Privatization program complete before 2000, Prime Minister

Prime Minister Kamal el-Ganzouri's announcement that privatization program would be completed before 2000 has drawn widespread reactions from officials and experts in the market who have ruled this out because the government has succeeded in selling 64 companies only since the beginning of the privatization program in 1991, so it cannot sell the rest of the companies in four years. In addition to this, there are several obstacles and problems facing the privatization program that have not been resolved until now.

An official report adopted by Atef Ebeid, Minister of the Public Business Sector, showed that the ownership base of 28 companies out of a total of 276 public sector companies has been expanded, according to the 1996 statistics, including 24 companies, whose ownership base has been expanded through the stock exchange, 19 companies of which were transferred to Law 159/1981.

The report acknowledged that about 9 companies of the 28 public companies are still under the umbrella of Law 203 and that they have not been completely sold because the government still owns most of the shares in them. The report noted that only 64 public sector companies have been sold since the beginning of economic reform in 1991.

What makes us pessimistic about the completion of the privatization program by 2000, as Prime Minister Ganzouri has promised, is that many public economic institutions have not so far been incorporated into economic reform or any privatization program.

Official sources valued these institutions at L.E. 629.439 billion aside from the military production companies. Economic institutions, insurance companies, public sector companies, public utility authorities and economic projects in provinces were valued at L.E. 180.7 billion, L.E. 8.2 billion, L.E. 24.9 billion, L.E. 3 billion and L.E. 309 million respectively.

This makes us wonder how these public assets can be sold in less than four years although the ministry of public business sector has managed to sell 64 companies only out of 91 companies until 1996.

Not only the figures but also experts, officials and investors emphasize the impossibility of fulfilling the prime minister's dream due to the vagueness of many aspects of the privatization program, the investors' reluctance to buy public sector companies and the refusal of the private sector to expand its ownership base by purchasing the public sector.

Mohieddin Abou Alam, Chairman of the Engineering Industries Holding Company, said among the several problems that prevent the foreign investor from buying public sector companies is those related to the taxes imposed on these companies, the layoff ban condition stipulated in the sale contracts, legal disputes between public sector companies and several parties including distributors and provincial councils, further complicating the sale of public sector companies, in addition to the red tape and the rules that restrict the administration's freedom to take decisions.

Sabry Aglan, advisor to the minister of the public business sector, said it is necessary to have specialized administrations along the lines of the ones in Britain that were proved to be successful.

He said it is the optimum solution "if we want to fulfill the prime minister's dream with the completion of the economic program by 2000," pointing out that getting rid of the holding companies' guardianship on the administrations of the sold companies would only be achieved through these specialized administrations which should run the companies that were sold to the investors.

For his part, Nader Riad, Chairman of the Bavaria Egypt, said the privatization program is still a mystery, as "we do not know whether it aims at liquidating the public sector or selling and transferring its ownership to the private sector."

He stressed that the rush to sell the public sector is a serious matter that should be taken into account, noting that such a rush harms the march of industry and strips this vital sector of its entire capabilities.

Adel el-Labban, Commercial International Bank's (CIB) managing director and board member, said the reluctance of the family sector to expand by buying the assets of the public business sector is another obstacle to fulfilling this dream, because the family sector prefers self expansion to purchasing the public sector.

"There is a conviction among this sector that self expansion is safer and away from the problems and the intricacies of the public sector," he added.

***** *Translated from Arabic Original*
Source: ***Al Alam Al Youm Newspaper 15/1/1997***