

Egypt's Local Government Privatization Follies

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ACCORDING to recent statements by some senior officials, the Egyptian government's current craze is the privatization of local government assets. The central government has been clear about its intention to divest itself of a host of these assets, and local newspapers have headlined stories about cables from various governorates over the past several months.

Various documents drawn up by the government for international donors also highlighted the importance of local government privatization efforts, and this led me to take an interest in the subject. Of course, those who follow my work realize that privatization is an issue close to my heart, and my initial reaction to local government divestiture efforts was more than positive.

But after looking into the matter a bit further it became clear to me that the government has only mandated governors to sell off those local government projects worth no more than E£50,000 (\$18,000). Any local government project whose book value exceeds that amount cannot be divested according to current instructions.

I found this E£50,000 limitation to be quite bizarre, and I began to gather information on the types of projects privatized under this ceiling. Some of my findings, I believe, are extremely interesting.

The Sharqiya governorate, for example, says that it is currently divesting 58 bee-breeding projects. The governorate of Damietta says it has privatized 20 minibuses and one microbus. Giza claims to have privatized two rabbit-

breeding enterprises, Kalubia one quarry and Port Said one greenhouse. The list goes on and on, varying greatly from one governorate to another.

This is the first time I have ever heard the terms 'privatization' and 'divestiture' applied to the sale of one microbus and one greenhouse to the private sector.

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If certain governors are against privatization and think they can fool people into believing that they are divesting, then they should think again. As the saying goes, 'You can fool some of the people all of the time, but not all of the people all of the time.'

In addition, if the government is attempting to impress international donors with privatization on the governorate level, then my advice to them is to keep the majority of their privatization files closed until they have something concrete to present to these institutions.

More importantly, what is the logic behind the government's E£50,000 ceiling? This limitation does not say much for the seriousness with which the government is addressing the privatization issue.

When I discussed some of these issues with a senior government official recently, I was told that Prime Minister Aïf Sidki was just about to issue instructions to raise the ceiling

from E£50,000 to E£100,000. The official explained that the government's policy was to sell off all those assets with a book value of up to E£50,000 by March 1991 and then to start divesting those locally owned projects worth up to E£100,000, which would represent phase two of the local government privatization plan.

He also pointed to the importance of what he described as phase two in giving governors more flexibility to sell off locally owned enterprises. But how significant are sales of assets valued at E£100,000 or less? Are we still talking of privatization at this level? If so, then such privatization is extremely peripheral.

Rumor now has it that the government is thinking of establishing a national holding company that will have as its sole objective the privatization of local government assets, regardless of their value. As long as there is a project which is a financial drain on a particular governorate's budget, it will be up to this national holding company to take over its assets and sell them to the general public in the way it considers best.

One can only hope that this national holding company will not end up being in charge of the sale of one bus, one bee-breeding establishment or one bakery, which is basically the level of divestiture activity that we are seeing in governorates these days.

If the government is serious about privatization, then it must first begin to use this term as it is generally defined — divestiture on a large scale. I am confident that the majority of economists in Egypt would regard a national holding company that assists in the privatization of one bus or truck in one governorate or another as simply unacceptable.