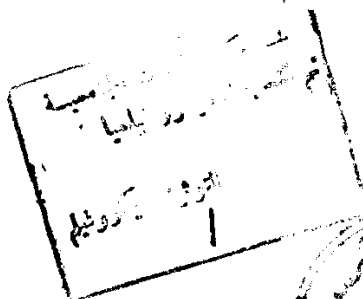


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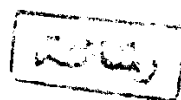


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Ph.D Dissertation  
SHERIF SAID ELBARRAD



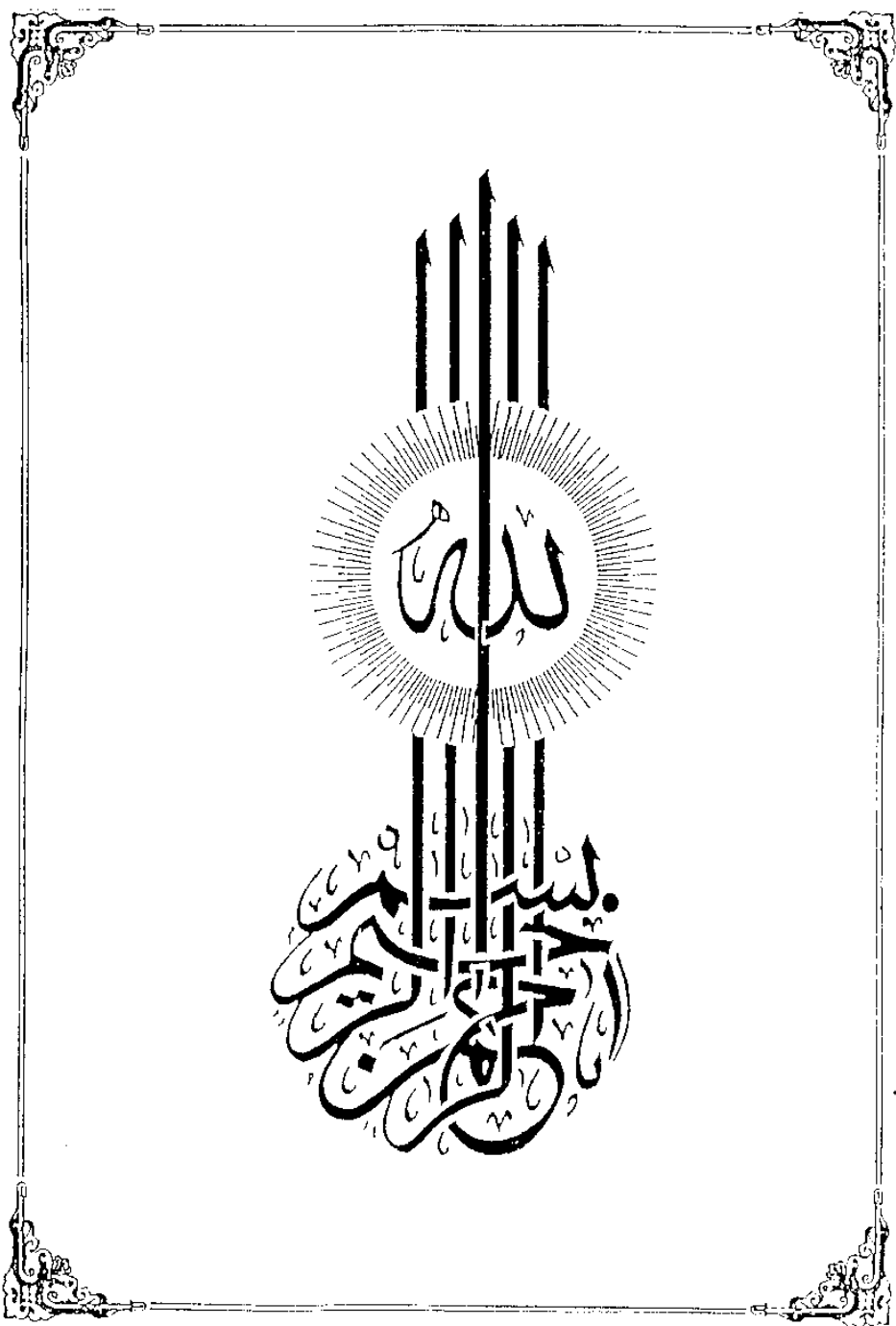
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1997





بسم الله الرحمن الرحيم

"سبحانك لا علم لنا إلا ما علمتنا إنك أنت العليم الحكيم"

صدق الله العظيم

(سورة البقرة - ٢٢)



A SUGGESTED FRAMEWORK TO VALUATE THE ECONOMIC UNITS  
BASED ON THE EGYPTIAN AND GERMAN PRIVATIZATION  
PROGRAMS.

اطار مقترح لتقييم الوحدات الاقتصادية فى ضوء برنامج توسيع قاعدة الملكية الخاصة فى كل من مصر والمانيا

أسم الباحث: شريف سعيد أحمد مصطفى البراد

الدرجة العلمية: درجة دكتوراه الفلسفة فى المحاسبة

القسم التابع له: قسم المحاسبة والمراجعة

أسم الكلية: كلية التجارة - جامعة عين شمس

سنة التخرج: ١٩٨٥

سنة المنح:



## أهداء

الى زوجتى وابنتى ..... النور الذى يملأ حياتى

الى روح كل من أمى وأبى ..... مثلى الاعلى فى الحياة

الى عائلتى ..... حبا وتقديرا واعتزازا





### شكر وتقدير

الحمد والشكر لله العلي القدير على ما أنعم به على من نعم كثيرة وعلى استطاعتي أن أتم هذه الدراسة راجيا منه دوام التوفيق والسداد في الأمور كلها. يشرفني في هذا المقام أن أتقدم بوافر الشكر والتقدير للأستاذ الدكتور/ عبدالرحمن عليان على الوقت الوفير الذي منحه لي خلال فترة الدراسة، وعلى ما تعهدني به من تشجيع وعلى نصائحه ورائته التي كانت لها أثر ملموس في هذا البحث، فلقد كان بحق نعم المشرف والقوة.

كما أتقدم بالشكر والتقدير للأستاذ الدكتور / كمال حسين إبراهيم رئيس قسم المحاسبة والمراجعة بالكلية الذي لم يتوانى في تقديم يد العون والمساندة. كما أن شجيعه المستمر كان له أكبر الأثر في نفسي. كما أشكره على قبوله الاشتراك في لجنة الحكم على البحث. كما يتقدم الباحث بالشكر للأستاذ الدكتور / شوقي خاطر رئيس الجهاز المركزي للمحاسبات على قبوله الاشتراك في لجنة الحكم على البحث بالرغم من ضيق وقته ومسؤولياته.

وأتوجه بالشكر للمكتب الفني لوزير قطاع الأعمال العام لما قام به من تيسير الحصول على البيانات اللازمة لأتمام هذا البحث. سائلا المولى - عز وجل - أن يلهمني طريق الصواب وآخر دعوانا أن الحمد لله رب العالمين.

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أسم الباحث: شريف سعيد احمد مصطفى البراد

عنوان الرسالة: اطار مقترح لتقييم الوحدات الاقتصادية فى ضوء توسيع قاعدة الملكية

الخاصة فى كل من مصر والمانيا.

الدرجة العلمية: الدكتوراه

التاريخ: ١٩٩٧

لجنة المناقشة

الأستاذ الدكتور / شوقى خاطر

رئيس الجهاز المركزى للمحاسبات

الأستاذ الدكتور / كمال حسين ابراهيم

رئيس قسم المحاسبة والمراجعة بكلية التجارة جامعة عين شمس

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استاذ التكاليف بكلية التجارة جامعة عين شمس

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رئيس قسم المراجعة وادارة الأعمال بجامعة كولونيا بألمانيا



## Introduction:

Privatization has spread to become the global economic phenomenon of the 1990s. Throughout the world, governments are turning over to private managers control of everything from electrical utilities to prisons, from railroads to education. By the end of the 1980s, sales of state enterprises worldwide had reached a total of over \$185 billion -- with no signs of a slowdown.<sup>1</sup>

Also, in Egypt privatization started to spread. In the eighties, the condition of the country's economy was dramatically bad.<sup>2</sup> The managerial and financial problem of the State Owned Enterprises (SOEs hereafter) became very clear in the middle of the eighties. The losses of the SOEs were a great burden on the state's budget.<sup>3</sup> After an agreement with the International Monetary Fund (IMF) at the beginning of the nineties, the Egyptian government started an economic reform program.<sup>4</sup> The core of this program is an ambitious privatization program.

Privatization is more than an event; it is a process by which state-owned assets or activities are transferred to the private sector. Obviously, the details differ by country and by type of transaction, but the process for privatizing a typical SOE is composed of three main phases.

### (A) The preparation phase

In this phase the SOEs targeted for privatization are selected and if the enterprises were not in the form of joint-stock companies, they are transformed into such form. The government should pass the necessary legislation needed to perform the privatization process.<sup>5</sup>

### (B) The privatization phase:

In this phase the government and its' advisers undertake a study to assess the feasibility of privatizing the enterprise or activity and the mechanisms available for achieving this objective. In many cases, the interested investor will be performing parallel analyses of his or her own. In some cases, the government may decide to restructure the enterprise before putting it up for sale, in order to increase its marketability. For

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<sup>1</sup> John B. Goodman & Gary W. Loveman, "Does privatization serve the public interest?" *Harvard Business Review*, Nov. 1991, P.26

<sup>2</sup> Attiat F. Ott & Keith Hartley, "Privatization and economic efficiency", Edward Elgar Publishing company, 1991, P.191

<sup>3</sup> Aly Abdel-Aziz Soleiman, "The Privatization Program: The cases of transfer to the market economy in Egypt", *Strategic papers (Kurasat Istratijiya)*, iss. 39, 1996, P.6

<sup>4</sup> "Egypt emerges as a major player", *Project and Trade Finance*, July 1993, P29

<sup>5</sup> Ernst & Young, "Privatization: Investing in state-owned enterprises around the world", John Wiley and Sons Inc., 1994, P.4

example, many public enterprises are heavily indebted to state banks, and some form of loan forgiveness or debt-equity swap may be required in order to put the enterprise on a financial footing that is acceptable to investors.<sup>6</sup>

The state selects one of the privatization methods (such as stock offerings, tender, direct negotiation,...etc.) to carry on the divestiture. Then, both the state and investors estimate a fair market value for the SOE under privatization.

(C) The post-privatization phase:

In this phase the investor takes over the operation of the enterprise. Most investors undertake further restructuring, with an emphasis on improving the quality and reducing the cost of goods or services provided. The government's role in the final, post-privatization phase may vary, from arm's length regulation or a continuing involvement in running the enterprise on one hand, to seats on the board of directors for the government or its proxies on the other hand.<sup>7</sup> Its' role could also be diminished to only control the contract conditions.

This research focuses on the second phase of the privatization process. Its' aim is to suggest a framework to help the state in taking the restructuring and/or privatization decision, and providing a valuation model to formulate the investors' estimation of the fair market value of a certain SOE.

**Research Problem:**

It is well known that business valuation is a key to the privatization process and the economic restructuring.<sup>8</sup> As if the government sells the SOEs under-priced, it will be accused by selling the national wealth cheap, and selling it over-priced will harm the whole privatization process as it will lose the investors' confidence. Accordingly, SOE valuation could hinder the privatization process. An author affirms this opinion by stating:

"One reason of the delay is that in the current environment it has been difficult to calculate the net worth of state enterprise"<sup>9</sup>

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<sup>6</sup> *Ibid.*, P.6

<sup>7</sup> *Ibid.*, P.7

<sup>8</sup> Laurent Hervé, " *Issues of business valuation*" In Salvatore Zecchini, " *Valuation and privatization*", Organization for economic co-operation and development, 1993, P.95

<sup>9</sup> Calvo Galirno, in Asafet Ashour, "An accounting model to estimate the value of companies under privatization", *Economic and Business Review*, Faculty of commerce, Ain-Shams University. P176