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#### MINISTER DISCUSSES DEVELOPMENT OF INDUSTRIAL PUBLIC SECTOR

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[Interview with Fu'ad Abu Zaghlah, minister of industry and mineral resources, by Tahiyah 'Abd al-Wahhab: "Minister of Industry to ROSE AL-YUSUF: Do Not Be Unfair to Public Sector; Industrial Production Growth Rate Is 13 Percent; 700 Million Pounds Needed for Development"]

[Text] "Nobody denies that the public sector is one of the most significant accomplishments of the July revolution and that it is the fundamental mainstay of economic development in Egypt. Those who say otherwise are a minority with no influence and no weight." With these words, Engineer Fu'ad Abu Zaghlah, the minister of industry and mineral resources, began his interview with me on what is being said about developing the industrial public sector in a manner commensurate with its size and with the role it plays in pushing the wheel of the Egyptian economy forward.

[Question] In your capacity as the exchairman of the Iron and Steel Company--one of the biggest industrial companies in Egypt--what is the true nature of the so-called law for development of the industrial public sector, especially since this sector shoulders the main burden in the development plan?

[Answer] For the public sector to be developed and put in a position whereby it contributes fundamentally to the industrial development, several elements must be first available for this development.

The so-called law for development of the public sector is tantamount to amendment of the establishments and companies law which had been abolished and then amended. The amendment projected currently is an amendment concerning the system of management of the economic units so that they may be managed soundly and may achieve the development plan drawn up for them.

For example, the board of directors of an economic unit will have all the authority and powers to manage the unit without the intervention of the ministry concerned or of any other authority, except the product-pricing authority. This intervention is due to several considerations.

The second thing is determining the workers' basic wages in the economic unit. Here, the state is the party with the power to set a social, not economic,

price for the products. Therefore, the state should not be unfair to the public sector by saddling it with burdens for which this sector is not responsible and then asking it to turn out profits. A commodity's production cost must be studied and then a suitable profit margin must be added. The government can then bring the economic unit to account on this basis. Moreover, a compensation equal to the difference between the economic price and the social price must be established so that the unit may not ultimately appear to be losing whereas the truth is the opposite.

In all other respects, the boards of directors have been given all the powers to develop the products and to completely free the system of incentives and bonuses.

#### Role of Specialized Authorities

Here emerges the role of the Central Accounting Agency in watching the financial conduct of the economic units. This is a fundamental and important role for the right management of the financial situation in each unit. There is no place here for excluding this aspect, namely the agency's control.

Then comes the role of the minister in charge who supervises this sector. Constitutionally, how could he do this when all the powers are bestowed upon the companies' boards of directors?

At this point comes the role of the so-called specialized authorities which are agencies that prepare the data and reports on the companies' activity, the companies' statements on the products they offer and on other aspects so that there may be coordination between the ministry and companies and so that the ministry concerned may meet the companies' needs, help them solve their external problems and supply them with foreign currency without intervention on the part of these authorities in the affairs of the boards of directors or in the methods these boards use to implement the production plans.

The second element of development lies in reforming the financing structures. It had been said that there were industrial investments and we began to act on this basis only to be surprised by the absence of a budget [for industrial investments] in the previous plan, rather, by the absence of an industrial plan altogether. Consequently, there was a shortage of financing which burdened all these units which started borrowing from banks to meet their financial needs. This resulted in a flaw in the financing structures of these units.

#### 700 Million Pounds for Development

The industrial public sector includes, according to the minister, 117 companies with a total capital of 5 billion pounds that need 700 million pounds for development and growth. This is why a committee was formed from the Ministries of Finance and Industry to find out all the financing problems concerning these companies.

The committee has concluded its work with several resolutions to solve these problems according to a plan to be implemented over several years. These recommendations will be presented to the Policies Committee. For the first time in 10 years, a sum of 3.75 billion pounds is allocated for industry within the 5-year plan.

What happened last year is that the economic units borrowed from the banks 740 million pounds for which they have paid 124 million pounds in interest.

[Question] What about the workers of the public sector companies?

[Answer] The minister of cabinet affairs is currently developing law No 48 which is the labor law governing the workers of the public sector companies. There is then a number of other problems, such as the exchange rate, the delayed opening of credit facilities for the public sector, the bank loans and the burdens the companies shoulder as a result of open-drawing accounts which affect the economics of these companies. There are also the taxes levied on industrial profits--taxes which must be reconsidered.

Despite all this, says the minister of industry, the industrial public sector has performed a main role in the Egyptian economy. The years of the June [1967] and October [1973] wars are a proof and a testimony to this fact. The public sector has shouldered the burden of meeting all the local needs, despite the inadequacy of the replacement and renewal operations in the factories. This proves that this sector plays the major role in the state's economic growth.

#### Unit's Interest First

Engineer Abu Zaghlah adds: The growth rate in the industrial public sector's production amounted last year to 13 percent of the gross production, despite the commitment not to raise the prices and despite the many problems accumulated throughout the recent years. This is why the idea of developing and streamlining the industrial public sector has emerged.

But I wonder, the minister goes on to say, how can we ask the public sector to turn out profits and then saddle it with burdens for which it is not responsible?

[Question] Why isn't the principle of industrial democracy applied in the companies?

[Answer] The interest of each company is embodied in two factors: The affairs of the economic unit itself and, second, the affairs of its workers. We are not considering here representation of the workers in the boards of directors for the interest of the worker alone. But we must also take into consideration the interest of the economic unit in terms of its compliance with the plan set for it. Consequently, the worker nominated to the membership of a board of directors must have an adequate degree of political and social education. This education is made available to the worker through organized educational programs offered by the Workers University. The serious elements

are then selected to participate effectively in managing the economic unit. Two goals are thus achieved simultaneously: The interest of the worker and the interest of the unit in which he works.

[Question] Having reviewed all the points concerning the future of the Egyptian public sector and reviewed the factors that have led to the decline of industry in the past 10 years, the discussion leads us to an important question, namely: Why do some chairmen of the boards of directors and some technical experts of the public sector desert this sector for the joint or private sector?

[Answer] The poor wages and salaries paid by the public sector and the rising prices have had a clear impact and are a basic reason for the emigration of the capabilities and expertise to the joint or private sector or to foreign countries. Consequently, we have to raise the workers' wages and improve the incentives and make them commensurate with production. The wages should be set according to experience and the ability to innovate and develop.

As of last year, we established a system of incentives in the companies in accordance with which each company is brought to account on the basis of an evaluation of its efforts, its performance and its production volume. This system was actually applied to the Iron and Steel Company when I was the chairman of its board of directors.

Concluding, Engineer Fu'ad Abu Zaghlah said: We must all work in unity for Egypt within a framework of purity and of a clean conscience, putting the country's interest first and without forgetting that the country's prosperity is prosperity for its sons.

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