession agreement is either EGPC or EGAS, as applicable (Model of concession agreement, 2013). Then after negotiation takes place, this agreement will be referred to the concerned Minister – the Petroleum Minister- for approval. Once the approval of the Minister is obtained, the agreement is submitted to the People’s Assembly where the Energy Committee makes a report and then a vote is held by members of parliament on promulgating of the concession agreement as a law.

EGPC or EGAS, as applicable, then announce and administer the petroleum bidding rounds (Egypt Oil and Gas, 2013). The bidders are evaluated and selected first according to their technical qualifications and financial abilities and then are assessed on the commercial terms of their bids. Model forms of the concession agreement for both EGPC and EGAS are used, “which are the basis for negotiations. The Model Agreements are produced by the State Council and are subject to periodic revisions. Under the Model Agreements, the parties agree an initial exploration period and the number and period of any extensions to such initial exploration period. Typically, the initial exploration period is two and a half years, starting from the effective date of the concession agreement. The contractor may be granted two successive extensions of three years and two years respectively” (Egypt Oil and Gas, 2013: 2).

In the development phase, EGPC or EGAS, as relevant, and the foreign oil investor will establish an operating company in Egypt governed by the Egyptian law where it will be 50% - 50% of the shares of the newly established company. Each party has the right to designate four board
members to its board and replace them at any time. The chairman appointed by EGPC is also the managing director. As for the contractor, the foreign oil investor nominates the General Manager who will be at the same time another managing director on the same board as the Concession Agreement for Petroleum Exploration and Exploitation stipulates:

“Operating Company shall have a Board of Directors consisting of eight (8) members, four (4) of whom shall be designated by EGPC and the other four (4) by CONTRACTOR. The Chairman shall be designated by EGPC and shall also be a Managing Director. CONTRACTOR shall designate the General Manager who shall also be a Managing Director.” (Article VIII: 81)

According also to the Model form of the concession agreement published on the Ministry of Petroleum website, “the operating Company and contractor shall, for the purpose of this Agreement, be exempted from the following laws and regulations as now or hereafter amended or substituted:

- Law No. 48 of 1978, on the employee regulations of public sector companies;
- Law No. 159 of 1981, promulgating the law on joint stock companies, partnership limited by shares and limited liability companies;
- Law No. 97 of 1983 promulgating the law concerning public sector organizations and companies;
- Law No. 203 of 1991 promulgating the law on public business sector companies; and
- Provisions of part 2 of Chapter 6 of Law No. 88 of 2003, organizing dealings in foreign currencies.”(Model of Concession Agreement, 2013: 27)
Finally, it is remarkable that very scant information is to be found on this sector of SOEs in Egypt, as well as the Egyptian holding companies along with its subsidiaries and if information was to be found, it is usually confusing, and tangled especially when it comes to the regulatory laws and statutory structure that the sector abide by. This is considered an issue that puts the status of transparency in question.

**Board Effectiveness and Governance:**

This section of the literature review on board effectiveness and corporate governance in IJVs (IJVs, hereafter) will be categorized into two sections: Board effectiveness and Governance, and Disagreements and Conflicts in IJVs Boards. The first section looks into the relationship between corporate governance and board effectiveness and highlights the problems and conflicts occurring in an IJV related to the governance structure, contractual agreement, and division of ownership and control. As for the second section, it will look into the criteria of having an effective board of directors and the board processes as well as the reasons leading to potential conflicts and the types of conflicts which adversely affect board effectiveness and IJVs performance in general.

The IJVs’ contemporaneous popularity and the discontent with their performance resulted in a literature which indicates that IJV board directors can play a critical role in IJV success (Petrovic et al., 2009). In theory, the board of directors is the one responsible for formulating long-term corporate strategy. It is the one that assigns those who are fit to carry it out, and oversees the performance and outcome against the strategy being put. Therefore, a failed performance and a bad governance always starts with a board of directors not achieving its duties, tasks and responsibilities towards the organization it serves (OECD, 2011). Shenkar and Zeira (1987)
defined an IJV as "a separate legal organizational entity representing the partial holdings of two or more parent firms, in which the headquarters of at least one parent firm is located outside the country of operation of the joint venture. This entity is subject to the joint control of its parent firms, each of which is economically and legally independent of the other" (Shenkar and Zeira, 1987: 56). This involves two or more companies determining the strategic direction and operational matters of the JV Company (Petrovic et al., 2009).

IJV has a distinctive, “fragile” structure of governance – incomplete contracting and shared sovereignty (Pearce, 1997:198). It is considered a quasi-hierarchy in terms of the shared ownership and the existence of a contractual agreement which specifies what will be the nature of this sharing. The uniqueness of JV governance form originally emanates from the creation of a contractual agreement so that to determine the frame of the administration of the joint sovereignty. The JV governance structure represents a great burden in terms of the bargaining costs due to the presence of parental differences which could have a negative effect on the firm performance as well as its survival. This makes it less efficient and fragile. The term bargaining means that a group of activities, which attend the process of the completion and execution of the agreement, indicates that the contractual agreement that establishes the company is incomplete. This is because, the contract is not either addressing the issues it should tackle or the issues are not fully covered. At least four important issues should be tackled in the JV contracts to define the nature of the relationship between the parties. The First issue is the extent and nature of risks that are accepted or imposed. The second one is the specification of outcomes and how the rewards would be distributed. The third one is the asset or resource commitment of each party. The last one is what are the procedures and systems that determine the allocation of responsibilities and duties, control, and authority.
However, the determination of a mutual agreement on the terms and conditions tackling the above areas mentioned in the JV contract will result in different degrees of uncertainty faced by the JV parents due to an absence of trust and differences in objectives and goals. According to Bremer (personal communication), though the IJV partners may divide the management roles in the IJV reflecting their respective competencies and comparative advantage relative to the other partner. For example, in oil and gas IJVs here (Egypt), the local partner is usually given the operating role. In Chinese JVs, the local partner may be given the manufacturing role while the international partner is expected to be more involved in international marketing. In both cases, the inability to control key operational functions may increase risk for the foreign partner (from inefficiency, less control over pollution, poor quality, reduced ability to control fraud by the local partner, etc.). There is frequently a divergence of interests between parent companies in respect to their IJV, which may demonstrate a “mixed motive scenario” encompassing both co-operation and competition (Pearce, 1997: 198). This can easily cause conflicts between partners over priorities and a temptation to act in opportunistic ways, that is, to obtain benefits from the alliance, beyond the extent reciprocally agreed upon, in areas where the IJV contract is incomplete. This adversely affects the performance of IJV.

Thence, any successful IJV operation inherently relies on the establishment of a proper governance structure reflecting the partners’ respective equity share as well as management control. The board then articulates the IJV partners’ collective goals or, as noted earlier, some combination of shared and differentiated goals (Lee et al., 2003). The IJV governance structure emerges as a contingent result of bilateral negotiations between prospective partners who have imported various sets of resources to the joint venture. Therefore, the ownership and eventual
distribution of control will result in part from the relative bargaining power and capacity owned by the prospective participants, who may come from distinct cultural environments and also different institutional backgrounds as well as differing with respect to the needs of their businesses themselves, practice in the home countries, or other factors.

It also could result in conflicting control expectations between the partners that can result in tensions and stress on the IJV board. For instance, the levels of parental satisfaction may or may not concur with standard accounting measures. In other words, a JV may be seen as being unsuccessful by one or more of the partners despite achieving positive financial outcomes, simply because the IJV did not live up to the partner’s expectations (Mohr, 2002). For instance, a German GM on the board of a German-Chinese Joint Venture was interviewed and questioned about the performance of the JV which he represents, he replied as follows: “I usually distinguish between two issues: success can be seen as strategic or financial. Regarding the strategic success, I have to say that we have surpassed our initial expectation very quickly: market share, purchasing, and sales... in those areas we have made more progress than we originally had hoped for. In financial terms, though, we have not met our objectives” (Mohr, 2002: 5).

Because each of the parent firms has its unique mode of operation, structure, and objectives as the two of the parent companies are at least anchored in dissimilar national and cultural surroundings and each group of employees (expatriates of parent country or host country, transferees of parent country or host country, host country nationals, or third country nationals) has its own characteristics and qualities which stems from its nationality, workplace, entity of recruitment, position in the IJV hierarchy, legal rights and promotion possibilities, and sometimes (often) pay and benefits.
The nature of the conflict is not conducive for success according to (Bogun, 2008). For instance, conflicts are more likely leading to lower satisfaction levels within the group- work groups and management teams- and to less desire to stay in the group. As a result “frustration, unpleasantness and dissatisfaction is likely to contribute to managers losing interest in, or in extreme cases even terminating, their IJVs” (Bogun, 2008: 2). Interviews carried out by the authors suggest that even little amounts of conflict can be destructive and fatal for human interactions and the performance of the IJV and thus have to be averted. Following are several quotations from the interviews conducted: “When conflict exists between parent firms in a joint venture, the joint venture has little possibility of reaching its top possible performance” (Bogun, 2008: 2); “In fact, I have found that conflicts that directly involve the joint venture are the most detrimental” (2000:148); “conflict is something like a cancer” (Bogun, 2008: 2).

Disagreements and Conflicts in IJVs Boards:

The section aims to shed light on the conflicts influencing board effectiveness and their implications on the operations of JVs.

In contemporary management, the issue of JVs conflicts and their reduction along with their elimination are considered a significant area of research. Several research outcomes regularly stress that there are differences existing between the perceptions of partners coming from developed countries and those coming from developing ones, as well as the differences exist also between private partners and public ones (Jamali, 2004).

In order to identify the different factors causing conflict, it is necessary to put into consideration the most common and pernicious conflicts affecting negatively the performance of IJVs and they are as follow: values, styles of management, functional area: knowledge and skills, and effort norms.
Criteria of Board Effectiveness:

Board effectiveness is highly reliant on socio-psychological processes, especially those relating to group participation, intercommunication, exchange of information, and discussions (Oseichuk et al., 2009).

Board effectiveness is judged by two criteria: Board task performance and Board cohesiveness. Board task performance is described as the capability of the board of directors to fulfill its control and service tasks in an effective way (Forbes & Milliken, 1999). In order to accomplish the control task, particular activities should be fulfilled, such as giving approval regarding key initiatives suggested by the management, making decisions about compensations, hiring, and replacing the most senior managers of the company. As for the service task, it includes activities like offering expertise and insight when crucial situations demand them, like during restructuring of the organization or an acquisition. Service task includes also informal and ongoing tasks; for example: coming up with strategic options and alternatives during meetings of the board.

As for the board cohesiveness, it is the ability of the board members to stay on the board and continue working with each other (Forbes & Milliken, 1999). While board task performance directly affects company’s performance, cohesiveness has an indirect impact on the organization’s performance affecting the current and future levels of board task performance. In turn, the board members’ ability to keep working together, as demonstrated by board cohesiveness, is in part affected by board members’ degree of attraction to each other. Moreover, the work groups’ literature suggests that when members of a group are more attracted to one another, they tend to achieve higher levels of satisfaction as well as higher levels of commitment to the group (Petrovic et al., 2009). Hence, it leads to an atmosphere of trust, as Williams
&O’Reilly (1998) explain, which spread among Board members a willingness to trust in each other’s judgment and expertise, whereas boards with very low levels of interpersonal attraction and cohesiveness cannot sustain such trust. Moreover, in some ways, it is found that cohesiveness improves decision making process through encouraging earlier discussions of alternative scenarios. It also improves decision making process by enhancing more comprehensive discussion of alternative options and scenarios.

Board Processes and their Influences on the Effectiveness of the Board:
There are several processes that are more likely to affect both the board’s task performance and its cohesiveness: Differences in values (Bogun, 2008), differences in management style, functional area knowledge and skills, effort, norms, and language barrier (Forbes & Milliken, 1999).

Categorization of the reasons leading to conflicts in JV:

Values:
The major reason for conflicts may be incongruities in values, which Hofstede et al. (1990) argue adopted by individuals: “The core of culture is formed by values, in the sense of broad, nonspecific feelings of good and evil, beautiful and ugly, normal and abnormal, rational and irrational - feelings that are often unconscious and rarely discussible, that cannot be observed as such but are manifested in alternatives of behavior” (1990: 291).

Dissimilar values may lead to stress and negative feelings. Whereas Hennart & Zeng directed their attention to values on the organizational level “a firm’s values are largely a reflection of its national culture, and JV parents based in different countries will tend to have different values” (2002: 700). Values are defined as “the individual’s personal preference in work-and life-related
issues” (Hofstede et al., 1993: 490); they are linked to different and various concepts, that involves objectives, solving problems, resolving conflict (Hennart & Zeng, 2002), a desire for security, work centrality, a desire for authority (Hofstede et al., 1990) and, informal relationships and oral agreements that are a fundamental constituent of trust (George et al., 1998).

Different styles of management:

Bogun (2008) argued that differences in IJV partners’ management style can lead to contradictions and differences resulting in conflicts (Bogun, 2008). Managers who are from different countries differ widely regarding their conception of what constitutes effective and efficient managerial practices. It is found that differences in French-German IJVs’ managerial style resulted in conflicts in three major phases: start-up, maturity and end. It also has its adverse effect on functional area, managerial practices, and meeting deadlines. It is found that applying a clear style of management to suit a given environment cause higher economic productivity.

It is also discovered that whereas Hungarian managers were more authoritarian and had more powerful and potent roles, German managers confer autonomy on their inferiors. They were more team-oriented; including others in the decision-making process.

Differences in functional area: knowledge and skills

Diversity in functional area: knowledge and skills leads to conflicts that occur on two levels:

Organizational level and individual one.

- Conflicts happening on an organizational level:

The board of directors is required to demonstrate a higher level of specialized knowledge and skills in order to ensure its performance effectiveness (Forbes & Milliken, 1999). Functional area knowledge and skills cover the traditional fields of business, such as strategic and operational
management, production, finance, marketing and accounting, along with those fields that relate to the company’s association with its environment, such as law. According to Ancona & Caldwell (1988), the board of directors is identified as strategic-issue-processing and elite groups and hence, its members must have knowledge and skills in such domains or have access to outside networks which can help in gathering information and solving problems.

According to Gupta, & Govindarajan (2000), countries exhibiting advanced economic development level are more liable to be the sources of managerial and marketing, technological know-how than less developed countries. For example, Danis, & Parkhe (2002) noticed that Hungarian managers did not possess written strategy and marketing knowledge in Hungarian-Western partnerships, and had a narrow understanding of their mission. U.S. and Chinese partners have different priorities in administrating and supervising IJV operations (Ding, 1997). It is found that substantial differences in strategic targets between IJV partners of U.S. and China exist (Bogun, 2008). Whereas the U.S. partners devoted their attention to entering the local market and gaining profit in China, the Chinese partners sought to upgrade and enhance technology and management. The Chinese managers and workers also were resistant to carry out company policies on budgets, duties, and performance evaluation meetings.

- **Conflicts happening on an individual level: Language Barrier and its implications:**

Language barriers could moreover lead to more conflicts (Bogun, 2008). For instance, Bogun (2008) noticed that American and Polish managers devoted time to looking at various words that are missing in Polish language and attempting to think of a combination of words that are understandable in Polish and have a meaning close to the English. In the Russian-Swedish

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14They are at the apex of the firm making high-level decisions; not involved in the implementation process and producing an output that is cognitive in nature (Forbes and Milliken, 1999)
partnerships, language barrier brought about a feeling of “us” and “them” resulting in an absence of team spirit. On the other hand, having the same language might involve decreased communication costs. Language is an instrument to report on what is really going on around and this creates a kind of trust that is an absolutely essential necessity for effective performance and functioning in IJVs.

What connects us with the origin of language is the human desire to establish connection with one another and to express themselves (Corsen, 2009). When this connection takes place, an interactive relationship between one’s traditions, conventions, and one’s verbal living experiences as a society starts to be established. This process of interaction is what gives one’s world its shape and therefore culture and language are what determine the perception of the world around us. This relationship between language and human thought turns to be our cultural reality. It is also the way by which humans relate to each other. (Gamsriegler, 2005) stressed that verbal traditions plays a very important role in shaping perceptions. In other words, the connection between language and people forms our relationship with knowledge through opening a way that helps us in interpreting and understanding the world through its cultural elements.

If we take the concept of “time” as an example; Time is perceived differently in the United States than in the Czech Republic (Corsen, 2009). According to Corsen (2009), North Americans think of the hour that just passed while the Czechs picture the hour that is coming ahead. If time is 9:15, North Americans will tell it as a quarter past nine or fifteen minutes after nine while Czechs will state it as a quarter of ten. North American will often address the hour emerging next when time is coming near the hour. Hence 9:45 could be stated as a quarter to ten, but 9:15 is seldom described as having an association with the hour coming up next. The time definitions
given could seem insignificant, but these could show an inclination to concentrate on the past instead of the future ahead and this is based on a particular interpretation and understanding of time.

Another illustration of the differences in linguistic style that could affect communication and lead to misunderstandings is the differences in cultures between partners (George et al., 1998). For example in the United States and Germany, George et al. (1998) noted that people communicate with each other without beating around the bush, their objective is to receive and deliver information in a direct and explicit way with less regard to the context. As in China, Korea and Japan, many words are left unsaid; people tend to confer the meaning of their messages in an implicit and indirect way, through the physical context which involves facial expressions, behavior, signs or signals, and tone of voice until the person engaged in the conversation get or decodes the message in a right way. This is because their main objective is to maintain and reinforce relationships by face-saving (Gamsriegler, 2005). Another difference is shown in the way a Japanese and a German communicates as Gamsriegler (2005) explains. A German will not be able to figure out or expect the needs of the others as he depends more on the direct verbal message than relying on facial expressions, gestures, and tone of voice whereas a Japanese relies more on body language.

**Effort Norms:**

Effort is an individual-level construct regarding the intensity and strength of individuals' expected task performance behavior (Forbes & Milliken, 1999). Effort norms as a group-level construct are the shared beliefs of a group concerning the degree of effort each individual is
expected to put towards a task assigned to. Norms usually have a strong impact on the behavior of members, especially in groups such as boards.

A strong effort norms improves the effort of individual group members (Forbes & Milliken, 1999). Effort may be expressed by the time devoted to the duties or the time given for maintaining accurately budgeted schedules. A relationship was found between time dedicated by directors to their duties and effective governance. Particularly, directors who devote adequate time to their tasks and try to obtain the information at a timely fashion are better capable of thwarting or resolving crises. On the other hand, divergent perceptions of the time required to accomplish negotiations, for example, may lead to impediments, failure, and negative affect (George et al., 1998).

It was discovered that cultural differences in effort norms caused conflicts in U.S.-Chinese IJVs (Bogun, 2008). Whereas the U.S. partner wished for a clearly and sharply outlined timetable, the Chinese partner wanted a loose and non-binding schedule. A divergence is also noticed in the work time standards and norms in the US and Japan on one hand, and in Hungary, India and China, on the other hand. The software engineers, in both China and Hungary, exhibited striking differences in the standards and norms of their work-time. Engineers in China stuck firmly to time intervals when the workday started and ended, working strenuously during these periods, but seldom functioning significantly longer. Chinese engineers showed marked resistance to the likelihood of working extra hours or over weekends. As for the working hours in Hungary, they were not as overwhelmingly long as they are in the US or Japan. In the US many types of workers were likely to work seventy or eighty hours/week regularly, with additional effort especially during laborious and hard times. On the other hand, a study conducted noted that engineers in Japan tend to sacrifice their holidays, interests and hobbies, and even their family
life for the sake of work. Therefore, it is found that differences existing in effort norms pertaining to IJV partners could result in difficulties with control measures along with higher governance costs which could eventually result in conflicts. Anxiety and nervousness ensue as a result of uncertainty and lack of trust, which, in turn, lessens the degree of cooperation among board members, as it was found in a research conducted on U.S.-Chinese IJVs operating in China.

Hence, it is noted that the diversities and differences in functional area, perception, management styles, and effort norms discussed above are the most common factors causing conflicts among IJVs board members as shown in the below figure:

![A Model of Factors Leading to conflicts in IJVs](image)

**Figure 3-1- A Model of factors leading to conflicts in IJVs**

Adapted from: Bogun (2008: 8)
In this figure, four dimensions presented as possible reasons for arising of conflicts in IJVs: functional area knowledge and skills, individual perceptions of reality; effort norms, and management styles. Differences in functional area knowledge and skills along with differences in perception of reality and interpretation of phenomena lead to the unawareness of board members’ capabilities which consequently lead to difficulties in communication and transfer of knowledge. Diversity in effort norms causes a lack of trust, arising of free-rider problem. Other problems are poor preparation, and lack of trust, for instance, member A thinks member B did not do the tasks he has been assigned and he is unprepared to consider the issues to be decided. As for the differences in management styles, coordination difficulties pursue. All these diversities in the four dimensions may cause management complexities leading to conflicts which in turn affect adversely the IJV performance.

**Literature Conclusion:**

Building on the literature reviewed in the previous chapter, this study aims to investigate the extent of differences in the perceptions of IJV board members representing the state with those representing the private partners concerning corporate governance tools. Bottom line is that the diversity in IJV board in terms of different backgrounds, expectations, goals, objectives represents a challenge and this could in turn affect the satisfaction of both partners regarding the implementation of good governance. IJV boards are more prone to suffer from conflicts because they are more likely to have the characteristics that ignite conflicts, including differences in functional areas, management styles, language, and effort norms.
Chapter 4 : Methodology

Overview of the methodologies from the literature:

Several methodologies were found in the literature not directly addressing the aim of this research which is *Boardroom Governing Dynamics: A Case Study of State-Owned Oil and Gas Joint ventures in Egypt.*

The Board Directors Institute developed a methodology to explore board effectiveness in GCC countries through a survey distributed on board members in order to improve board effectiveness. The GCC Board Directors Institute (BDI) had done a survey on all GCC countries on more than 100 GCC board members in 2009 and on more than 200 GCC board members in 2011 in order to figure out the recent important state of affairs regarding the effectiveness of the board of directors (*Building Better Boards, 2009 and Embarking on a Journey, 2011*). The intention of this survey is to identify the key strengths and opportunities for surmounting the hurdles getting in the way of reinforcing board effectiveness in the region (*Building Better Boards, 2009*), to drive business performance (*GCC Board Effectiveness and Governance Survey, 2009*), to spread the spirit of teamwork, and to know how good do the directors collaborate with senior leadership (*Building Better Boards, 2009*).

Oseichuk et al. (2009), in their research Workings of the board: Case of the International Joint Venture "Arman", Kazakhstan, delve deep to answer “*How does the Board of Directors of the International Oil and Gas Joint Venture ‘Arman’ balance conflicting agendas whilst contributing to responsible corporate practice?*” they investigate the structure and composition of the board of directors, their roles and duties, along with the way they balance different issues.
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, which conflict with the practices of corporate responsibility. In their study, Oseichuk et al. used semi-structured interviews—face-to-face and via emails, telephone as well as contextual observation—a context driven observation. The interviews included International Joint Venture “Arman” local and western board members along with local and western managers, regulatory agencies and contractors—parties connected with the activities of the board (Oseichuk et al., 2009). As for contextual observational method, Oseichuk et al. (2009) argued that it was employed to “pick out what is relevant for analysis and piece it together to create tendencies, sequences, patterns and orders” (Ericson et al., 1991: 55). This method was less structured; it aimed to obtain “the perspectives of social actors, their ideas, attitudes, motives and intentions, and the way they interpreted their social world” (Oseichuk et al., 2009: 113). It also intended to qualitatively capture the human behavior so that it can explain shared culture as well as social meaning. Triangulation method, that is comparing data collected from various sources, was also adopted, it was employed to check whether the answers of the respondents were valid or not (Oseichuk et al., 2009).

**Methodologies Planned to be Employed in the Thesis**

The questionnaire used is based on one developed by the GCC Board of Directors Institute in the UAE (GCC BDI)\(^{15}\), which conducted a board effectiveness survey in order to develop the board’s performance. Although not specifically developed to compare local and foreign board members of IJV boards, many of the issues addressed are similar to those dealt with in this study. A modified form of the GCC BDI questionnaire, has been applied which originally developed by McKinsey. It has been modified in collaboration with the thesis supervisor to lessen the number of questions and make the survey more suitable to serve the aim of the study.

\(^{15}\)The GCC Board Directors Institute (BDI) is a non-profit organization aiming at promoting board effectiveness in the GCC region. (Building Better Boards, 2009)
This questionnaire, which is used with the permission of the BDI, addresses the following areas:
Board dynamics, delivery against key board roles, composition of the board, capabilities of the directors, the roles and accountabilities of directors, structure of the board and, board effectiveness and renewal policy. A 5-point Likert scale is also employed.

The survey is distributed in person by the researcher on the state-owned joint ventures in the oil and gas sector in Egypt. The survey is distributed to 13 oil and gas JV companies where there are 8 board members in each (4 of them are representing the Egyptian Government and the other 4 are representing the foreign oil investor) after getting the permission of Ministry of Petroleum (MoP) and CAPMAS. The criteria for selecting those 13 oil and gas JV companies were as follows: Having an access to them, being state-owned Joint-venture companies, and having a mix of domestic and foreign board members.

A quantitative analysis is employed relying on SPSS software analysis system (cross-tabulation and bar charts) as well as descriptive analysis is also included. A qualitative analysis is also employed where 12 board members were interviewed about what the challenges, they face in their boards, hindering board effectiveness are.

**Question Categories:**

The survey questions will tackle 7 categories, which comprise of:

1. Please tell us a little about yourself
2. Board composition and director capabilities:
   - Board composition and diversity
   - Specific industrial and functional expertise
3. Director roles and accountabilities
   - Director roles and accountabilities
   - Roles and responsibilities of Board committees
   - Board processes and protocols

4. Delivery on roles of the Board
   - Strategy
   - Performance management
   - Attitudes toward company performance issues
   - Risk management
   - Talent management

5. Effective dynamics
   - Preparation and participation
   - Challenge and conflict
   - Effective dynamics
   - Interaction with senior management

6. Overall Board effectiveness and renewal
   - Board renewal
   - Board evaluation

7. Final Comments
Limitation of the study:

Several factors imposed some limitations on this study. Access to state-owned joint ventures in the oil and gas sector in Egypt tends to be very limited and difficult. Consequently this constitute a barrier and a limitation in itself. Hence a further limitation was encountered, which is the sample size. It was planned to have 8 surveys distributed on 25 companies with 8 board members in each but due to the difficulty of the access we only had 13 companies while there are 41 state-owned JVs in the oil and gas sector in Egypt. I managed to obtain the approval of the Ministry of Petroleum orally or more specifically via telephone. They refused that I go by myself to the intended companies and rather offered to distribute the questionnaire but nothing came out. I kept contacting them again and again and offered a final resolution to go by myself but in vain. I finally resorted to distribute it through informal channels “contacts”. The research also was constrained by the amount of time available as the whole study took 3 whole years and has to be finished within the planned academic semester Spring/summer 2015. Financial constraints also constituted another limitation as the research is not supported by any grants or funds.

The successfulness of the outputs information generated from the survey depended on one main factor which is the quality of the survey data obtained from board members; that is their readiness to participate along with the level of forthrightness, honesty, and accuracy during the answering of the survey questions.
Chapter 5 : Analysis of Data

A quantitative analysis of the questionnaire of state-owned JV boards in the Oil and Gas Sector in Egypt:

In this chapter, a quantitative analysis is going to be applied on a hundred board members in state-owned JVs in the oil and gas sector. The aim of the analysis is to compare differences, in perspectives towards corporate governance practices, lying between local- Egyptian board members who represent the state as an owner, Egyptians representing the private partner on one side and foreign board members or IJV boards on the other side in Egypt; it figures out what are the barriers and hurdles that could prevent having an effective board in the Oil and Gas state-owned enterprises in Egypt.

The analysis will addresses the following areas that are tackled in the questionnaire: Board dynamics, delivery against key board roles, composition of the board, capabilities of the directors, the roles and accountabilities of directors, structure of the board, board effectiveness and renewal policy.

According to the surveyed board members, it is clear that there is no huge differences in the following sub-categories tackled in the questionnaire: specific industrial and knowledge expertise – i.e. core governance and compliance, industry / sector expertise, talent management, and functional knowledge-, the capabilities and knowledge development, Risk management, Decision- making, Interaction with senior management, and Board evaluation. However, based on the study, the differences exist in the following categories/sub categories:

1- Board Composition and Directors’ Capabilities:
For the purpose of this study, board composition is defined as a combination of experiences and knowledge, a mix of both different perspectives and backgrounds, and having the adequate amount of time the board devotes to their roles.

The foreign board members of the private firms feel that their boards can be enhanced further by taking those three actions:

- Amendment of the nomination and appointment process of the directors.
- Having the right board size by increasing the number of the board.
- Introduction of independent directors into their board.
- The rotation of the board should be addressed in a way that allows new talented members could join in.

Having expertise on governance issues within the board according to an American board member interviewed could be strengthened by having more knowledge on the newest trends in management, industry, business, and board processes. Diversity in board composition should also exist to reflect the population. The oil and gas state-owned joint ventures in Egypt consist of 8 board members and this is low number if it is compared to Europe which gives a room to introduce independent directors into the board room. For example in the United Kingdom independent directors constitute 91%, while in France they are 57%. In the GCC region, they represent 46% (GCC, 2009).

The study reveals that there is a dissatisfaction with the board composition on the part of the foreign board members who represent the foreign partner in the following areas:

**Board composition and Diversity:**

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The study finds that 40% of the foreign board members representing the private partner see that the effectiveness of the process of nomination and appointment of new board members need to be tackled, while 48% think there is no problem with the process. As for the Egyptian board members representing the private partner, 60% view that the process is effective and 22% oppose. As for the local board members representing the state, 72% view there is nothing wrong with the process whereas only 16% disagree/strongly disagree with this statement, as Figure (1) and Figure (2) illustrate.

As Figure (5-1) shows the percentage of respondents of the EGY board members representing the state (EBS) on whether the board has an effective process for nominating and
appointing new directors. The EGY board members of the state (EBS) responded in the following manner: 6% disagree, 12% neutral, 36% agree, and 36% strongly agree.

**Figure 5-2: EBP (The EGY board members representing the private partner) and FBP (The foreign boards representing the private partner) Nomination and Appointing of New Directors**

![Chart showing responses of EGY board members and foreign boards on nomination and appointing new directors.](chart)

Source: Compiled by the Author

Figure (5-2) shows the Percentage of respondents of the EGY board members representing the private partner (EBP) and the foreign boards representing the private partner (FBP) on whether the Board has an effective process for nominating and appointing new directors. The EBP responded: 4.3% strongly disagree, 17.4% disagree, 4.3% neutral, 69.6% agree, 4.3% strongly agree. The FBP: 14.8% strongly disagree, 25.9% disagree, 11.1% neutral, 37% agree, 11.1% strongly agree.

55% of the foreign board members representing the private partner oppose the view that the board has an ideal size while only 33% agree/strongly agree. While the Egyptian board members representing the private partner, 69% agree/strongly agree and 30% disagree/ strongly disagree. As for the board members representing the state, 70% adopt this view and only 8% disagree/strongly disagree with this statement as (Figures 3 and 4).
Figure 5-3: EBS and the Right Board Size

Figure (5-3) illustrates the percentage of respondents of EBS on whether the board is close to the right size for us to work together effectively. The EBS responded: 8% disagree, 22% neutral, 42% agree, and 28% strongly agree.
Figure 5-4: EBP, FBP and the Right Board Size

Figure (5-4) shows the percentage of respondents of (EBP) and (FBP) on whether the board is close to the right size for us to work together effectively. The EBP responded as: 8.7% strongly disagree, 21.7% disagree, 34.8 % agree, 34.8% strongly agree whereas FBP responded as 7.4% strongly disagree, 48.1% disagree, 11.1% neutral, and 33.3% agree.

Although there is no existence of independent or outside directors in the Oil and Gas state Joint ventures, some have answered with agree/strongly agree to whether the number of independent directors is enough or not which might indicate a slight deficiency in understanding the concept of corporate governance fully as Figure 5 and 6 show.

It was found that 59% of the foreign board members representing the private partner oppose that there is sufficient number of independent directors on board, while 48% agree. As for the Egyptian board members representing the private partner, 30% approve, while 8% want to see more of this. As for the board members representing the state, around half of them adopt this view and 24% does not back up this statement.
Figure 5-5: EBS and the number of the Independent Directors

Figure 5-5 shows the percentage of respondents of (EBS) on whether the number of independent directors on the board is sufficient to ensure the Board's independence. EBS responded in the following manner: 4% strongly disagree, 20% disagree, 30% neutral, 34% agree, and 12% strongly agree.
Figure 5-6: EBP, FBP and the number of the Independent Directors

The number of independent directors on the Board is sufficient to ensure the Board's independence.

Source: Compiled by the Author

Figure (5-6) shows the percentage of respondents of (EBP) and (FBP) on whether the number of independent directors on the board is sufficient to ensure the Board's independence. The EBP responded as 8.7% strongly disagree, 34.8% neutral, 47.8% agree, and 8.7% strongly agree whereas FBP responded as: 40.7% strongly disagree, 18.5% disagree, 14.8% neutral, and 25.9 % agree.

41% of the foreign board members representing the private partner oppose the rotation of the board members happen at an appropriate rate while only 25 %agree/ strongly agree. As for the Egyptian board members representing the private partner, 70% adopt this view and 17% sees the opposite. As for the board members representing the state, 46% agree/ strongly agree and only 30% disagree/ strongly agree (Figure 7 and Figure 8).
Figure 5-7: EBS and Board Rotation

As figure (5-7) shows the percentage of respondents of (EBS) on whether board members rotate at an adequate rate to allow new talent to join the board. EBS responded in the following manner: 30% disagree, 24% neutral, 34% agree, and 12% strongly agree.

Figure 5-8: EBP, FBP and Board Rotation

Figure (5-8) shows the percentage of respondents of (EBP) and (FBP) on whether board members rotate at an adequate rate to allow new talent to join the Board. The EBP responded as:
17.4% disagree, 13% neutral, 60.9% agree, and 8.7% strongly agree whereas FBP responded as: 3.7% strongly disagree, 37% disagree, 33.3% neutral, 18.5% agree, and 7.4% strongly agree.

2- Director roles and accountabilities.

Board members are considered as the fiduciaries to navigate the ship/company towards the future of sustainability and one of the responsibilities of the chairman of the board is to define in a clear way the roles and responsibilities of each and every board member so every member get to know where his authority starts and where the other’s begins.

The foreign board members feel that the two real barriers that hinder the defining of the responsibilities and duties of the board members are the vague understanding of the board’s roles as well as their way in resolving conflicts of interests.

Director Roles and accountabilities:

The study shows that 41% of the foreign board members representing the private partner do not see that there is clear understanding of all other board member’s roles and responsibilities, while 29% approve. As for the EGY board members representing the private partner, 52% agree/strongly agree and 30% disapprove. As for the EGY board members representing the state, 78% are content and 14% see the opposite (Figure 9 and 10).
As figure (5-9) shows the percentage of respondents of (EBS) on whether board members have a clear understanding of the roles and responsibilities of all other board members. EBS responded in the following manner: 14% disagree, 8% neutral, 60% agree, and 18% strongly agree.
Figure (5-10) shows the percentage of respondents of (EBP) and (FBP) on whether board members have a clear understanding of the roles and responsibilities of all other Board members. The EBP responded as 4.3% strongly disagree, 26.1% disagree, 17.4% neutral, 30.4% agree, and 21.7% strongly agree whereas FBP responded as: 11.1% strongly disagree, 29.6% disagree, 29.6% neutral, 18.5% agree, and 11.1% strongly agree.

44% of the foreign members representing the private partner disagree with the ability of the board to deal with conflicts of interests in a well-manner, while 11% feel pleased with their board’s ability in dealing with conflicts. As for the EGY board members representing the private partner, 26% supports the view and 22% disapprove. As for the board members representing the state, 28% are satisfied with the performance whereas 36% see the opposite (Figure 11 and 12).
Figure 5-11: EBS and Conflicts of Interests

Source: Compiled by the Author

Figure (5-11) shows the percentage of respondents of (EBS) on whether the board handles conflicts of interests appropriately (e.g., exclude the conflicted member from discussion or voting). EBS responded in the following manner: 4% strongly disagree, 32% disagree, 36% neutral, 18% agree, and 10% strongly agree.

Figure 5-12: EBP, FBP and Conflicts of Interests

Source: Compiled by the Author
Figure (5-12) shows the percentage of respondents of (EBP) and (FBP) on whether the board handles conflicts of interests appropriately (e.g., exclude the conflicted member from discussion or voting). The EBP responded as 4.3% strongly disagree, 17.4% disagree, 52.2% neutral, 17.4% agree, and 8.7% strongly agree whereas FBP responded as: 22.2% strongly disagree, 22.2% disagree, 44.4% neutral, 3.7% agree, and 7.4% strongly agree.

3- **Board structure, processes, and protocols.**

Boards establish committees to operate in an efficient way and get the work related to governance done. It has the ability to decrease the rate of problems springing from conflicts of interests of some board members.

The formation of board committees is important for the efficient operation of the board as well as for the reduction of any problems resulting from the rise of any conflicts of interests. Many well-known governance codes recommended the formation of three committees (nomination, audit, and remuneration), although the remuneration and nomination committees are sometimes combined into one (GCC, 2009). The average number of committees in Europe: United Kingdom is 3.8, France is 3 while 3.5 in Germany. In the Egyptian state-owned JV boards in the Oil and Gas Sector, separate committees are not prevalent within board.

According to survey foreign board respondents, to create a value, preparation of the board materials and engagement actively in discussions should be improved. Improvements need to be done in the organizational as well as strategic information in specific as interviewees clarified. The role of the chairman needs also to be strengthened so that to increase the engagement of board members in discussions and to improve the quality of information.

**Roles and responsibilities of Board committees:**
41% of the foreign board members representing the private partner reject that all board members understand the roles and duties of board committees (Although no establishment of any committees within any board is there) while 33% approve. As for the Egyptian board members representing the private partner, 70% are supporting that, while 9% disapprove. As for the board members representing the state, 66% adopt this view and 16% see the opposite (Figure 13 and 14).

Figure 5-13: EBS and Awareness of Committees’ Roles

Source: Compiled by the Author

Figure (5-13) shows the percentage of respondents of (EBS) on whether All Board members are fully aware of the roles and responsibilities of Board committees. The EBS responded in the following manner: 12% disagree, 14% neutral, 62% agree, and 12% strongly agree.
Figure 5-14: EPB, FBP and Awareness of Committees’ Roles

Figure (5-14) shows the percentage of respondents of (EBP) and (FBP) on whether All Board members are fully aware of the roles and responsibilities of Board committees. The EBP responded as: 4.3% strongly disagree, 4.3% disagree, 21.7% neutral, 43.5% agree, and 26.1% strongly agree whereas FBP responded as: 25.9% strongly disagree, 14.8% disagree, 25.9% neutral, and 33.3% agree.

30% of the foreign board members representing the private partner agree/strongly agree that the board has an audit committee and consist of mainly independent directors, while 70% approve. As for the Egyptian board members representing the private partner, 29.6% approve and 52% disapprove. As for the board members representing the state, 26% adopt this view and 32% see the opposite. Though there are no existence of outside directors on the boards surveyed as I have mentioned earlier, some answered the question with agree/strongly agree though which indicates that the term of independent directors are not familiar or common within this sector (Figure 15 and 16).
Figure 5-15: EBS and Audit Committee

Source: Compiled by the Author

Figure (5-15) shows the percentage of respondents of (EBS) on whether the Board has an audit committee with a majority of independent board members. EBS responded in the following manner: 4% strongly disagree, 28% disagree, 42% neutral, 22% agree, and 4% strongly agree.

Figure 5-16: EBP, FBP and Audit Committee

Source: Compiled by the Author
Figure (5-16) shows the percentage of respondents of (EBP) and (FBP) on whether the board has an audit committee with a majority of independent members. The EBP responded as: 13% strongly disagree, 17.4% disagree, 52.2% agree, and 17.4% strongly agree, whereas FBP responded as: 44.4% strongly disagree, 7.4% disagree, 18.5% neutral, 14.8% agree, and 14.8% strongly agree.

Board processes and protocols:

4% of the foreign board members representing the private partner don’t agree/strongly agree with the fact that the board is allowed an access to information in a timely fashion, while 32% approve. As for the Egyptian board members representing the private partner, 59% agree/strongly agree and 41% disapprove. As for the board members representing the state, 96% agree/strongly (Figure 17 and 18).

![Figure 5-17: EBS and Information Received](source: Compiled by the Author)
Figure (5-17) shows the percentage of respondents of (EBS) on the Board has access to adequate, relevant, and timely information. EBS responded in the following manner: 4% neutral, 54% agree, and 42% strongly agree.

![Figure 5-18: EBP, FBP and Information Received](image)

**Source:** Compiled by the Author

Figure (5-18) shows the percentage of respondents of (EBP) and (FBP) on whether the board has access to adequate, relevant, and timely information. The EBP responded as: 4.3% disagree, 13% neutral, and 82.6% agree, whereas FBP responded as: 7.4% strongly disagree, 33.3% disagree, 25.9% neutral, and 33.3% agree.

44% of the foreign board members representing the private partner do not see that the meeting agenda and related materials are sent prior to the meeting, while 25% approve that all materials are sent in the right time. As for the Egyptian board members representing the private partner, 83% agree and 4.3% disapprove. As for the board members representing the state, 92% support this (Figure 19 and 20).
Figure 5-19: EBS and Materials

Figure (5-19) shows the percentage of respondents of (EBS) on whether the materials for the Board meetings are sent out well in advance of the meeting. EBS responded in the following manner: 8% neutral, 50% agree, and 42% strongly agree.

Figure 5-20: EBP, FBP and Materials

Source: Compiled by the Author
Figure (5-20) shows the percentage of respondents of (EBP) and (FBP) on whether the materials for the board meetings are sent out well in advance of the meeting. The EBP responded as: 4.3% disagree, 13% neutral, 56.5% agree, and 26.1% strongly agree, whereas FBP responded as: 3.7% strongly disagree, 40.7% disagree, 29.6% neutral, and 25.9% agree.

40.7% of the foreign board members representing the private partner disagree/strongly agree that the agenda of the board meeting brings the right topics to the front for discussion, while 48.1% approve. As for the Egyptian board members representing the private partner, 87% back up this and 4.3% disapprove. As for the board members representing the state, 94% supports that (Figure 21 and 22).

**Figure 5-21: EBS and Meeting Agenda**

Source: Compiled by the Author

Figure (5-21) shows the percentage of respondents of (EBS) on whether the Board meeting agenda prioritizes the right topics for discussion. The EBS responded in the following manner: 6% neutral, 52% agree, and 42% strongly agree.
Figure 5-22: EBP, FBP and Meeting Agenda

Source: Compiled by the Author

Figure (5-22) shows the percentage of respondents of (EBP) and (FBP) on whether the Board meeting agenda prioritizes the right topics for discussion. The EBP responded as: 4.3% disagree, 8.7% neutral, 43.5% agree, and 43.5% strongly agree, whereas FBP responded as: 7.4% strongly disagree, 33.3% disagree, 11.1% neutral, 33.3% agree, and 14.8% strongly agree.

44% of the foreign board members representing the private partner disagree/ strongly disagree with the fact that the board meetings materials tackles the items for discussions in an effective manner, while 44% approve. As for the Egyptian board members representing the private partner, 74% back up and 4.3% disapprove. As for the board members representing the state, 90% adopt this view (Figure 23 and 24).
Figure 5-23: EBS and Addressing Topics Effectively

Source: Compiled by the Author

Figure (5-23) shows the percentage of respondents of (EBS) on whether the materials prepared for board meetings effectively address the topics for discussion. EBS responded in the following manner: 10% neutral, 66% agree, and 24% strongly agree.

Figure 5-24: EBP, FBP and Addressing Topics Effectively

Source: Compiled by the Author
Figure (5-24) shows the percentage of respondents of (EBP) and (FBP) on whether the materials prepared for Board meetings effectively address the topics for discussion. The EBP responded as: 4.3% disagree, 21.7% neutral, 60.9% agree, and 13% strongly agree, whereas FBP responded as: 11.1% strongly disagree, 33.3% disagree, 11.1% neutral, 40.7% agree, and 3.7% strongly agree.

40.7% of the foreign board members representing the private partner does not support the fact that materials are could be read and understood easily, whereas 44.4% approve. As for the Egyptian board members representing the private partner, 83% agree/strongly agree and 13% disapprove. As for the board members representing the state, 84% adopt this view and 2% see the opposite (Figure 25 and 26).
Figure (5-25) shows the percentage of respondents of (EBS) on whether preparation materials are concise and easy to read and understand. EBS responded in the following manner: 2% disagree, 14% neutral, 50% agree, and 34% strongly agree.

Figure (5-26): EBP, FBP and Preparation Materials

Figure (5-26) shows the percentage of respondents of (EBP) and (FBP) on whether Preparation materials are concise and easy to read and understand. The EBP responded as: 8.7% strongly disagree, 4.3% disagree, 4.3% neutral, 47.8% agree, and 34.8% strongly agree, whereas FBP responded as 22.2% strongly disagree, 18.5% disagree, 14.8% neutral, 40.7% agree, and 3.7% strongly agree.

4- Delivery on Roles of the board:

Three major obligations of the board were highlighted: the formulation and reviewing of the strategic plan, supervision of health and performance, and dealing with major risks factors encountering the organization.

According to the foreign board members surveyed, board members need to spend enough time on talent, risk, and strategy management as well as improving the quality of discussions on those
areas. The interviewees have expressed their dissatisfaction with the formulation of the strategy in a clear way. A retreat in this case could be the best solution for brainstorming and developing a suitable vision and strategy for the company. A talent management expertise should be invited to the board starting the selection process to the retention one. This could be done through offering training courses as well as frequent reading benchmarks, analyst reports, and management periodicals to develop the capabilities of the board members (GCC, 2009).

**Strategy:**

52% of the foreign board members representing the private partner oppose the fact that board members devote more quality time for defining and reviewing strategy, while 33% approve. As for the Egyptian board members representing the private partner, 35% back up this and 17% disapprove. As for the board members representing the state, 33% adopt this view (Figure 27 and 28).

![Figure 5-27: EBS and Involvement in Strategy Development](image)

Source: Compiled by the Author
Figure (5-27) shows the percentage of respondents of (EBS) on whether Board members are sufficiently involved in strategy development. EBS responded in the following manner: 34% neutral, 46% agree, and 20% strongly agree.

Figure 5-28: EBP, FBP and Involvement in Strategy Development

Source: Compiled by the Author

Figure (5-28) shows the percentage of respondents of (EBP) and (FBP) on whether Board members are sufficiently involved in strategy development. The EBP responded as: 17.4% disagree, 21.7% neutral, 34.8% agree, and 26.1% strongly agree, whereas FBP responded as: 18.5% strongly disagree, 33.3% disagree, and 14.8% neutral, 33.3% agree.

44% of the foreign board members representing the private partner does not feel that the board dedicate a sufficient amount of time on discussing important issues related to strategy, whereas 29% approve. As for the Egyptian board members representing the private partner, 43% approve of that and 22% disapprove. As for the board members representing the state, 35% agree/strongly agree and 8% disagree/strongly disagree (Figure 29 and 30).
Figure 5-29: EBS and Time discussing Strategy Issues

Source: Compiled by the Author

Figure (5-29) shows the percentage of respondents of (EBS) on whether board members spend enough time discussing strategy issues. EBS responded in the following manner: 8% disagree, 22% neutral, 48% agree, and 22% strongly agree.

Figure 5-30: EBP, FBP and Time discussing Strategy Issues

Source: Compiled by the Author
Figure (5-30) shows the percentage of respondents of (EBP) and (FBP) on whether board members spend enough time discussing strategy issues. The EBP responded as: 21.7% disagree, 34.8% neutral, 30.4% agree, and 13% strongly agree, whereas FBP responded as 3.7% strongly disagree, 40.7% disagree, 25.9% neutral, 25.9% agree, and 3.7% strongly agree.

Performance management:

30% of the foreign board members representing the private partner oppose that all board members understand how well the company is operating, while 18% approve. As for the Egyptian board members representing the private partner, 70% approve and 9% disapprove. As for the board members representing the state, 90% back up this (Figure 31 and 32).

Figure 5-31: EBS and Understanding of the Org. performance

![Figure 5-31: EBS and Understanding of the Org. performance](image)

Source: Compiled by the Author

Figure (5-31) shows the percentage of respondents of (EBS) on whether the board has a real understanding of how well the organization is performing. EBS responded in the following manner: 10% neutral, 62% agree, and 28% strongly agree.
Figure 5-32: EBP, FBP and Understanding of the Org. performance

The Board has a real understanding of how well the organization is performing.

Source: Compiled by the Author

Figure (5-32) shows the percentage of respondents of (EBP) and (FBP) on whether the board has a real understanding of how well the organization is performing. The EBP responded as: 4.3% strongly disagree, 4.3% disagree, 21.7% neutral, 39.1% agree, and 30.4% strongly agree, whereas FBP responded as: 7.4% strongly disagree, 18.5% disagree, 55.6% neutral, and 18.5% agree.

33% of the foreign board members representing the private partner disagree/ strongly disagree with the fact that the Board pays attention to a set of health indicators e.g. the rate of employee attrition, while 41% approve. As for the Egyptian board members representing the private partner, 65% back up and 26% disapprove. As for the board members representing the state, 54% support this and 14% see the opposite (Figure 33 and 34).
Figure 5-33: EBS and Tracking of Health Indicators

Figure (5-33) shows the percentage of respondents of (EBS) on whether the board is tracking a set of health indicators (e.g., employees’ attrition rate, customer satisfaction, new products share of revenue). EBS responded in the following manner: 14% disagree, 32% neutral, 32% agree, and 22% strongly agree.

Figure 5-34: EBP, FBP and Tracking of Health Indicators

Source: Compiled by the Author
Figure (5-34) shows the percentage of respondents of (EBP) and (FBP) on whether the Board is tracking a set of health indicators (e.g., employees attrition rate, customer satisfaction, new products share of revenue). The EBP responded as: 4.3% strongly disagree, 21.7% disagree, 8.7% neutral, and 65.2% agree, whereas FBP responded as: 3.7% strongly disagree, 29.6% disagree, 25.9% neutral, 37% agree, and 3.7% strongly agree.

**Attitudes toward company performance issues:**

22% of the foreign board members representing the private partner disapprove of the elimination of jobs to increase profitability, while 52% approve. As for the Egyptian board members representing the private partner, 52% back up and 26% disapprove. As for the board members representing the state, 32% adopt this view and 48% see the opposite (Figure 35 and 36).

**Figure 5-35: EBS and Job Elimination**

Source: Compiled by the Author

Figure (5-35) shows the percentage of respondents of (EBS) on whether it is appropriate to eliminate jobs if this is necessary to increase the company's profitability. EBS responded in
the following manner: 2% strongly disagree, 30% disagree, 20% neutral, 40% agree, and 8% strongly agree.

Figure 5-36: EBP, FBP and Job Elimination

![Bar chart showing the percentage of respondents of (EBP) and (FBP) on whether it is appropriate to eliminate jobs if this is necessary to increase the company's profitability.]

Source: Compiled by the Author

Figure (5-36) shows percentage of respondents of (EBP) and (FBP) on whether it is appropriate to eliminate jobs if this is necessary to increase the company's profitability. The EBP responded as: 26.1% strongly disagree, 13% disagree, 43.5% agree, and 17.4% strongly agree, whereas FBP responded as: 3.7% strongly disagree, 7.4% disagree, 22.2% neutral, 40.7% agree, and 25.9% strongly agree.

Talent management:

33% of the foreign board members representing the private partner disagree, while 25% approve of the fact that board members are all involved in managing talents in an effective way (i.e., selecting talented members, compensating the talented, development and evaluating board members to discover skills and benefit from the talented). As for the Egyptian board members representing the private partner, 47% back up and 26%
disapprove. As for the board members representing the state, 78% adopt this view and 4% see the opposite (Figure 37 and 38).

Figure 5-37: EBS and Involvement in Talent Management

Source: Compiled by the Author

Figure (5-37) shows the percentage of respondents of (EBS) on whether the board is effectively involved in talent management (i.e., selection, compensation, evaluation, development, and succession planning of critical positions in the top management team). EBS responded in the following manner: 4% disagree, 18% neutral, 52% agree, and 26% strongly agree.
Figure 5-38: EBP, FBP and Involvement in Talent Management

The Board is effectively involved in talent management (i.e., selection, compensation, evaluation, development, and succession planning of critical positions in the top management team).

33% of the foreign board members representing the private partner oppose that the board spends enough time on talent management, while 29% approve. As for the Egyptian board members representing the private partner, 43% back up and 26% disapprove. As for the board members representing the state, 22% adopt this view and 22% see the opposite (Figure 39 and 40).
Figure 5-39: EBS and Discussions of Talent Management

Source: Compiled by the Author

Figure (5-39) shows the percentage of respondents of (EBS) on whether the board spends sufficient time discussing talent management issues. EBS responded in the following manner:

4% strongly disagree, 18% disagree, 56% neutral, 20% agree, and 2% strongly agree.

Figure 5-40: EBP, FBP and Discussions of Talent Management

Source: Compiled by the Author
Figure (40) shows the percentage of respondents of (EBP) and (FBP) on whether the board spends sufficient time discussing talent management issues. The EBP responded as: 26.1% disagree, 30.4% neutral, 26.1% agree, and 17.4% strongly agree, whereas FBP responded as: 3.7% strongly disagree, 29.6% disagree, 37% neutral, and 29.6% agree.

37% of the foreign board members representing the private partner are not satisfied with the process of documentation for succession plans of critical job positions, while 25% approve. As for the Egyptian board members representing the private partner, 26% are satisfied and 44% disapprove. As for the board members representing the state, 40% are content and 36% see the opposite (Figure 41 and 42).

Figure 5-41: EBS and Succession Plans

![Graph showing the percentage of respondents of EBS on whether the Board has a documented process of succession plans for all critical positions.](image)

Source: Compiled by the Author

Figure (5-41) shows the percentage of respondents of (EBS) on whether the Board has a documented process of succession plans for all critical positions. EBS responded in the following manner: 4% strongly disagree, 32% disagree, 24% neutral, 38% agree, and 2% strongly agree.
Figure (5-42) shows the percentage of respondents of (EBP) and (FBP) on whether the Board has a documented process of succession plans for all critical positions. The EBP responded as: 43.5% disagree, 30.4% neutral, and 26.1% strongly agree, whereas FBP responded as: 37% disagree, 37% neutral, and 25.9% agree.

5- **Effective dynamics:**

Board dynamics include: adequate preparation for board meetings, being effectively engaged in discussions and know the purpose of them.

The foreign board members expressed their dissatisfaction with how conflicts are resolved. To solve that the board members should know that they are a team “and can take advantage of much of the research available on the drivers of team effectiveness. Taking the time to openly discuss the board’s performance as a team, working on building better personal connections and shared understanding between board members and, more broadly, finding a style and rhythm of interactions that suits the individuals involved can all contribute to better dynamics in the board room. The board has a vital role and substantial fiduciary duty to perform — but that need not detract from it functioning as a well performing team where
members are genuinely stimulated and excited by their roles and interactions with each other” (GCC, 2009:27).

Preparation and participation:

44% of the foreign board members representing the private partner disapprove of the fact that all board members prepare right for meetings, while 29% approve. As for the Egyptian board members representing the private partner, 83% back up and 29% disapprove. As for the board members representing the state, 70% adopt this view and 6% see the opposite (Figure 43 and 44).

Figure 5-43: EBS and Preparation for Meetings

![Percentage of respondents of (EBS) on whether all board members prepare well for board meetings. EBS responded in the following manner: 6% disagree, 24% neutral, 54% agree, and 16% strongly agree.](image)

Source: Compiled by the Author

Figure (5-43) shows the percentage of respondents of (EBS) on whether all board members prepare well for board meetings. EBS responded in the following manner: 6% disagree, 24% neutral, 54% agree, and 16% strongly agree.
Figure 5-44: EBP, FBP and Preparation for Meetings

Figure (5-44) shows the percentage of respondents of (EBP) and (FBP) on whether all Board members prepare well for Board meetings. The EBP responded as: 13 % disagree, 4.3 % neutral, and 82.6 % agree, whereas FBP responded as: 44.4 % disagree, 25.9% neutral, and 29.6% agree.

44% of the foreign board members representing the private partner oppose that all board members are involved in debates and discussions in meetings, while 37 % approve. As for the Egyptian board members representing the private partner, 60% back up and 17% disapprove. As for the board members representing the state, 94% adopt this view and 2% see the opposite (Figure 45 and 46)
Figure 5-45: EBS and Engagement in Board Discussions

Source: Compiled by the Author

Figure (5-45) shows the percentage of respondents of (EBS) on whether all board members are engaged in board discussions. EBS responded in the following manner: 2% disagree, 4% neutral, 74% agree, and 20% strongly agree.

Figure 5-46: EBP, FBP and Engagement in Board Discussions

Source: Compiled by the Author

Figure (5-46) shows the percentage of respondents of (EBP) and (FBP) on whether all board members are engaged in board discussions. The EBP responded as: 17.4 % disagree,
21.7% neutral, 39.1% agree, and 21.7% strongly agree, whereas FBP responded as: 3.7% strongly disagree, 40.7% disagree, 18.5% neutral, and 37% agree.

30% of the foreign board members representing the private partner oppose that all members are aware of the purpose of discussions running in meetings, while 37% approve. As for the Egyptian board members representing the private partner, 87% back up and 9% disapprove. As for the board members representing the state, 82% adopt this view and 4% see the opposite (Figure 47 and 48).

![Figure 5-47: EBS and Purpose of Discussions](chart.png)

Source: Compiled by the Author

Figure (5-47) shows the percentage of respondents of (EBS) on whether board members are always clear on the purpose of their discussions. EBS responded in the following manner: 4% disagree, 14% neutral, 62% agree, and 20% strongly agree.
Figure 5-48: EBP, FBP and Purpose of Discussions

Figure (5-48) shows the percentage of respondents of (EBP) and (FBP) on whether board members are always clear on the purpose of their discussions. The EBP responded as: 8.7% disagree, 4.3% neutral, 73.9% agree, and 13% strongly agree, whereas FBP responded as: 29.6% disagree, 33.3% neutral, and 37% agree.

Challenge and conflicts:

52% of the foreign board members representing the private partner oppose that the board is able to reach closure on issues that are difficult, while 22% approve. As for the Egyptian board members representing the private partner, 48% back up. As for the board members representing the state, 66% adopt this view and 4% see the opposite (Figure 49 and 50).
Figure 5-49: EBS and Reaching Closure

Source: Compiled by the Author

Figure (5-49) shows the percentage of respondents of (EBS) on whether the board is able to reach closure on difficult decisions. EBS responded in the following manner: 4% disagree, 30% neutral, 50% agree, and 16% strongly agree.

Figure 5-50: EBP, FBP and Reaching Closure

Source: Compiled by the Author
Figure (5-50) shows the percentage of respondents of (EBP) and (FBP) on whether the board is able to reach closure on difficult decisions. The EBP responded as: 52.2% neutral, 43.5% agree, and 4.3% strongly agree, whereas FBP responded as: 7.4% strongly disagree, 14.8% disagree, 25.9% neutral, and 51.9% agree.

6- Overall effectiveness and renewal:

According to the foreign board members interviewed, an evaluation should be conducted; it should assess the board’s performance as a whole as well as the directors individually. In terms of mechanics, the evaluation process can be delivered by self-assessments, external assessments or a combination of the two. Self-assessments, which involve the board reviewing itself against certain criteria, are easier to implement and less threatening than assessments by outsiders, thus making directors more likely to accept the evaluation process. However, some disadvantages include subjective responses, the potential unwillingness of some board members to honestly review the work of their tenured peers, and the prospect of outsiders discounting the final assessment as less than impartial. Formal assessments involve a board review by an independent third party. One benefit of a formal assessment is the likelihood that it will be viewed as impartial. The disadvantages are that the process is more complicated, more time is needed, and directors are more likely to feel threatened than under a self-assessment” (GCC, 2009: 29). The board members are the one to decide which type of evaluation to take depending on the trust as well as the openness level prevalent among the board.

The study shows that there were differences in opinions towards board renewal as the following points illustrate:

Board renewal:
30% of the foreign board members representing the private partner opine that the board takes time to form an opinion about and discuss existing challenges encountering the organization and the available opportunities for improvements, while 52% approve. As for the Egyptian board members representing the private partner, 52% back up and 17% disapprove. As for the board members representing the state, 64% adopt this view and 14% see the opposite (Figure 51 and 52).

Figure 5-51: EBS and Time Taken for Reflection on Issues

Source: Compiled by the Author

Figure (5-51) shows the percentage of respondents of (EBS) on whether the Board takes the time to step back and reflect on how effective it is and what the challenges and opportunities for improvement are. EBS responded in the following manner: 14% disagree, 22% neutral, 54% agree, and 10% strongly agree.
Figure 5-52: EBP, FBP and Time Taken for Reflection on Issues

The Board takes the time to step back and reflect on how effective it is and what the challenges and opportunities for improvement are. The EBP responded as: 17.4% disagree, 30.4% neutral, and 52.2% agree, whereas FBP responded as: 29.6% disagree, 18.5% neutral, and 51.9% agree.

30% of the foreign board members representing the private partner oppose the fact that there is flexibility of the board in matters of reprioritizing important issues that necessitates quick intervention, while 63% approve. As for the Egyptian board members representing the private partner, 100% back up. As for the board members representing the state, 80% adopt this view and 10% see the opposite as seen in Figure (52 and 53).
Figure 5-53: EBS and Flexibility

Source: Compiled by the Author

Figure (5-53) shows the percentage of respondents of (EBS) on whether the Board is flexible enough to reprioritize when the situation demands it. EBS responded in the following manner: 10% disagree, 10% neutral, 70% agree, and 10% strongly agree.

Figure 5-54: EBP, FBP and Flexibility

Source: Compiled by the Author
Figure (5-54) shows percentage of respondents of (EBP) and (FBP) on whether the board is flexible enough to reprioritize when the situation demands it. The EBP responded as: 69.6% agree, and 30.4% strongly agree, whereas FBP responded as: 25.9% disagree, 11.1% neutral, 59.3% agree, and 3.7% strongly agree.
Chapter 6: Study Findings

This chapter sums up the key findings based on the survey results of the quantitative analysis employed in the study. The study also intended to find a correlation between differences towards the practices of governance, experience (in terms of number of boards that members served on), and education, but the results were insignificant and we are limited by both space and time. The analysis discussed in the previous chapter has revealed that differences towards governance practices do exist between local- Egyptian board members who represent the state as an owner, Egyptians representing the private partner, and foreign board members or IJV boards as they will be discussed in this chapter. No significant difference is found between Egyptians board members representing the private partner and those members representing the state on board. The striking contrast is found in the six “levers” (GCC Board Effectiveness and Governance Survey, 2009: 10) as shown in the chapter of the analysis between the foreign board members, and those Egyptian board members representing the private partner as well as the state.

The results of the questionnaire shows that nearly half of foreign board members who are representing the private partner are not satisfied with the board composition and the capabilities of the directors which is considered an important factor in achieving board effectiveness. Whereas more or less quarter of the Egyptian board members representing the private partner and of those representing the state feel the contrary. An American board member when interviewed says that in order for the board to be effective “The board should be aware of the latest trends of international board practices and applying them in the right manner. The board should consist of a mix of directors with more knowledge and expertise so that to manage well
the challenges we encounter” while an Indian board member said that “bringing an expertise in financial stewardship is needed”. Egyptian private board member mentioned that “the directors should reach a high degree of creativity to enable them to develop the organization. They need to be more professionals, and efficient…” two Egyptian state board member say also “The board members should be selected based on a fair criteria – their experiences and expertise- not through favoritism, cronyism, or nepotism. That people with experience, and efficiency should be rewarded for motivation so that our board could achieve an effective performance”. Another state board member say “The secretary of the board should have the necessary expertise …Have the quality of integrity and honesty not manipulating the situation for his/her own interests”.

According to the members surveyed as illustrated, more or less half of the foreign board members representing the private partner want to see more of understanding of the duties of all the rest of board members, while only quarter of the Egyptian board members representing the private partner disagree. As for the board members representing the state, they agree that there is an accurate understanding of the duties of the board but quarter of them view that the board is incapable of dealing with conflicts of interests in the right way. A Canadian board member mentioned that “there should be an orientation program to introduce them to the responsibilities and duties they will be holding”.

The research shows a lack of independent directors though their presence will add a lot of value in the board.

Nearly half of the Egyptian board members representing the private partner disagree that the board is allowed an access to information in the right time, whereas the foreign board members representing the private partner and the board members representing the state agree to this. As for the agenda and materials preparation given to board, almost half of the foreign board
members representing the private partner disagree while the majority of the Egyptian board members representing the private partner and the board members representing the state agree. The quality of information received by the board and, the preparation for and engagement level in meetings need be improved to increase the efficiency and effectiveness of the board. An Egyptian Private board member says “training programs in management, governance and presentation skills should be devised for the board to improve their performance”.

More or less half of the foreign board members representing the private partner are not satisfied with the strategy formulation or the discussion about strategy. Whereas more than quarter of the Egyptian board members representing the private partner as well as the board members representing the state are content.

Nearly quarter of the foreign board members representing the private partner are not satisfied with the management of performance in terms of understanding organization performance and how well it is, as well as of the tracing of health indicators, whereas the majority of the Egyptian board members representing the private partner and the board members representing the state are satisfied with the performance in general.

Around half of the foreign board members and the Egyptian board members representing the private partner agree to eliminate jobs if it was necessary while only quarter of the board members representing the state reject that.

Around quarter of the foreign board members representing the private partner disagree with the way board is handling talent management, whereas the Egyptian board members representing the private partner are satisfied except in the process of plans documentation regarding succession ones for important position. The majority of the board members representing the state feel that there is nothing wrong with talent management.
Hence there is a need to dedicate more time to strategy, performance, talent, and risk management. An Indian board member say that “the board needs to develop the key performance indicators and financial objectives”. Another one say “There should be an up-to-date internal system with rules and laws to regulate the inner workings of the board e.g. voting system, holding and scheduling of meetings, etc.. which will help board members in making sound decisions”. An Egyptian board member added that “There should be a sound plan for board members succession to prepare a new generation or second row of new leaders by devising a leadership development program. Evaluation of the board’s and top managers’ performance should be conducted from time to time so the weaknesses and strengths could be detected”.

Half of the foreign board members representing the private partner does not support the statement that says the board is capable to take decisions regarding difficult issue, while only quarter approve. As for the Egyptian board members representing the private partner, around half of them think the board has the ability to do so. As for the board members representing the state, more than half agree.

Around quarter of the foreign board members representing the private partner disagree with the way the board is dealing with opportunities and challenges when needed as well as disapprove with the board being inflexible in facing any critical situations when appear, whereas the Egyptian board members representing the private partner and the board members representing the state are satisfied.

Other challenges regarding decision-making are tackled during the interviews. One of the Egyptian board member who represents the state as an owner says that “the foreign member has the upper hand and the board members have no say in anything and this out of fear from the fleeing of investments….The foreign partner is cuddled especially after the law stipulated that
the shares should be 50/50. Now the foreign partner is poking his nose in everything even in the affairs or issues that relates to the Egyptian employees in terms of promotions, remuneration, and bonuses, though whatever he pays, the EGPC pay him back later. The foreign partner gives himself the green light to delay any agreed drilling plans in the budget) to the next year without any penalties in some cases under the plea of force majeure, the decrease in the price of oil, or lack of financial liquidity and that’s against the plans set by the government”. Another one mentioned that “The partners or shareholders should be flexible in financing the necessary work activities”.

✓ Here we will look into the findings of the GCC Board Directors Institute’s (BDI) reports in 2009, 2011, and 2013 on the publicly-listed companies in GCC countries. The first report in 2009 covered the 200 top companies where more than 100 board members have completed the survey. In the second report of 2011, 200 board members have participated while in 2013, there is no mention of the sample number. Findings are as follow:

➢ In 2009:

1- Board composition and capabilities of directors need to be improved.

2- A good amount of time need to be devoted by the board members to their duties and roles.

3- There is a substantial lack of international expertise on the GCC boards. As for the presence of Independent directors from outside the region, they represent less than 3%.

4- It was found that there is a very limited use of specialized committees (i.e. audit remuneration, and nomination) in the GCC region.
5- More time is needed to be devoted to their core board roles in terms of strategy, risk, and talent management.

6- Board dynamics need to be improved in terms of the quality of information, preparation for meetings and the board’s engagement level during debates in the meetings.

7- An evaluation process needs to be conducted.

8- Executive committee is the one of the GCC boards’ used common practices, but the use of this committee is not effective to organizations with such productive performance and size.

➢ In 2011:

1- Improvement of the board composition and capabilities of the directors still represent a barrier to board effectiveness.

2- International expertise is still missing.

3- GCC board specialized committees (audit, remuneration, and nomination as mentioned in the report recommendations) doubled in number more than they used to be in 2009.

4- The number of the independent directors has also increased.

5- The boards still need to devote more time to their roles and responsibilities, risk, strategy, and talent management.

6- Executive committees are still in use and increased.

7- Preparation for meetings and engagement in discussions are still a barrier.

8- Self-evaluation is still missing.

➢ In 2013:
1- More awareness of the GCC board members of their duties and roles is recognized in terms of the internal board processes, enforcing accountability and corporate governance.

2- No development happened in the board composition and the skills of the board.

3- More time is still needed for strategy management.

4- Board members are not rotating at a speedy rate so that to bring new spirits into the board. This is due to the close ties existing between family and business.

5- A striking rise in the numbers of board members who approves that the participation of the board members becomes more active at the board meetings.

6- Talent management is still missing and no succession plans for critical positions is made.

7- No evaluation process.
Chapter 7 : Conclusions and recommendations

The study reveals that there are several differences in the perspectives of board members towards corporate governance practices which in turn could influence board effectiveness in a negative way. Hence, there are some actions that the boards of the oil and gas state joint ventures in Egypt should consider:

1- Nomination and appointment process:

In nominating new board candidates, seeking sector-specific talents is an excellent way to manage to build a strong board that an organization grows into (Ward, 2012). The selected director should possess a mix of skills, knowledge, and experiences-e.g. governance, thinking in a strategic way...etc.-, though this is not enough to produce a perfect profile of a board. A diversity in the board composition should exist in terms of gender, age, and professional practice.

In a nutshell there is no fixed formula to reach an ideal board. Therefore, before nomination, it is advised to go over the sector’s strategy and the board’s job description so as to link between goals, priorities, and competencies aimed for, in order to determine what experience in which area is mostly needed (MIoD, 2012).

2- Size of the board:

The issue of the ideal size of the board is very debatable. There is no one-fits-all size for this because every organization has its own demands and needs. It depends on the structure of governance, regulatory requirements, as well as which stage of growth the organization in. the average and recommended size is from 10 to 12 board members (Ward, 2012). Few points should be taken into consideration upon deciding to set out the board size: discussions going on
the board room is constructive and fruitful, the board consists of independent directors (one third of the board would be ideal), the number of members is sufficient to make the work flow going faster, the quorum size is enough to take quick decisions in important matter, the composition of board committees consists of and headed mainly by independent directors, and there is a separate chairman and CEO (MiOD, 2012).

3- Recruitment of independent board members:
Having independent board members is very important. First to avoid that no one dominate the process of decision-making, as the allegiance to the chairman could lead to an atmosphere that stifles discussion and debate. Second to reflect the big picture so that to prevent by that this false report of “everything is going just fine”.

4- Women on board seats:
Women are scarcely found in the boardroom, which means there is no diversity of gender, thought, or experience.

5- Bringing international expertise into the boardroom:
The focus should be on attracting board members with best international practice experience.

6- Establishment of board committees (audit, nomination, and evaluation) to avoid any rise of conflicts of interests in those areas:
For example an audit committee should be created with a majority of independent directors. Its duty is to supervise the practices and activities of management in crucial governance domains e.g. values, morals and ethics, annual reports, plans set by management, risk management, financial statements, and structure of governance. This will increase transparency of the public sector in those above mentioned areas (IIAs, 2014). Although the legislation puts the power of
nominating new board members in the hands of the minister solely, a nominating committee could also be established so it can be involved in the process of nomination by setting the criteria for selecting ideal board candidates. It is also responsible for designing continuing education programs for new directors to enhance their skills. It creates orientation programs for new directors so as to be familiar with the organization’s strategy and challenges it is encountering. Establishing evaluation committee is also recommended so as to evaluate the performance of the organization- in terms of its mission, targets and goals-, the chairman and board of directors as well as of the work of other committees on a yearly basis and identify strengths and weaknesses suggesting areas of improvements. Then coming up with recommendations in adherence with the policies and requirements of the sector. After the creation of those committees, a well- defined job description and a work plan for each committee should be set upfront so that each committee and every board member know clearly their exact responsibilities and duties.

7- **The materials for the meetings of the board:**

The chairman, with the assistance of the management, should draft the agenda and materials for every meeting. Materials should be sent out in advance of holding the meeting. Time should be devoted to the items on the meeting agenda according to their value. The presenter should not keep repeating what the board already read rather it should add to what is already mentioned for not wasting time. Last- minute issues could be briefly discussed over the phone so that to make sure everyone knows what is going to happen in the meeting and becomes actively engage in discussions (Ward, 2012).

8- **Handling of conflicts of interests:**

Any board member with conflict of interests should abstain from voting, though this seems very utopian (Ward, 2012).
9- Devote appropriate time to risk oversight, talent and strategy management:
This will reflect on the ability of the board to engage actively on key issues in those areas.

10- The merit-based system need to be amended.
It should be based on the candidates’ abilities and experiences.

Hence, the study reveals several dimensions that could be a fertile soil for growing conflicts in the future resulting from differences in the perspectives towards the corporate governance practices in the oil and gas state joint-ventures in Egypt between the foreign board members representing, the private partner, the Egyptian board members representing the private partners, and the state board members. It gives insights for policy makers and board of directors on how to overcome such barriers. Future researches may examine the issue on a bigger scale.
References:


Egypt Oil and Gas. (2013). Egypt Al Kamel Law Office.


## APPENDIX 1  DIFFERENCES BETWEEN THE PUBLIC AND THE PUBLIC BUSINESS SECTORS:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Public Sector</th>
<th>Public Business Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Structure</strong></td>
<td><strong>Public Sector Authorities</strong></td>
<td><strong>Public Sector Companies</strong></td>
</tr>
<tr>
<td>Law</td>
<td>Law no. 97/1983 which is amended by law no. 109/87</td>
<td>Public sector companies are subject to:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– law no. 159/1981 where no specific provision of law no. 97/1983 is provided</td>
</tr>
<tr>
<td>Legal Status</td>
<td>an independent entity under the General Law</td>
<td>Joint stock company</td>
</tr>
<tr>
<td>Supervision</td>
<td>Competent Minister specified in its establishment presidential decree</td>
<td>Public sector authorities</td>
</tr>
<tr>
<td>Management</td>
<td>Board of directors appointed upon a presidential decree and proposed by the competent minister for four years</td>
<td>Board of directors consists of:</td>
</tr>
<tr>
<td>Ownership</td>
<td>funds of authorities owned by the state unless otherwise declared in its establishment decree</td>
<td>A public sector company is any company either: a) owned by a public entity alone or in participation with other</td>
</tr>
</tbody>
</table>
public entities and public sector banks or companies, or b) one or more of public entities participate with private individuals and public share of capital, including the share of public banks and companies, must be not less than 51% of total capital.

Source: (Ghoneim, 2005: 164)
## APPENDIX 2  AFFILIATED COMPANIES OF HOLDING COMPANIES (EGAS, ECHEM, GANOPE)

### Affiliated companies of EGAS

<table>
<thead>
<tr>
<th></th>
<th>Company Name</th>
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<tbody>
<tr>
<td>1</td>
<td>Rashid Petroleum Company (RASHPETCO)</td>
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<tr>
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<td>Burullus Gas Company (BURULLUS)</td>
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<td>El-Qantara Petroleum Company (QANTARA)</td>
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<td>5</td>
<td>Al-Rawda Petroleum Company (AL-RAWDA)</td>
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<td>El-Wastani Petroleum Company (WASCO)</td>
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<td>El-Manzalah Petroleum Company (El-MANZALA)</td>
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<td>West Qantara Petroleum Company (PETRO QANTARA)</td>
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<td>9</td>
<td>North Sinai Petroleum Company (NOSPCO)</td>
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<td>10</td>
<td>Pharos Petroleum Company (PHPC)</td>
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<td>Thekah Petroleum Company (THEKAH)</td>
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<td>North Idku Petroleum Company (NIPETCO)</td>
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<td>15</td>
<td>Egyptian Town Gas (ETG)</td>
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<td>Egypt Gas</td>
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<td>17</td>
<td>TAQA Group:</td>
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<td></td>
<td>✓ REPCO Gas</td>
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<td>✓ Nile Valley Gas Company (NVGC)</td>
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<td>✓ City Gas Company TRANS Gas Company</td>
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<td>Fayum Gas Company</td>
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<td>National Gas S.A.E</td>
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<td>Sinai GAS</td>
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<td>21</td>
<td>Cairo Gas</td>
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<td>Regions Company (REGAS)</td>
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<td>23</td>
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<td>24</td>
<td>Overseas gas</td>
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<tr>
<td>25</td>
<td>Nubaria Gas Company</td>
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<td>26</td>
<td>Egyptian Natural Gas Company (GASCO)</td>
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<td>27</td>
<td>United Gas Derivatives Company (UGDC)</td>
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<td>28</td>
<td>• Egyptian LNG (ELNG)</td>
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<td>29</td>
<td>• Spanish Egyptian Gas Company (SEGAS)</td>
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<td>30</td>
<td>• East Gas Company (EGC)</td>
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<td>31</td>
<td>• Natural Gas Vehicles Company (NGVC)</td>
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<td>32</td>
<td>• Egyptian International Gas Technology (GAS TEC)</td>
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<td>33</td>
<td>• Shell Compressed Natural Gas Egypt</td>
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<tr>
<td>34</td>
<td>• Arabia Gas</td>
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<td>35</td>
<td>• Master Gas</td>
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<td>• Total Egypt</td>
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<tr>
<td>37</td>
<td>• Sianco</td>
</tr>
<tr>
<td>38</td>
<td>• Petroleum Trading Company (Petrotrade)</td>
</tr>
<tr>
<td>39</td>
<td>• Egyptian Company for Gas Services (ECGS)</td>
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</table>

### Affiliated companies of ECHEM

<table>
<thead>
<tr>
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<th>Company Name</th>
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<tr>
<td>1.</td>
<td>Alexandria Specialty Petroleum Products Company (ASPPC)</td>
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<td>2.</td>
<td>Egyptian Petrochemicals Company (EPC)</td>
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<tr>
<td>3.</td>
<td>Sidi Kerir Petrochemicals Company (Sidpec)</td>
</tr>
<tr>
<td>4.</td>
<td>Egyptian Linear Alkyl Benzene Company (ELAB)</td>
</tr>
<tr>
<td>5.</td>
<td>Egyptian propylene and poly propylene company (EPPC)</td>
</tr>
<tr>
<td>6.</td>
<td>Egyptian Styrene and Polystyrene Company (Estyrenics)</td>
</tr>
<tr>
<td>7.</td>
<td>Misr oil processing &amp; fertilizers Company (Mopco)</td>
</tr>
<tr>
<td>8.</td>
<td>Amreya Petroleum Refining Company (APRC)</td>
</tr>
</tbody>
</table>

**Affiliated companies of GANOPE**

| 1. | Petrogulf Misr Company (Petrogulf) |
| 2. | Esh El Malaha Petroleum Company (Eshpetco) |
| 3. | Magawish Petroleum Company (Magapetco) |
| 4. | Gabal El Zeit Petroleum Company (Zeitco) |
| 5. | Wady El Sahl Petroleum Company (Waspetco) |
| 6. | Vegas Oil & Gas |
| 7. | East Zeit Petroleum Company (Petrozeit) |
| 10. | El Wadi El Gadid Co. for Mineral Resources and Oil Shale (WADI CO.) |
APPENDIX 3   PUBLIC SECTOR PETROLEUM COMPANIES, OIL AND GAS JOINT VENTURES WITH STATE PARTICIPATION, INVESTMENT PETROLEUM COMPANIES, AND MULTI-NATIONAL PETROLEUM COMPANIES.

<table>
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<th>Public Sector Petroleum companies</th>
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<tbody>
<tr>
<td>1- General Petroleum Company</td>
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<td>2- Petroleum Pipelines Company</td>
</tr>
<tr>
<td>3- Misr Petroleum Company</td>
</tr>
<tr>
<td>4- Petroleum Cooperative Society Co.</td>
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<tr>
<td>5- Petroleum Gases Company (PETROGAS)</td>
</tr>
<tr>
<td>6- Suez Oil Processing Company (SOPC)</td>
</tr>
<tr>
<td>7- El Nasr Petroleum Co. (NPC)</td>
</tr>
<tr>
<td>8- Alexandria Petroleum Co. (APC)</td>
</tr>
<tr>
<td>9- Amerya Petroleum Refining Co. (APRC)</td>
</tr>
<tr>
<td>10- Egyptian Petrochemical Company (EPC)</td>
</tr>
<tr>
<td>11- Assuit Oil Refining Company</td>
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<tr>
<td>12- Cairo Oil Refining Co.</td>
</tr>
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</table>

Source: Hard copy directory of Oil and Gas company

<table>
<thead>
<tr>
<th>Oil and Gas Joint Ventures with State Participation</th>
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<tbody>
<tr>
<td>1- Gulf of Suez Petroleum Company (GUPCO)</td>
</tr>
<tr>
<td>2- Belayim Petroleum Co. (PETROBEL)</td>
</tr>
<tr>
<td>3- Badr Petroleum Co. (BAPETCO)</td>
</tr>
<tr>
<td>4- Agiba Petroleum Co.</td>
</tr>
<tr>
<td>5- PETROGULF MISR Company</td>
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<tr>
<td>6- Abu Qir Petroleum</td>
</tr>
<tr>
<td>7- Western Desert Petroleum Company (WEPCO )</td>
</tr>
<tr>
<td>8- Alamein Petroleum Co.</td>
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<td>9- Petrosafe</td>
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<tr>
<td>10- Gebel El Zeit Petroleum Company (Petrozeit )</td>
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<tr>
<td>11- Khalda Petroleum Co.</td>
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<tr>
<td>12- Rashid Petroleum Co. (RashPetco)</td>
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<td>13- Qarun Petroleum Co. (QPC)</td>
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<td>14- GEMSA Petroleum Company (GEMPETCO)</td>
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<tr>
<td>15- East Zeit Petroleum Co. (ZEITCO)</td>
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<tr>
<td>16- Oasis Petroleum Company (OAPCO)</td>
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<tr>
<td>17- AL AMAL Petroleum Company (AMAPETCO)</td>
</tr>
<tr>
<td>18- Offshore Shukheir Oil Company (OSOCO)</td>
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<tr>
<td>19- Magawish Petroleum Co. (MAGAPETCO)</td>
</tr>
<tr>
<td>20- Suez Oil Co. (SUCO)</td>
</tr>
<tr>
<td>21- Esh El Mallaha Petroleum Company (ESHPETCO)</td>
</tr>
<tr>
<td>22- Wadi El Sahl Petroleum Company (WASPETCO)</td>
</tr>
<tr>
<td>23- South Dabaa Petroleum Co. (DAPETCO )</td>
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<tr>
<td>24- Fanar Petroleum Company (FANPETCO)</td>
</tr>
<tr>
<td>25- Gharib Oil Services Company</td>
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<tr>
<td>26- PETRODARA Co.</td>
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<tr>
<td>27- El Mansoura Petroleum company</td>
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</table>

Source: Hard copy directory of Oil and Gas companies
<table>
<thead>
<tr>
<th></th>
<th>Company Name</th>
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<tr>
<td>31</td>
<td>City Gas Co.</td>
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<td>Repco Gas</td>
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<td>33</td>
<td>Petroleum Trading Service Company (Petro Trade)</td>
</tr>
<tr>
<td>34</td>
<td>International Pipe Industry Co. (IPIC)</td>
</tr>
<tr>
<td>35</td>
<td>East Gas Co. (EGC)</td>
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<td>36</td>
<td>Fayoum Gas Company</td>
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<td>37</td>
<td>Egyptian Projects Operation and maintenance (EPROM)</td>
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<td>38</td>
<td>Petrosport</td>
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<tr>
<td>39</td>
<td>United Gas Derivatives Co. (UGDC)</td>
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<td>Egyptian Liquified Natural Gas (LNG)</td>
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<td>Thrawa Co.</td>
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<td>42</td>
<td>Emarat Misr Petroleum Products Company (Emarat Misr)</td>
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<td>Arabia for Oil &amp; Gas Lines (Altube)</td>
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<td>Egyptian Fajr For Natural Gas Co. (EFNG)</td>
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<td>Jordanian Egyptian Fajr for Natural Gas Transmission &amp; Supply</td>
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<td>Petro Enviromental Services Co. (PESCO)</td>
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<td>Egyptian Linear Alkyl Benzene (ELAB)</td>
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<td>Spanish Egyptian Gas Company (SEGAS)</td>
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<td>Egyptian Valves Company (EVACO)</td>
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<td>Transgas Company</td>
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<td>51</td>
<td>Regional Oil &amp; Gas Technology Transfer Co. (ROGTTTC)</td>
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<td>Shell Compressed Natural Gas Egypt (Gas Express)</td>
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<td>Oil and Gas Skills (OGS)</td>
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<td>54</td>
<td>Suez Safety Outfitters (SSO)</td>
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<td>Syrian-Egyptian Company for Oil Services (SEPESCO)</td>
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<td>56</td>
<td>The Egyptian Company for Refrigeration by Natural Gas (Gas Cool)</td>
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<td>Sino Thrawa Drilling Company</td>
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<td>Sonker Bunkering Company</td>
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<td>Nile Oil Company</td>
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<td>Egyptian Chinese Petroleum Rig Manufacturing Company (EPHH)</td>
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<td>Ruhr Pumpen Egypt</td>
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<td>Maridive &amp; Oil Services S. A. E.</td>
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<tr>
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<td>El Wadi El Gadid For Containers (WGC)</td>
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<td>Al Wadi Al Gadid Co. for Mineral Resources and Oil Shale (Wadico)</td>
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<td>Al Alameya for Manufacturing Petroleum Equipments (MegaTone)</td>
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<td>Arabia Gaz Company</td>
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<td>Macoil Egypt</td>
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<td>House Gas Co.</td>
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<td>Master Gas Co.</td>
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<td>Cairo Gas Co.</td>
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<td>14</td>
<td>Melrose Resources Egypt Company</td>
</tr>
<tr>
<td>15</td>
<td>Trans Globe Energy Corporation</td>
</tr>
<tr>
<td>16</td>
<td>INA - Naftaplin</td>
</tr>
<tr>
<td>17</td>
<td>HBS International Egypt Ltd.</td>
</tr>
<tr>
<td>18</td>
<td>Alliance</td>
</tr>
<tr>
<td>19</td>
<td>Luk Oil</td>
</tr>
</tbody>
</table>

Source: Hard copy directory of Oil and Gas companies
<table>
<thead>
<tr>
<th></th>
<th>Company Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-</td>
<td>Pico Energy Group</td>
</tr>
<tr>
<td>21-</td>
<td>Baker Hughes E.H.O Ltd.</td>
</tr>
<tr>
<td>22-</td>
<td>Schlumberger</td>
</tr>
<tr>
<td>23-</td>
<td>Halliburton Energy Services Group</td>
</tr>
<tr>
<td>24-</td>
<td>Total Egypt Co.</td>
</tr>
<tr>
<td>25-</td>
<td>Libya Oil Egypt</td>
</tr>
<tr>
<td>26-</td>
<td>Edison International - Egypt branch</td>
</tr>
<tr>
<td>27-</td>
<td>Transocean international Ltd.</td>
</tr>
<tr>
<td>28-</td>
<td>Enap Sipetrol</td>
</tr>
<tr>
<td>29-</td>
<td>CGG Ardiseis</td>
</tr>
<tr>
<td>30-</td>
<td>Exxon Mobil Co.</td>
</tr>
<tr>
<td>31-</td>
<td>Gharib Oil Fields</td>
</tr>
<tr>
<td>32-</td>
<td>Guide Geoscience Technologies</td>
</tr>
<tr>
<td>33-</td>
<td>Massawa Petroleum Company</td>
</tr>
<tr>
<td>34-</td>
<td>Gaz de France</td>
</tr>
<tr>
<td>35-</td>
<td>Alex Oil S.A.</td>
</tr>
<tr>
<td>36-</td>
<td>Egyptian Chinese Drilling Company (ECDC)</td>
</tr>
<tr>
<td>37-</td>
<td>Shengli Bohai Drilling (SINODEC)</td>
</tr>
<tr>
<td>38-</td>
<td>Hot Shot Egypt</td>
</tr>
<tr>
<td>39-</td>
<td>pyramid Drilling Petroleum</td>
</tr>
<tr>
<td>40-</td>
<td>Fugro SAE</td>
</tr>
<tr>
<td>41-</td>
<td>Perenco</td>
</tr>
<tr>
<td>42-</td>
<td>PETZED Investment &amp; Project Management Ltd.</td>
</tr>
<tr>
<td>43-</td>
<td>Eagle Marine</td>
</tr>
<tr>
<td>44-</td>
<td>Dover Investments Ltd.</td>
</tr>
<tr>
<td>45-</td>
<td>Swanco Group</td>
</tr>
<tr>
<td>46-</td>
<td>Arabian Oil Company Ltd. (AOC)</td>
</tr>
<tr>
<td>47-</td>
<td>Egypt Gas and Oil Services Company S.A.E (EGOSCO)</td>
</tr>
<tr>
<td>48-</td>
<td>HESS Egypt</td>
</tr>
<tr>
<td>49-</td>
<td>PICO Oil</td>
</tr>
<tr>
<td>50-</td>
<td>Kufpec Egypt Limited</td>
</tr>
<tr>
<td>51-</td>
<td>Tri- Ocean Energy</td>
</tr>
<tr>
<td>52-</td>
<td>Chevron Egypt</td>
</tr>
<tr>
<td>53-</td>
<td>Hellenic Petroleum S.A.</td>
</tr>
<tr>
<td>54-</td>
<td>Ocean Marine Egypt (S.A.E)</td>
</tr>
<tr>
<td>55-</td>
<td>Impresub International L.L.C</td>
</tr>
<tr>
<td>56-</td>
<td>El Paso Exploration &amp; Production</td>
</tr>
<tr>
<td>57-</td>
<td>Senefro Supplies</td>
</tr>
<tr>
<td>58-</td>
<td>Weatherford</td>
</tr>
<tr>
<td>59-</td>
<td>NALCO</td>
</tr>
<tr>
<td>60-</td>
<td>NAFTO Gaz of Ukraine</td>
</tr>
<tr>
<td>61-</td>
<td>CEPSA EGYPT - Oil Exploration and Production</td>
</tr>
<tr>
<td>62-</td>
<td>Merlon Petroleum El Fayum Company</td>
</tr>
<tr>
<td>63-</td>
<td>PetroSA Egypt</td>
</tr>
<tr>
<td>64-</td>
<td>Dana Petroleum</td>
</tr>
<tr>
<td>65-</td>
<td>D-Trading Oil &amp; Gas</td>
</tr>
<tr>
<td>66-</td>
<td>State Oil Company</td>
</tr>
<tr>
<td>67-</td>
<td>OMV EGYPT</td>
</tr>
</tbody>
</table>

Source: Hard copy directory of Oil and Gas companies
Date

Dear Sir:
The Government of Egypt places a high priority on achieving rapid and sustainable growth in Egypt’s economy. Good corporate governance has been identified as an influential factor in enabling companies to perform at a high level, and is therefore also a priority of the government. Governance takes on special importance in joint ventures between public and private sector companies, a common model in the petroleum sector both worldwide and in Egypt.

The members of the board constitute the front line in the drive to improve governance. We therefore ask for your cooperation in filling out the attached questionnaire, which asks for your opinions on the functioning of the board on which you serve.

The questionnaire does not ask for any information on the performance of the company, only for your opinions. Please be assured that all answers will be kept in the strictest confidence. To assure this, the questionnaire does not ask for your name or the name of the company on whose board you serve. No individual or company-level information will be included in the final report.

We appreciate your assistance in collecting this information, which will help us to further strengthen corporate governance in Egypt and to advance our goal of maximizing corporate success for the benefit of the citizens of Egypt.

Please complete the questionnaire and submit it to [person receiving**] by [**date].

Regards,
Questionnaire for Members of Joint Venture Boards in the Oil and Gas Sector in Egypt

The following questionnaire has been developed to collect the opinions of board members on the operation of the boards of directors of joint venture companies in the petroleum/natural gas sector in Egypt. It is part of a research project on the operation of the boards of state-owned companies in the Middle East, which is being conducted under the auspices of the Organization for Economic Cooperation and Development.

The purpose of the research is to understand how boards operate. The information will not be used to assess how specific company boards operate or to compare companies to one another. No information on specific companies will be included in the report.

Please be assured that no information will be included in any reports or published material resulting from this research that could identify you, your personal answers, or your company. To assure confidentiality, we are not collecting information on names of individuals or their companies in the questionnaire. All data from individual questionnaires will be held in the strictest confidentiality. By filling out this questionnaire you express your willingness to participate in the study and your understanding that all data on individuals’ answers will be kept strictly confidential.

This questionnaire is closely based on one developed for the Gulf Cooperation Council Board of Directors Institute by McKinsey, and is used with the kind permission of the GCCBDI. It has been modified to reduce the number of questions and to better meet the purpose of this study.

Your participation is very much appreciated.

<table>
<thead>
<tr>
<th>1- Please tell us a little about yourself:</th>
</tr>
</thead>
</table>
a. Do you have a position in the company other than board membership? Yes/no
b. Your nationality Fill in
c. Organization you represent on the board Choice of options
d. Number of corporate boards you currently serve on, including this board Fill in
e. Number of corporate boards you have ever served on, including this board Fill in
f. BA/BSc field (e.g., engineering, law) Fill in

<table>
<thead>
<tr>
<th>2. Board composition and director capabilities</th>
</tr>
</thead>
</table>
The following questions are designed to assess your perspective of the effectiveness of the Board. For each of the following statements, please indicate your level of agreement or disagreement.

<table>
<thead>
<tr>
<th>2.1 Board composition and diversity</th>
</tr>
</thead>
</table>
A. The Board has an effective process for nominating and appointing new directors ( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree
B. The Board is close to the right size for us to work together effectively ( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree
C. The Board has among its members the right mix of industrial and functional expertise ( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree
D. The number of independent directors on the Board is sufficient to ensure the Board's independence ( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree
E. There is sufficient diversity in opinions and perspectives within the Board ( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree
### 2.2 Specific industrial and functional expertise

<table>
<thead>
<tr>
<th>A.</th>
<th>One or more Board members have substantial expertise on core governance and compliance, e.g., nomination, compensation, audit, disclosure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree</td>
</tr>
<tr>
<td>B.</td>
<td>One or more Board members have substantial industry/sector expertise, e.g., customer drivers and trends, competitive conditions</td>
</tr>
<tr>
<td></td>
<td>( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree</td>
</tr>
<tr>
<td>C.</td>
<td>One or more Board members have substantial functional expertise in the following areas: marketing, finance, risk management, and operations</td>
</tr>
<tr>
<td></td>
<td>( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree</td>
</tr>
</tbody>
</table>

### 2.3 Capabilities and knowledge development

<table>
<thead>
<tr>
<th>A.</th>
<th>The Board has a formal development program for new Board members</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree</td>
</tr>
<tr>
<td>B.</td>
<td>Board members are effective at learning about new ideas or issues that have implications for the future of the organization</td>
</tr>
<tr>
<td></td>
<td>( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree</td>
</tr>
<tr>
<td>C.</td>
<td>Board members keep abreast of broad industry trends individually (e.g., through participation in conferences and events)</td>
</tr>
<tr>
<td></td>
<td>( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree</td>
</tr>
</tbody>
</table>

### 3. Director roles and accountabilities

The following questions are designed to assess your perspective of the effectiveness of the Board. For each of the following statements, please indicate your level of agreement or disagreement.

#### 3.1 Director roles and accountabilities

<table>
<thead>
<tr>
<th>A.</th>
<th>The Board devotes sufficient time to defining each member’s role and responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.</td>
<td>Board members have a clear understanding of their own specific roles and responsibilities regarding the board</td>
</tr>
<tr>
<td></td>
<td>( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree</td>
</tr>
<tr>
<td>C.</td>
<td>Board members have a clear understanding of the roles and responsibilities of all other Board members</td>
</tr>
<tr>
<td></td>
<td>( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree</td>
</tr>
<tr>
<td>D.</td>
<td>The Board acts in the best interest of all stakeholders without bias to any particular shareholder or stakeholder</td>
</tr>
<tr>
<td></td>
<td>( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree</td>
</tr>
<tr>
<td>E.</td>
<td>Board members actively disclose conflicts of interest when they occur in Board discussions</td>
</tr>
<tr>
<td></td>
<td>( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree</td>
</tr>
<tr>
<td>F.</td>
<td>The Board handles conflicts of interests appropriately (e.g., exclude the conflicted member from discussion or voting)</td>
</tr>
<tr>
<td></td>
<td>( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree</td>
</tr>
</tbody>
</table>

#### 3.2 Roles and responsibilities of Board committees

<table>
<thead>
<tr>
<th>A.</th>
<th>Board committees have clear roles and responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.</td>
<td>All Board members are fully aware of the roles and responsibilities of Board committees</td>
</tr>
<tr>
<td></td>
<td>( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree</td>
</tr>
<tr>
<td>C.</td>
<td>The Board has an audit committee with a majority of independent members</td>
</tr>
<tr>
<td></td>
<td>( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree</td>
</tr>
</tbody>
</table>
| D. | The Board executive committee has a low level of authority and it does not act on behalf of the
### Board in major decisions

<table>
<thead>
<tr>
<th></th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
</table>

#### 3.3 Board processes and protocols

<table>
<thead>
<tr>
<th>A.</th>
<th>The Board has access to adequate, relevant, and timely information</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.</td>
<td>The materials for the Board meetings are sent out well in advance of the meeting</td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Neutral</td>
<td>Disagree</td>
<td>Strongly Disagree</td>
</tr>
<tr>
<td>C.</td>
<td>The Board has sufficient access to senior executives</td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Neutral</td>
<td>Disagree</td>
<td>Strongly Disagree</td>
</tr>
<tr>
<td>D.</td>
<td>Board meetings occur at the right frequency</td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Neutral</td>
<td>Disagree</td>
<td>Strongly Disagree</td>
</tr>
<tr>
<td>E.</td>
<td>The Board meeting agenda prioritizes the right topics for discussion</td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Neutral</td>
<td>Disagree</td>
<td>Strongly Disagree</td>
</tr>
<tr>
<td>F.</td>
<td>The materials prepared for Board meetings effectively address the topics for discussion</td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Neutral</td>
<td>Disagree</td>
<td>Strongly Disagree</td>
</tr>
<tr>
<td>G.</td>
<td>Preparation materials are concise and easy to read and understand</td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Neutral</td>
<td>Disagree</td>
<td>Strongly Disagree</td>
</tr>
</tbody>
</table>

#### 4. Delivery on roles of the Board

The following questions are designed to assess your perspective of the effectiveness of the Board. For each of the following statements, please indicate your level of agreement or disagreement.

##### 4.1 Strategy

<table>
<thead>
<tr>
<th>A.</th>
<th>Board members are sufficiently involved in strategy development</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.</td>
<td>Board members spend enough time discussing strategy issues</td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Neutral</td>
<td>Disagree</td>
<td>Strongly Disagree</td>
</tr>
<tr>
<td>C.</td>
<td>Board members all agree on the challenges and opportunities the organization is facing</td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Neutral</td>
<td>Disagree</td>
<td>Strongly Disagree</td>
</tr>
<tr>
<td>D.</td>
<td>The Board has a clear strategy to respond to these challenges and opportunities</td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Neutral</td>
<td>Disagree</td>
<td>Strongly Disagree</td>
</tr>
<tr>
<td>E.</td>
<td>All Board members agree that the Board has the right strategy</td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Neutral</td>
<td>Disagree</td>
<td>Strongly Disagree</td>
</tr>
<tr>
<td>F.</td>
<td>The Board has a robust strategy implementation plan with clear accountabilities and follow up process</td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Neutral</td>
<td>Disagree</td>
<td>Strongly Disagree</td>
</tr>
</tbody>
</table>

##### 4.2 Performance management

<table>
<thead>
<tr>
<th>A.</th>
<th>The Board is effectively involved in managing business performance</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>B.</td>
<td>The Board spends sufficient time discussing performance management topics</td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Neutral</td>
<td>Disagree</td>
<td>Strongly Disagree</td>
</tr>
<tr>
<td>C.</td>
<td>The Board has a real understanding of how well the organization is performing</td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Neutral</td>
<td>Disagree</td>
<td>Strongly Disagree</td>
</tr>
<tr>
<td>D.</td>
<td>The Board is tracking a set of performance indicators (e.g., ROE, sales, profit)</td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Neutral</td>
<td>Disagree</td>
<td>Strongly Disagree</td>
</tr>
<tr>
<td>E.</td>
<td>The Board is tracking a set of health indicators (e.g., employees attrition rate, customer satisfaction, new products share of revenue)</td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Neutral</td>
<td>Disagree</td>
<td>Strongly Disagree</td>
</tr>
<tr>
<td>F.</td>
<td>The Board discusses performance and health indicators frequently with senior management, focusing on improvement opportunities</td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Neutral</td>
<td>Disagree</td>
<td>Strongly Disagree</td>
</tr>
<tr>
<td>G.</td>
<td>The Board rigorously follows up on identified improvement actions</td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>Neutral</td>
<td>Disagree</td>
<td>Strongly Disagree</td>
</tr>
</tbody>
</table>
4.3 Attitudes toward company performance issues
A. It is appropriate to eliminate jobs if this is necessary to increase the company's profitability
   ( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree
B. The company should consult with the communities where it operates on issues that would affect them
   ( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree
C. The company should act to minimize possible negative impacts on the community, even if there is no legal requirement to do so
   ( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree
D. The company should not enter into risky projects even if they might generate a high rate of profit
   ( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree
E. All shareholders, including the public, have a right to know the details on the company's financial performance
   ( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree
F. The company should give preference to local suppliers, even if they are more expensive or offer a lower quality
   ( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree
G. The company should disclose full information on its environmental performance to the public and the community
   ( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree

5. Delivery on roles of the Board
The following questions are designed to assess your perspective of the effectiveness of the Board. For each of the following statements, please indicate your level of agreement or disagreement.

5.1 Risk management
A. The Board is effectively involved in setting the risk appetite of the company
   ( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree
B. The Board spends sufficient time discussing risk management issues
   ( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree
C. The Board has a clear visibility on the top-5 risks facing the company
   ( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree
D. A full assessment is conducted of the impact of these risks on company financials (cash flow)
   ( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree
E. The Board spends sufficient time to ensure integrity of companies accounting and financial reporting systems
   ( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree

5.2 Talent management
A. The Board is effectively involved in talent management (i.e., selection, compensation, evaluation, development, and succession planning of critical positions in the top management team)
   ( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree
B. The Board spends sufficient time discussing talent management issues
   ( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree
C. The Board has a documented process of succession plans for all critical positions
   ( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree

6. Effective dynamics
The following questions are designed to assess your perspective of the effectiveness of the Board. For each of the following statements, please indicate your level of agreement or disagreement.

6.1 Preparation and participation
<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
</table>
| A. | All Board members prepare well for Board meetings  
  ( ) Strongly Agree  ( ) Agree  ( ) Neutral  ( ) Disagree  ( ) Strongly Disagree | B. | All Board members are engaged in Board discussions  
  ( ) Strongly Agree  ( ) Agree  ( ) Neutral  ( ) Disagree  ( ) Strongly Disagree | C. | Board members are always clear on the purpose of their discussions  
  ( ) Strongly Agree  ( ) Agree  ( ) Neutral  ( ) Disagree  ( ) Strongly Disagree | D. | Board members are open and honest with each other during their discussions  
  ( ) Strongly Agree  ( ) Agree  ( ) Neutral  ( ) Disagree  ( ) Strongly Disagree | E. | The Board uses the right type, quality, and quantity of information to support discussions (e.g.,  
  appropriate balance between presentations and discussions)  
  ( ) Strongly Agree  ( ) Agree  ( ) Neutral  ( ) Disagree  ( ) Strongly Disagree |
| 6.2 Challenge and conflict | A. | The Board encourages and values discussion of different options and viewpoints  
  ( ) Strongly Agree  ( ) Agree  ( ) Neutral  ( ) Disagree  ( ) Strongly Disagree | B. | The Board members are comfortable challenging each other to ensure the Board arrives at the  
  best outcome  
  ( ) Strongly Agree  ( ) Agree  ( ) Neutral  ( ) Disagree  ( ) Strongly Disagree | C. | The Board is able to reach closure on difficult decisions  
  ( ) Strongly Agree  ( ) Agree  ( ) Neutral  ( ) Disagree  ( ) Strongly Disagree | D. | Disagreements among Board members are resolved constructively and without personal  
  animosity  
  ( ) Strongly Agree  ( ) Agree  ( ) Neutral  ( ) Disagree  ( ) Strongly Disagree |
| 6.3 Effective dynamics | A. | The Board's approach to decision making is transparent, fair, and efficient  
  ( ) Strongly Agree  ( ) Agree  ( ) Neutral  ( ) Disagree  ( ) Strongly Disagree | B. | The chairman facilitates Board decision making rather than making decisions on behalf of the  
  Board  
  ( ) Strongly Agree  ( ) Agree  ( ) Neutral  ( ) Disagree  ( ) Strongly Disagree | C. | Every discussion ends with a clear set of next steps: who will do what, by when  
  ( ) Strongly Agree  ( ) Agree  ( ) Neutral  ( ) Disagree  ( ) Strongly Disagree |
| 6.4 Interaction with senior management | A. | The Board and senior management team have the right frequency of meetings together  
  ( ) Strongly Agree  ( ) Agree  ( ) Neutral  ( ) Disagree  ( ) Strongly Disagree | B. | Meetings between the Board and senior management team provide a forum for open and honest  
  discussion  
  ( ) Strongly Agree  ( ) Agree  ( ) Neutral  ( ) Disagree  ( ) Strongly Disagree | C. | Board members and senior management constructively challenge each other's ideas in Board  
  meetings  
  ( ) Strongly Agree  ( ) Agree  ( ) Neutral  ( ) Disagree  ( ) Strongly Disagree | D. | There is a culture of trust and respect between Board members and senior management  
  ( ) Strongly Agree  ( ) Agree  ( ) Neutral  ( ) Disagree  ( ) Strongly Disagree |
| 7. Overall Board effectiveness and renewal | A. | The effectiveness of Board meetings is discussed afterwards  
  ( ) Strongly Agree  ( ) Agree  ( ) Neutral  ( ) Disagree  ( ) Strongly Disagree | B. | The Board evaluates individual directors on their performance at least annually  
  ( ) Strongly Agree  ( ) Agree  ( ) Neutral  ( ) Disagree  ( ) Strongly Disagree | C. | The Board evaluates its collective performance as a team at least annually  
  ( ) Strongly Agree  ( ) Agree  ( ) Neutral  ( ) Disagree  ( ) Strongly Disagree |
| 7.1 Board evaluation |   |   |   |   |   |
| 7.2 Board renewal |   |   |   |   |   |
A. The Board takes the time to step back and reflect on how effective it is and what the challenges and opportunities for improvement are
( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree
B. The Board is flexible enough to reprioritize when the situation demands it
( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree
C. The Board is good at putting an end to things that no longer merit time or effort
( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree
D. The Board is open to new ways of doing things
( ) Strongly Agree ( ) Agree ( ) Neutral ( ) Disagree ( ) Strongly Disagree
استبيان لأعضاء مجالس الشركات المشتركة في قطاع النفط والغاز في مصر:

لقد تم تطوير الاستبيان التالي لجمع أراء أعضاء المجالس عن عمل مجالس إدارات الشركات المشتركة في قطاع البترول والغاز الطبيعي في مصر وهو جزء من مشروع بحثي عن عمل مجالس إدارات الشركات المملوكة للدولة في منطقة الشرق الأوسط والتي تجري تحت رعاية منظمة التعاون والتنمية الاقتصادية.

والغرض من هذا البحث هو أن نفهم كيف تعمل مجالس الإدارا مع العلم أن هذه المعلومات لن تستخدم لتقييم عمل مجالس الإدارات أو لمقارنة الشركات بعضنا ببعض ولكن سيتم إدراج أي معلومات عن شركات محددة في هذا التقرير.

برجاء الاطمئنان بأنه لن يتم تضمين أي معلومات في أية تقارير أو مادة منشورة ناجمة عن هذا البحث الذي يمكن التعرف عليه أو أجابكم الشخصية أو شركتكم. ولضمان السرية للبيانات، هناك شركة تنسيقية تقدم التصنيف والتعامل مع كل البيانات بسرية. وسوف يتم التعامل مع معلومات المستجابين بسرية تامة.

ويستند هذا على أحد الاستبيانات الذي تم تطويره لصالح مجلس إدارته مجالس التعاون الخليجي من قبل معهد مكينز ويستخدم بإذن ودي من مجلس إدارة مجلس التعاون الخليجي حيث تم تعديله للحد من عدد الأسئلة ولتحسين تلبية الغرض من هذه الدراسة.

مشاركاتكم موضع تقدير كبير.

تحياتي

باحث

يرجى التحدث عن أنفسكم قليلاً:

نعم /لا

هل تشغل وظيفة في الشركة علاوة على عضويتكم في مجلس الإدارة؟

الجنسية

الهيئة التي تمثلها في المجلس

عدد مجالس إدارات الشركات التي تعمل بها حالياً بما في ذلك مجلس الإدارة هذا

عدد مجالس إدارات الشركات التي عملت بها بما في ذلك مجلس الإدارة هذا

المؤهل العلمي (على سبيل المثال: هندسة-قانون---الخ)

تشكيل المجلس:

النائبين

المجلس قريب من الوضع الحقيقي لنا للعمل معاً بشكل فعال

المجلس مزيج من الخبرة الصناعية والفنية بين أعضائه

تشكل المجلس والتنوع

لمجلس عامالي لترشيح وتعيين أعضاء جدد

أوافق بشدة

أوافق

أوافق

على الحيا

لا أوافق

لا أوافق بشدة

المجلس:

شروط الأسئلة التالية لتقييم وجهة نظرك عن فعالية المجلس ولكل من العبوات التالية يرجى الإشارة إلى مستوى من الاتفاق أو الاختلاف

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لا أوافق بشده
عدد المديرين المستقلين في المجلس يكفي لضمان استقلالية المجلس
لا أوافق بشده
لا أوافق
على الحياد
لا أوافق
لا أوافق بشده
هناك ما يكفي من التنوع في الآراء ووجهات النظر داخل المجلس
لا أوافق بشده
لا أوافق
على الحياد
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لا أوافق بشده
مدّة عضوية المجلس طويلة على نحو كاف لضمان المساءلة
لا أوافق بشده
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على الحياد
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لا أوافق بشده
يتناوب أعضاء المجلس بمعدل كافٍ تسمح باضمام مواهب جديدة إلى المجلس
لا أوافق بشده
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على الحياد
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الخبرة الصناعية والفنية النوعية
واحد أو أكثر من أعضاء المجلس لديه خبرة كبيرة في القطاع أو الصناعة، على سبيل المثال لديه خبرة في اجتذاب عدد كبير من العملاء أو مواجهة المناخ التنافسي الموجود
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تطوير القدرات والمعرفة
المجلس لديه برنامج تنمية رسمي لأعضاء مجلس إدارة جدد
( ) أوافق بشده
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( ) على الحياد
( ) لا أوافق
( ) لا أوافق بشده
لللملس فعالية في التعرف على أفكار جديدة أو قضايا لها آثار على مستقبل المنظمة
( ) أوافق بشده
( ) أوافق
( ) على الحياد
( ) لا أوافق
( ) لا أوافق بشده
( ) أوافق أعضاء المجلس الاتجاهات الصناعية المتنوعة بشكل فردي (على سبيل المثال من خلال المشاركة في المؤتمرات والأحداث)
( ) أوافق بشده
( ) أوافق
( ) على الحياد
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( ) لا أوافق بشده
( ) أوافق

أدوار ومحاسبات عضو المجلس

صممت الأسئلة التالية لتقييم وجهة نظرك في فعالية المجلس لكل من العبارات التالية يرجى الإشارة إلى مستوى الاتفاق أو الاختلاف

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143
تدوين ومحاسبات عضو المجلس

يكرس المجلس وقتاً كافياً للتحديد دور ومسؤوليات كل عضو

<table>
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لدى أعضاء المجلس فهم واضح لأدوارهم ومسؤولياتهم النوعية تجاه المجلس

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لدى أعضاء المجلس فهم واضح لأدوار ومسؤوليات جميع أعضاء المجلس الآخرين

<table>
<thead>
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يعمل المجلس لجعل تحقيق أفضل مصلحة لكل الأطراف المشاركة دون التحيز إلى أي مساهم خاص أو أي طرف مشارك

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يكشف أعضاء المجلس بفاعلية تضارب المصالح عندما تحدث في مناقشات المجلس

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<thead>
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<th>موافق بشدة</th>
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يعمل المجلس مع تضارب المصالح بشكل مناسب (على سبيل المثال: استبعاد العضو المنازع من المناقشة أو التصويت)

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تقد أعضاء المجلس بفاعلية تضارب المصالح عندما تحدث في مناقشات المجلس

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لدى أعضاء المجلس أدوار ومسؤوليات واضحة

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لدى لجان المجلس أدوار ومسؤوليات واضحة

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يتعامل المجلس مع تضارب المصالح بشكل مناسب (على سبيل المثال: استبعاد العضو المنازع من المناقشة أو التصويت)

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لمجلس لجنة مراجعة يشغله أغلبية من الأعضاء المستقلين

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لا أوافق بشده

الجنة التنفيذية للمجلس لديها مستوى منخفض من السلطة ولا تنبئ عن المجلس في القرارات الرئيسية

أعمال وبروتوكولات المجلس

أعمال وبروتوكولات المجلس

لا أوافق بشده

لا أوافق بشده

لا أوافق بشده

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لا أوافق بشذه
الاستراتيجية

يشارك أعضاء المجلس بما فيه الكفاية في تنمية الاستراتيجية
( اوافق بشده )
( اوافق )
( على الحيد )
( لا اوافق )
( لا اوافق بشده)

يفضي أعضاء المجلس وقتاً كافياً لمناقشة القضايا الاستراتيجية
( اوافق بشده )
( اوافق )
( على الحيد )
( لا اوافق )
( لا اوافق بشده)

يقضى أعضاء المجلس وقتاً كافياً لمناقشة القضايا الاستراتيجية
( اوافق بشده )
( اوافق )
( على الحيد )
( لا اوافق )
( لا اوافق بشده)

يتفق جميع أعضاء المجلس على التحديات التي تواجهها المنظمة وايضا الفرص التي تسنم لها
( اوافق بشده )
( اوافق )
( على الحيد )
( لا اوافق )
( لا اوافق بشده)

لدى المجلس استراتيجية واضحة للرد على تلك التحديات والفرص
( اوافق بشده )
( اوافق )
( على الحيد )
( لا اوفرق )
( لا اوافق بشده)

جميع أعضاء المجلس متفقون على أن لدى المجلس استراتيجية صحيحة
( اوافق بشده )
( اوافق )
( على الحيد )
( لا اوافق )
( لا اوافق بشده)

لدى المجلس خطة تنفيذية استراتيجية قوية تنقسم بعملية مسائية ومتابعة واضحة
( اوافق بشده )
( اوافق )
( على الحيد )
( لا اوافق )
( لا اوافق بشده)
إدارة الأداء

يشترك المجلس بشكل فعال في إدارة تقييم أداء الأعمال
( ) أوافق بشدة
( ) أوافق
( ) على الحياد
( ) لا أوافق
( ) لا أوافق بشدة

يقضي المجلس وقتا كافيا لمناقشة موضوعات إدارة الأداء
( ) أوافق بشدة
( ) أوافق
( ) على الحياد
( ) لا أوافق
( ) لا أوافق بشدة

لدي المجلس فهم حقيقي لمدى عمل المنظمة بشكل سليم وناجح
( ) أوافق بشدة
( ) أوافق
( ) على الحياد
( ) لا أوافق
( ) لا أوافق بشدة

يتبع المجلس مجموعة من مؤشرات الأداء على سبيل المثال مؤشرات العائد على حقوق المساهمين أو المبيعات أو الأرباح
( ) أوافق بشدة
( ) أوافق
( ) على الحياد
( ) لا أوافق
( ) لا أوافق بشدة

يتبع المجلس مجموعة من المؤشرات الصحية على سبيل المثال: مؤشرات معدل ترك الموظفين أو رضا العملاء أو حصة المنتجات الجديدة من الربح
( ) أوافق بشدة
( ) أوافق
( ) على الحياد
( ) لا أوافق
( ) لا أوافق بشدة

يدافع المجلس الأداء والمؤشرات الصحية في كثير من الأحيان مع الإدارة العليا مع التركيز على فرص التحسين
( ) أوافق بشدة
( ) أوافق
( ) على الحياد
( ) لا أوافق
( ) لا أوافق بشدة
اجهادات نحو قضايا أداء الشركة

من المناسب الغاء الوظائف إذا كان هذا ضروريا لزيادة ربحية الشركة 

( ) أوافق بشده
( ) أوافق
( ) على الحياد
( ) لا أوافق
( ) لا أوافق بشده

ينبغي للشركة أن تشارك مع المجتمع حيث أن الشركة تعمل على القضايا التي من شأنها أن تؤثر عليهم 

( ) أوافق بشده
( ) أوافق
( ) على الحياد
( ) لا أوافق
( ) لا أوافق بشده

ينبغي للشركة أن تعمل على تقليل الآثار السلبية المحتملة على المجتمع حتى في عدم وجود أي طلب قانوني لذلك 

( ) أوافق بشده
( ) أوافق
( ) على الحياد
( ) لا أوافق
( ) لا أوافق بشده

ينبغي للشركة أن تدخل في مشروعات ذات مخاطر حتى لو كانت قد تولد نسبة عالية من الأرباح 

( ) أوافق بشده
( ) أوافق
( ) على الحياد
( ) لا أوافق
( ) لا أوافق بشده

ينبغي للشركة أن تعطي الأولوية للموردين المحليين حتى إذا كانوا أغلى أو أقل جودة 

( ) أوافق بشده
( ) أوافق
( ) على الحياد
( ) لا أوافق
( ) لا أوافق بشده

يجب على الشركة الإفصاح عن معلومات كاملة عن أدائها البيئي للجمهور والمجتمع 

( ) أوافق بشده
( ) أوافق
( ) على الحياد
( ) لا أوافق
( ) لا أوافق بشده

تقدم أذار المجلس

صممت الأسئلة التالية لتقديم وجهة نظرك في فعالية المجلس وكل من العبارات التالية، يرجى الإشارة إلى مستوى الافق أو الاختلاف

<table>
<thead>
<tr>
<th>السؤال</th>
<th>مستوى الافق</th>
</tr>
</thead>
<tbody>
<tr>
<td>اتفاق بشده</td>
<td></td>
</tr>
<tr>
<td>أوافق</td>
<td></td>
</tr>
<tr>
<td>على الحياد</td>
<td></td>
</tr>
<tr>
<td>لا أوافق</td>
<td></td>
</tr>
<tr>
<td>لا أوافق بشده</td>
<td></td>
</tr>
</tbody>
</table>
إدارة المخاطر

يشارك المجلس بشكل فعال في تحديد رغبة الشركة في خوض أي مخاطرة (لا أوافق بشده / أوافق / على الحياد / لا أوافق)

لا أوافق بشده

يفضي المجلس وقتاً كافياً لمناقشة قضايا إدارة المخاطر (لا أوافق بشده / أوافق / على الحياد / لا أوافق)

لا أوافق بشده

لدى المجلس رؤية واضحة لأعلى خمس مخاطر تواجه الشركة (لا أوافق بشده / أوافق / على الحياد / لا أوافق)

لا أوافق بشده

إجراء تقييم كامل على أثر تلك المخاطر على ماليات الشركة (التدفق النقدي) (لا أوافق بشده / أوافق / على الحياد / لا أوافق)

لا أوافق بشده

المجلس يقضي وقتاً كافياً لضمان سلامة نظم التقارير المحاسبية والمالية (لا أوافق بشده / أوافق / على الحياد / لا أوافق)

لا أوافق بشده

إدارة المواهب

يشارك المجلس بشكل فعال في إدارة المواهب (على سبيل المثال: الاختيار أو التعويض أو التقييم أو التنمية أو التخطيط لخلافة وظائف الإدارة العليا الهامة) (لا أوافق بشده / أوافق / على الحياد / لا أوافق)

لا أوافق بشده

يفضي المجلس وقتاً كافياً لمناقشة قضايا إدارة المواهب (لا أوافق بشده / أوافق / على الحياد / لا أوافق)

لا أوافق بشده

لدى المجلس عملية موثقة لخطط الخلافة لجميع المناصب الهامة (لا أوافق بشده / أوافق / على الحياد / لا أوافق)

لا أوافق بشده

الديناميكية القيادية

صممت الأسئلة التالية لتقييم وجهة نظرك في فعالية المجلس، وكل من العبارات التالية برغى الإشارة إلى مستوى من الاتفاق أو الاختلاف...
الإعداد والمشاركة

هناك إعداد جيد لاجتماعات مجلس الإدارة من قبل جميع أعضاء المجلس

أوافق بشده
أوافق
على الحياد
لا أوافق
لا أوافق بشده

يشترك جميع أعضاء المجلس في مناقشات المجلس

أوافق بشده
أوافق
على الحياد
لا أوافق
لا أوافق بشده

أعضاء المجلس على وضوح دائم عن الغرض من مناقشاتهم

أوافق بشده
أوافق
على الحياد
لا أوافق
لا أوافق بشده

يشارك جميع أعضاء المجلس في مناقشاتهم

أوافق بشده
أوافق
على الحياد
لا أوافق
لا أوافق بشده

أتمنى أن يكون هناك انتظام في التوازن المناسب بين ما هو مطلوب ومناقشاتكم

أوافق بشده
أوافق
على الحياد
لا أوافق
لا أوافق بشده

التخلي والصراع

يشجع المجلس ويتم مناقشة الخلافات ووجهات النظر المختلفة

أوافق بشده
أوافق
على الحياد
لا أوافق
لا أوافق بشده

أعضاء المجلس في تحدى مسالم مع بعضهم البعض لضمان وصول المجلس إلى أفضل النتائج

أوافق بشده
أوافق
على الحياد
لا أوافق
لا أوافق بشده

يملك المجلس المقدرة على الوصول إلى النقمة القاضية عند القرارات الصعبة

أوافق بشده
أوافق
على الحياد
لا أوافق
لا أوافق بشده

يتم حل الخلافات بين أعضاء المجلس بطريقة بناءة وبدون عداء شخصي

أوافق بشده
أوافق
على الحياد
لا أوافق
لا أوافق بشده
الديناميكية الفعالة

يتم نهج المجلس في اتخاذ القرارات بالشفافية والعدالة والكفاءة

لا أوافق
لا أوافق بشده
وافق
وافق بشده
على الحيد
لا أوافق
لا أوافق بشذه

يقدم رئيس المجلس التسهيلات للمجلس لصنع القرار بدلاً من صنع القرار نيابة عن المجلس

لا أوافق
لا أوافق بشده
وافق
وافق بشده
على الحيد
لا أوافق
لا أوافق بشده

يتم كلي النقاش بمجموعة واضحة من الخطوات التالية: من سيفعل ماذا ومتي

لا أوافق
لا أوافق بشده
وافق
وافق بشده
على الحيد
لا أوافق
لا أوافق بشده

التفاعل مع الإدارة العليا

يقوم مجلس الإدارة وفريق الإدارة العليا بالتحدي البناء في اجتماعات المجلس

لا أوافق
لا أوافق بشده
وافق
وافق بشده
على الحيد
لا أوافق
لا أوافق بشده

هناك ثقة والاحترام بين أعضاء المجلس والإدارة العليا

لا أوافق
لا أوافق بشده
وافق
وافق بشده
على الحيد
لا أوافق
لا أوافق بشده

الفعالية والتجديد الشامل للمجلس

صممت الأسئلة التالية لتقييم وجهة نظركم في فعالية المجلس وكل من العبارات التالية يرجى الإشارة إلى مستوى من الاتفاق أو الاختلاف

لا أوافق
لا أوافق بشده
وافق
وافق بشده
على الحيد
لا أوافق
لا أوافق بشده

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تقييم المجلس

يتم مناقشة فعالية اجتماعات المجلس فيما بعد

() أوافق بشدة
() أوافق
() على الحيد
() لا أوافق

لا أوافق بشده

يتم تقييم المجلس لأداء أعضاءه منفردين على الأقل سنوياً

() أوافق بشدة
() أوافق
() على الحيد
() لا أوافق

لا أوافق بشده

يقوم المجلس بتقييم أدائهم الجماعي كفريق على الأقل سنوياً

() أوافق بشدة
() أوافق
() على الحيد
() لا أوافق

لا أوافق بشده

تحديث مجلس الإدارة

يأخذ المجلس الوقت للرجوع خطوة إلى الوراء والتفكير في مدى فعاليته والتحديات والفرص المتاحة للتحسين

() أوافق بشدة
() أوافق
() على الحيد
() لا أوافق

لا أوافق بشده

لدى المجلس المرونة الكافية لإعادة تحديد الأولويات عندما يتطلب الموقف ذلك

() أوافق بشدة
() أوافق
() على الحيد
() لا أوافق

لا أوافق بشده

لدى المجلس الصلاحية في وضع حد للأشياء التي لم تعد تستحق الوقت أو الجهد

() أوافق بشدة
() أوافق
() على الحيد
() لا أوافق

لا أوافق بشده