

Egypt's Governorates Play Discordant Notes on Privatization

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PRIVATIZATION, the hot issue of the day, seems to be starting to move forward as the Egyptian government has planned, but, as always, there is an obstacle in the form of a lack of cohesion among the various state organizations and the governorates.

Already three governorates, South Sinai, the Red Sea and Bahaira, have announced their unwillingness to privatize, claiming that the majority of their projects are strategic food security activities that they cannot give up. Their primary argument is that the shifting of these projects into the private sector will in some cases guarantee monopoly privileges to a minority group of investors who may use their newly acquired power to raise prices of basic foods in their governorates.

On the other hand, there are other governorates, such as Ismailia, Minya, Matruh, Gharbiya and Sohag, which claim that virtually all of their local government-owned projects are profitable and have stated their unwillingness to divest income-generating enterprises.

Some of these governorates have indicated that no sales of profitable projects are planned until the government gives them additional directives, while others have started valuing the assets of their income-generating enterprises to pave the way for privatization if the government gives the order.

In addition, another group of governorates, including Damietta and Monufia, has been moving steadily toward their privatization objectives. Damietta started privatizing and leasing state assets well before the state issued clear divestiture directives to governorates.

What is clear from the above is that the willingness to privatize governorate-owned assets does not apply across the board. Some governorates are all for it, others dead set

against it, and others again have yet to take a stand. Some governorates refuse to sell any of their assets, others are valuing assets and waiting for directives. Some governorates are selling off only those enterprises that are losing money and are unwilling to divest profitable ones, while other governorates are doing nothing at all and taking a wait-and-see attitude.

A Point Of View



What about cohesion? There does not seem to be much of it. Should the government leave it up to every governorate to decide the fate of its state enterprises? In my opinion, the government should not.

Privatization is not a free-for-all. It is meant to be a mechanism through which the government reintroduces market forces across the board and dismantles not only parts of the state enterprise system but the planning mechanism that comes with it. Privatization carries with it strategic goals which imply macroeconomic change in the entire system, not partial reversions of assets from the public to the private sector.

Macroeconomic structural change cannot come about if it is left up to every governorate to decide on its own whim which state assets to keep in the government's portfolio and which ones to privatize. I am not against decentralization of decision making to give the governorates more say, but one must take into consideration the strategic macroeconomic questions involved in the privatization of local government assets.

More importantly, one has to ask at what point the lack of cohesion among ministries and governorates will come to an end. If the government states that its policy is to privatize local government assets, one would have to assume that the various governorates involved agreed to this policy before it was announced. Sadly, this does not seem to be the case.

An *Al-Ahram* article published in mid-April quoted at least three governors as saying that they were either ideologically against privatization or that simple divestiture was impractical for the majority of governorates in Egypt. *Al-Akhabr* also published a similar story.

Isn't it a bit late for these governors to be making these statements after the government announced that the state would privatize local government assets across the board? Or did no one bother to ask the governors' opinions before the privatization announcement? Or is the state going to implement all-out privatization in a select number of governorates, some privatization in other governorates, and no privatization in the remaining areas? What do the ministers of economy and planning say to that?

It's just like having a band in which two or three players insist on playing jazz, a few others want to concentrate on classical music and the rest refuse to play altogether. In the end you get nothing but distorted noises from some and silence from others. If some governorates continue to move quickly while others move at a slower pace and yet a third group decides to do nothing, then the country will end up with an interesting set of distortions.

Local government privatization efforts, though, do indicate one thing. As always, it seems to be quite difficult to produce any kind of cohesion or agreement on public policies by various state organizations in Egypt.