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ISA 69372

International Science and Technology Institute, Inc.

Headquarters: 1129 20th Street, N.W., Washington, D.C. 20036
202/785-0831 • Telex: 272785 ISTI UR • FAX: 202/223-3865

EL SALVADOR

**CORSAIN
DIVESTITURE PROGRAM
PROGRESS TO DATE**

**Prepared for:
Agency for International Development
LAC/PS
Contract No. LAC-0619-C-00-7038
(Task No. 24)**

**Prepared by:
Joseph Borgatti**

**International Science and Technology Institute, Inc.
Washington, D. C.**

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Arlington, Virginia • Lewes, Delaware • Guatemala City, Guatemala • Cairo, Egypt • Jakarta, Indonesia
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EXHIBITS

I. BACKGROUND

This report builds on the work of Jorge Segura in February 1988, and of this writer in April 1988. The two consultants concluded that privatization was viable in El Salvador, and recommended that the AID Mission help in developing a limited divestiture program within CORSAIN. Their reports recommended helping CORSAIN to develop in-house capability to handle the various phases of divestiture. In addition, they recommended providing specific technical help in marketing 5 targeted commercial enterprises. It was envisioned that the AID Mission would provide the periodic services of an advisor and that, through his intermediary, the required technical experts would be recruited as needed.

II. SCOPE OF WORK

1. Determine the progress achieved thus far, reviewing:
 - the number of properties tendered;
 - the number of expressions of interest received;
 - the price proposals submitted in relation to CORSAIN's base price;
 - the preparation of company profiles for the five companies originally owned by GOES.
2. Analyze the operational procedures for private placement of GOES properties including approval requirements, asset valuation, level of competition and disclosure.
3. Review the priorities of CORSAIN's current divestiture plan with respect to the attainment of a good mix of "easy" and "hard"-to-sell properties.
4. Present an action plan covering specific experts to be contracted and the dates for execution of assignments.

III. EXECUTIVE SUMMARY

Since the beginning of the year, CORSAIN has sold 1 of its 5 wholly owned companies (Centro Grafico), leased a major part of the tuna port complex, sold one tuna fishing boat and leased the other, paid off half the workers at Textilera Izalco preparatory to disposing of its assets, and put the Hotel Presidente up for sale.

Of its 23 properties, 17 became authorized for sale and were publicly advertised, 3 were sold and one sale is being transacted. The 5 co-participations were not touched. Prices received were generally above the valuations.

CORSAIN's management group has shown dedication to its divestiture program, a strong sense of purpose and considerable flexibility. They have made much progress, and along the way, have taken large strides to cut back the subsidies that have so drained the company of financial resources which are needed to prepare assets for sale. Results have been achieved under difficult circumstances -political, economic and

financial- and without timely access to needed financial and technical resources. They have got the train out of the station.

But much has been accomplished through improvisation. In order to gain momentum and remain surely on the tracks, CORSAIN needs assistance. In this regard, the situation does not differ materially from that diagnosed and prescribed for in our April 30 report. Exhibit 6 reproduces the executive summary of that report.

Speaking generally, CORSAIN's most pressing need is to get help in valuing, marketing and financially packaging the Hotel Presidente. A second need is to obtain financial resources to resume paying off the remaining workers at IZALCO.

CORSAIN also needs to do a few other things: It needs to do something different about selling its properties; and fairly soon it needs to get expert advice and assistance on the divestitures of IZALCO and INJIBOA, and in administering the port complex at La Union. Moreover, at the same time there is a basic need to strengthen the capacity to plan and implement the divestiture program.

The learning curve will be too long and steep, and the job too big for CORSAIN's management team to adopt an on-the-job training approach in finding out what works and doesn't work, and in planning for a steady flow of divestitures.

The recommended actions are:

CORSAIN should:

1. Obtain expert help, before year end 1988, to place a commercial value on, and develop a marketing and promotion plan for the Hotel Presidente. The assistance should include professional preparation of a profile in English, and later, help in structuring the finances of a sale.
2. Arrange financing of 3.5 million colones, preferable before Christmas, to finish paying off the Textilera IZALCO work force. In addition, CORSAIN should provide an equipment list and preliminary profile to J. J. Borgatti (JJB) in New York for his use in contacting experts and/or potential investors to come down and have a look at IZALCO.
3. Send sugar samples to Tootsie Roll Industries and invite a senior representative of the company to come down to see the INJIBOA installations and discuss a possible relationship. Assuming a favorable reaction, CORSAIN should request the Government to liberalize its policies as they affect sugar pricing and marketing, so that INJIBOA could be sold to a group composed of workers, management, growers, plus local and foreign investors.
4. Strengthen its ability to plan and implement divestiture programs specifically by:
 - getting out to find out first hand how others in the region have

dealt with the same problems. At least, the President and one of his senior managers should plan for a no-later-than February trip to Honduras and Costa Rica.

-obtain the services of a manager who will, first of all, help revise the divestiture program so that priorities are assigned, and realistic objectives, schedules and financial plans are set.

Secondly, this person will act to coordinate liaison with the various entities on which CORSAIN depends, including AID, Ministries of Hacienda and Justicia (the curriculum of a possible candidate is enclosed as Exhibit 7).

5. Prepare a write-up on the Port, for translation into English, which describes what the Port complex consists of, how much product is or shortly will be caught, and other pertinent information especially concerning the arrangements with Jose Pascual.

6. Obtain the services of a consultant to look over the arrangements with Jose Pascual, and also to look at the whole complex from a port authority approach, and make recommendations as to where CORSAIN should go from here.

7. Revise the policy and strategy concerning property sales to permit recourse to real estate brokers.

AID should:

1. Provide the funding for contracting the liaison/program manager person to work with CORSAIN's sales committee, under the direction of the President.

2. Help CORSAIN follow through on the leads developed during this assignment and to line up the required experts by contracting with JJB to do the following:

HOTEL PRESIDENTE

- contact the 2 Miami hotel consulting firms to ascertain their ability to get some one down in mid-December to do a quick feasibility study on what the hotel is worth and how it should be marketed, and transmit the information to CORSAIN/AID as soon as possible

- follow through in late January to work with CORSAIN on the financial mechanism of the sale

TEXTILERA IZALCO

- upon return to New York, contact LIDA manufacturing, and through them, the two New York fabric companies recommended by Connolly of White Knight Industries to find names of people qualified to come down and estimate the worth of IZALCO and what to do with it.

- contact 2 Guatemalan manufacturers, Habie and Russ, to attempt to interest them in coming over to see the place.

INJIBOA

- take samples of currently produced sugar as well as the two-year old stock, and deliver them to Tootsie Roll

- phone the Chairman of Tootsie on Nov. 30 and discuss a possible involvement not only as a buyer but as a possible equity holder. If positive, arrange for the Vice President, Press, to visit El Salvador in December when he goes to Guatemala.

COMPLEJO PORTUARIO

- arrange for the services of a person to come down in late January to advise on port administration

FOREST RESERVES

- re La Trinidad (105 manzanas) which has been categorized as a forestry reserve by the Government, put CORSAIN in touch with the Nature Conservancy people in the U.S. with the idea of working out a donation program by firms holding Salvadoran debt or having unrepatriated funds in El Salvador.

PROPERTY SALES

- investigate the possibility of contracting someone from U.S. government property sales to come down and review CORSAIN's program. The thought is that selling government properties is not the same as simple commercial selling; they are surrounded with safeguards and procedures that, to the uninitiated, inhibit deal making. The people who know how to do this well are from the U.S. government whose job it is to dispose of government property advantageously yet without impropriety. U.S. government property selling is a major business.

3. Contract with a consultant to provide advisory services to CORSAIN over a 4-6 month period involving spending on average 1 week per month in El Salvador plus 2-3 days per month in the U.S. making contacts.

4. Consider whether it could help CORSAIN with funding to pay worker indemnizations. The idea would be a rotating fund, replenished with cash from CORSAIN divestitures. Included as Exhibit B is a write-up done for the Honduras privatization program which featured a severance pay fund.

5. Revise its mandate to the CORSAIN Project Manager so that he is a full member of the CORSAIN divestiture team, maintaining close contact, and taking part with them in their sales committee deliberations.

6. Make arrangements, and stand the cost, for CORSAIN's management travel to Honduras and Costa Rica for latest mid-February.

IV. ACTIVITIES DURING ASSIGNMENT

REVIEWED THE FOLLOWING DOCUMENTS:

- * The file of assets announced for sale, responses received, and sales approved.
- * CORSAIN Divestiture Program for 1988
- * CORSAIN Financial Statements as of September 30, 1988
- * Profile and Terms of Reference for Hotel Presidente

- * Briefing Book on progress of divestitures which was used to brief the Governors of CORSAIN and the Minister of the Presidency on 9/7/88
- * Pre-feasibility Study of INJIBOA sale to workers, growers & INAZUCAR, by RODA 8/1/88.

INTERVIEWED THE FOLLOWING PERSONS:

- * Lic. Oscar Reyes, Assistant to the Minister of Planning
- * S. Stephenson, Head of Private Sector Office, AID mission
- * E. Altschul, Assistant to S. Stephenson
- * Julio Rivas G., President of CORSAIN
- * Lic. Zonia F. de Lievano, Gerente Industrial, CORSAIN
- * Lic. Rafael Rodriguez Loucel, Governor of CORSAIN
- * Lic. N. Villaroel, CORSAIN Marketing Manager
- * Lic. E. Miranda, Manager, JIBOA

PARTICIPATED IN THE FOLLOWING MEETINGS:

- * Three meetings of the CORSAIN Technical Sales Committee (composed of: Lic. J. Rivas, Pres.; Licda. Z. Lievano, Industry Manager & Secretary, Lic. Cartagena, Vice Pres.; Lic. Turcios, Financial Manager.
- * Two progress review meetings with J. Rivas & E. Altschul
- * One progress Meeting with O. Reyes & E. Altschul
- * Meeting of the Board of Governors of CORSAIN
- * Meeting of Board Of Directors of JIBOA sugar mill

V. ANALYSIS OF CORSAIN'S PROGRESS TO DATE

GENERAL ACCOMPLISHMENTS

Since the beginning of the year, CORSAIN has sold 1 of its 5 wholly owned companies (Centro Grafico), leased a major part of the tuna port complex, sold one tuna fishing boat and leased the other, paid off half the workers at Textilera Izalco preparatory to disposing of its assets, and put the Hotel Presidente up for sale.

Of its 23 properties, 17 became authorized for sale and were publicly advertised, 3 were sold and one sale is being transacted. The 5 co-participations were not touched. Prices received were generally above the valuations.

In financial terms, CORSAIN is in a break even position. A significant cash flow from the Hotel Presidente has been offset by subsidies mainly to Textilera Izalco.

CORSAIN'S exposure is estimated to have been reduced by some 19.5 million colones to 272.2 million (U.S. 1.00 = 5 colones); summarized as follows (see Exhibit 1 for detailed listing):

JAN. 1988

NOV. 1988

<u>[AMOUNTS IN COLONES MILLIONS]</u>	<u>NO.</u>	<u>AMOUNT</u>	<u>NO.</u>	<u>AMOUNT</u>
Properties	23	13.8	20	11.0
Wholly owned companies	5	242.3	5	225.6
Co-participations in companies	5	35.7	5	35.7

COMPARISON OF RESULTS VS EXPECTATIONS

CORSAIN had planned to have sold by this time some 16 properties , and sold or leased all 5 of the wholly owned companies. Of course, these were very preliminary estimates by a newly installed management team. At any rate, the shortfall in sales is discussed group by group in the following section.

VI. DISCUSSION OF MAJOR ITEMS IN PORTFOLIO

Notes from meetings in CORSAIN which took place during this assignment are included as Exhibits 2 and 3, in order to provide the flavor and some background detail on the portfolio as well as on CORSAIN's efforts to divest it.

THE FIVE WHOLLY OWNED COMPANIES:

1. CENTRO GRAFICO - The company was able to find a buyer for this printing company, which was perhaps the easiest to sell. The plant was rented to the buyer until he could arrange the financing. The sale was closed for 2.6 million colones, which compares with a book value of 1.7 million.

Completion of the transaction involves getting the property registered in CORSAIN's name before it can be transferred to the buyer; and that requires considerable follow-up with the Ministry of Justice.

2. COMPLEJO PESQUERO - CORSAIN appears to have extricated itself from a losing arrangement with a Venezuelan tuna group and to have made important progress in commercializing this tuna port complex which is their most important investment (137 million colones). In the process, they have had to rescue the two boats from seizure in Panama. This important step, is one that could eventually provide a steady cash flow (CORSAIN is currently more-or-less on a cash break even basis). Jose Pascual, an important Spanish company, reported to be among the top three in tuna world-wide, has bought one boat outright for 3.8 million dollars, of which 1.8 million was paid in advance to permit liberation of the boat in Panama and the remainder payable 500,000 per year over four years. The other boat is to be rented, once liberated from the Panamanian authorities, to this same company, with an option to purchase. In addition the Spaniards have rented the refrigeration chambers for 125,000 dollars per year, and have committed to spend an additional one million dollars in port improvements.

Much more remains to be done to develop this port complex. There is a need to lease out the ice making facility, and the ship repair yard,

add complementary facilities to service ships and crews, and create a new organization to administer the whole complex. CORSAIN has no experience in organizing and administering a port authority, and will need help in doing it. Also, they will need assistance in planning how to supervise the lease agreement with Pascual.

3. TEXTILERA IZALCO - CORSAIN began paying off the workers in IZALCO which was costing them 800,000 colones per month in subsidies, and was virtually unsaleable until the swollen payroll with its severance liability was eliminated. Of the 600 workers, 300 have been paid off at a cost of 3 million colones. Another 3.5 million are needed to finish the job. As CORSAIN is out of cash, until new funding is received, the program will have to be suspended.

The strategy for divesting Textilera IZALCO is that the parts are worth more than the whole, and so the idea at the moment is to break it up into its parts and to sell the lands -some as farms, some for urban housing, as the case may be; sell the repair machinery as a unit to someone in the machine/vehicle repair business; and sell the unuseable machinery as scrap or to another mill for replacement parts; sell the recreation facilities (swimming pool etc.) to a bank or other institution seeking recreation facilities.

CORSAIN will need to determine if the thread making and/or denim making machinery can be kept together as a unit, sold as a unit, or otherwise scrapped. The notes in Exhibit 9 contain a discussion of the next steps in this regard.

4. HOTEL PRESIDENTE - The hotel has been advertised for sale, and bids are to be opened January 18, 1989. Meanwhile, a valuation is to be conducted by a 3 person committee, one from CORSAIN, and 2 from the Ministry of Hacienda (1 each from property register and internal revenue) none of whom could be said to be versed in commercial valuation on a going concern basis. Shortly, ads are to be placed in Central American newspapers plus the Wall Street Journal, and attempts will be made to reach Asian and European investors.

The profile needs to be translated into English and expanded to include data on occupancy, costs per room, cash flow etc. (see Exhibit 6 for details). CORSAIN recognizes the need to get help in this task as well as in valuing, marketing and financially packaging the hotel. But it is working within a tight time frame with limited resources.

The January 18 date is a constraint. While it would be prudent to do it right and not hurry, the fact is that CORSAIN once before postponed the sales date of the hotel, after already having offers in hand, and this caused a credibility problem.

5. INJIBOA - The study commissioned to look into the creation of a mixed capital company concluded that projected cash flow would be insufficient to provide funds for the workers and growers to pay back the obligations which they would assume. Therefore, the idea was dropped, and nothing further was done with INJIBOA.

This writer felt that the valuation of INJIBOA at 50-60 million colones was far too high for this money losing company. INJIBOA requires

additional capital investment, inputs of more and better cane, and a liberation of price controls to become profitable.

At any rate, during this assignment contact was made with Tootsie Roll Industries of the U.S. who showed interest in a long term contract for refined (as well as plantation white) sugar, including the purchase of the 26,000 qq of refined sugar which has been stored (and deteriorating) for the past two years in a dispute between INJIBOA and INAZUCAR. In addition, discussions were held with local officials concerning liberalization of policies which would have the effect of keeping INAZUCAR out of INJIBOA's ownership, and of permitting INJIBOA to market its own sugar directly. Sugar does not carry the political baggage that coffee does. Moreover, INJIBOA was never part of the agrarian reform program. On this basis, the thought was advanced that liberalization of policies affecting INJIBOA would be feasible. The memo in Exhibit 4 explains this in more detail.

THE REAL ESTATE PROPERTIES

Previously, no property titles had been transferred to CORSAIN, but during the April visit 6 were received, and since then 13 more were obtained, so that now 19 property titles have been secured and 19 permissions to sell obtained from the Ministry of Hacienda. Of these, 15 have been offered for sale. Thus, the intention to divest is evident, if not the result.

Nonetheless, the number of responses received was only 14. That more responses were not received was, in our opinion, due to a number of factors. One is the difficult local environment -troubled economically and politically. Another is the competition from the savings and loan associations which finance the whole package, land plus construction. Also, CORSAIN's properties have not yet been advertised extensively. Price does not seem to have been a factor as the ads have not mentioned the selling price.

Without going into a market survey, our impression is that property sales are going to take a much stronger effort, with more resources, than CORSAIN now contemplates.

CORSAIN's latest ploy is to offer the properties first to Government agencies, before going public again. The idea is to go where the money is, to the pension/savings funds of 4 agencies: IPSFA -the armed forced pension institute; ISSS -private sector and autonomous agencies pension institute; INPEP -government employees pension institute; and FSV -government housing institute. The tactic is to make special promotions to these institutes as they not only finance the houses of their members, but also buy land and put up houses, on speculation, for sale to their members.

THE 5 CO-PARTNERSHIPS

The decision continues to be to keep these on the back burner, therefore, there has been no action toward divestiture. Pertinent figures are as follows (see Exhibit 10 for more details):

<u>(000'S COLONES)</u>	<u>CORSAIN INVESTMENT</u>	<u>PER CENT PARTICPATN</u>	<u>BOOK VALUE OF INVESMTENT</u>
INSINCA [1]	31,000	50%	24,000
CONELCA	4,000	23%	5,750
IMACASA	200	3%	360
QUALITY FOODS	500	5%	350
CEMENTOS MAYA	5	18%	(NEGATIVE)

[1] Owes 3.4 million colones in dividends to CORSAIN

PROCEDURES FOR PRIVATE PLACEMENT

This consultant was asked specifically to look into CORSAIN's practices.

There has been one private placement to date: the sale of the property Colonia Dolores, located in a marginal area. The property was carried on CORSAIN's books for 39,000 colones and was sold for 60,000. The purchaser, who was occupying the building on the property, had long sought to buy it. However, CORSAIN has stated that its policy is not to do more of such private placements.

Nevertheless, CORSAIN's offer to government agencies is tantamount to a private sale inasmuch as it has stated it will withdraw from public offer any item which a government agency wishes to buy. Even before this offer was sent out to some 15 government ministries and agencies, one or two properties had been committed for sale to government agencies. CORSAIN's attitude is that these sales are divestitures and they bring in cash as any others.

Some may question if such sales from one government agency to another are really privatizations, even though they may be defended as divestitures from CORSAIN's point of view.

VII. CONCLUSIONS

GENERAL

CORSAIN's management group has shown dedication to its divestiture program, a strong sense of purpose and considerable flexibility. They have made much progress, and along the way have taken large strides to cut back the subsidies that have so drained the company of financial resources which are needed to prepare assets for sale. Results have been achieved under difficult circumstances - political, economic and financial - and without timely access to needed financial and technical resources. They have got the train out of the station.

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Speaking generally. CORSAIN's most pressing need is to get help in valuing, marketing and financially packaging the Hotel Presidente. A second need is to obtain financial resources to resume paying off the remaining workers at IZALCO.

CORSAIN also needs to do a few other things. It needs to do something different about selling its properties; and fairly soon it needs to get expert advice and assistance on the divestitures of IZALCO and INJIBOA, and in administering the port complex at La Union. Moreover, at the same time there is a basic need to strengthen the capacity to plan and implement the divestiture program.

THE PROGRAM

With regard to strategy, tactics and priorities. CORSAIN, by circumstance, has had to take a do-it-yourself approach. The company has tried to do a lot of things across a broad front, responding no doubt to pressures -internal and external. The approach seems to be of the shot gun type, to get a lot of items out on the market and see what could be sold. Now, with some experience. CORSAIN appears to be developing specific strategies for specific sectors of the portfolio; and this seems the right direction to go.

With regard to property sales. it will probably prove not enough to await responses from government agencies. Even if they did respond, CORSAIN would be hard pressed, with its limited staff, to deal with the 22 properties one by one on any effective cost basis. New strategies might require enlisting the collaboration of professional real estate agents to move the properties. This would also serve as a check against the company's pricing assumptions. One idea would be to invite the nation's real estate brokers to a forum where CORSAIN presented its portfolio of properties for sale and worked out an arrangement whereby the brokers competed for selling them on a commission basis.

There is much to do on the planning and implementation side. The learning curve will be too long and steep, and the job too big for CORSAIN's management team to adopt an on-the-job training approach in finding out what works and doesn't work, and in planning for a steady flow of divestitures.

CORSAIN's management needs to get out and see how others have solved the problems of setting priorities, achieving practical valuations, devising marketing strategies, etc. Neighboring Honduras and Costa Rica have already gone through many of the experiences that now await CORSAIN. By getting to know their experiences, CORSAIN can shorten the learning curve and at the same time tap into the privatization network.

CORSAIN also needs to be able to put more human resources into the planning, implementation and control aspects of divestiture activities. The hotel sale for one, the port negotiations and the IZALCO actions, to cite others, illustrate the point that CORSAIN could benefit from more planning plus single responsibility for seeing that the plans get accomplished. The sales committee is a good coordinating mechanism, and for eliciting cross fertilization of ideas. But for action, there is a need to place the responsibility in one pair of hands that is working

under a tight plan.

Also, now that it is launched on the program, CORSAIN needs to follow through on all the doors opened and ideas developed during this assignment.

CORSAIN should consider adding a full time executive to manage the operational details of the divestiture program, serving the President of CORSAIN directly - working on planning, bird-dogging the inscriptions and valuations, liaisoning with AID/IESC/PNUD etc., and able to communicate CORSAIN's needs for assistance. This calls for a person with a balance of conceptual and transactional skills who also enjoys good relations with and acceptance at the Ministries and with the Ministers. With such a person CORSAIN could put some real effort into revising its action plan, which is badly needed. One of the principal tasks of this executive will be to work with the President and his management staff to develop a practical divestiture plan that lays out what is to be achieved, in what order, and how.

Planning is dwelt on so heavily in this report because there is so much need to figure out just what actions are required in order to achieve each divestiture, and then to put them all together in some organized, feasible way that says which steps get done first, etc.. With the program handled in this manner, priorities would be set, each executive would have his assignments, and the President would be freer to deal with the achievement of policy changes rather than getting involved in the mundane issues of advertising and small property sales. Exhibit 11 contains a brief outline of the planning function as we see it.

A final conclusion, which derives from the complexity of this divestiture program coupled with CORSAIN'S limited resources and experience, is the special need for AID to maintain liaison so that it can be on top of the program. It is not enough that the Mission observe or accompany the process, it must participate in order to be helpful.

VIII. RECOMMENDED ACTIONS

CORSAIN should:

1. Obtain expert help, before year end 1988, to place a commercial value on, and develop a marketing and promotion plan for the Hotel Presidente. The assistance should include professional preparation of a profile in English, and later, help in structuring the finances of a sale.
2. Arrange financing of 3.5 million colones, preferably before Christmas, to finish paying off the Textilera IZALCO work force. In addition, CORSAIN should provide an equipment list and preliminary profile to J. J. Borgatti (JJB) in New York for his use in contacting experts and/or potential investors to come down and have a look at IZALCO.
3. Send (through JJB) sugar samples to Tootsie Roll Industries and invite a senior representative of the company to come down to see the

INJIBOA installations and discuss a possible relationship. Assuming a favorable reaction, CORSAIN should request the Government to liberalize its policies as they affect sugar pricing and marketing, so that INJIBOA could be sold to a group composed of workers, management, growers, plus local and foreign investors.

4. Strengthen its ability to plan and implement divestiture programs specifically by:

-getting out to find out first hand how others in the region have dealt with the same problems. At least, the President and one of his senior managers should plan for a no-later-than February trip to Honduras and Costa Rica.

-obtaining the services of a manager who will, first of all, help revise the divestiture program so that priorities are assigned, and realistic objectives, schedules and financial plans are set. Secondly, this person will act to coordinate liaison with the various entities on which CORSAIN depends, including AID, Ministries of Hacienda and Justicia (the curriculum of a possible candidate is enclosed as Exhibit 7).

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5. Revise its mandate to the CORSAIN Project Manager so that he is a full member of the CORSAIN divestiture team, maintaining close contact, and taking part with them in their sales committee deliberations.

6. Make arrangements, and stand the cost, for CORSAIN's management travel to Honduras and Costa Rica for latest mid-February.

CGRSAIN: STATUS OF DIVESTITURES - AS OF NOVEMBER 1988

(IN MILLIONS)

	STATUS OF VALUATION & AUTHORIZATION TO SELL BY MINISTRY HACIENDA	STATUS OF REGISTRATION AND TITLE TO PROPERTY	OFFERED FOR SALE	RESULTS OF OFFER	INDICATOR WHEN ACQUIRED BY CGRSAIN	INITIAL SET PRICE	USUAL SET PRICE	PRICE RECEIVED	DATE SOLD	COMMENT
I. REAL ESTATE										
1. LAND & CONSTRUCTION JALTEPEQUE	AUTHORIZED 5/4/88	TITLE REGISTERED	DIRECT SALE	ISOLD TO IMPEP	2,222,886	3,980,000	4,423,410	4,423,410	10/88	ISOLD TO IMPEP FOR THE SUBSTITUTION SET BY MIN HACIENDA TO BE USED FOR WORKERS RESORT
2. LAND & CONSTRUCTION STA ANA 25 AV 3 LOTS 2,505 V2	PENDING AUTHORIZATION TO SELL	TITLE REGISTERED	BY NEWSPAPER 7/88 FOUR TIMES	NO OFFERS	191,265	387,000	298,194			CHURCH IS USING TO TRAIN YOUTH
3. LAND 25 Av NORTE GABRIELA MISTRAL 4714 V2	AUTHORIZED 5/4/88	IN FINAL STAGE OF REGISTERING TITLE	BY NEWSPAPER 6 TIMES IN JUNE & JULY AGAIN IN SEPT	NO OFFERS FROM 1ST AND 2ND AD: #175,000 & #144,000 ALSO: \$1,350,000	865,393	1,700,000	1,317,984			TURNED DOWN 2BYS & ARA FROM PRIVATE SOURCES IMPEP OFFERED TO BUY
4. LAND & CONSTRUCTION LOMA LARGA #3 PLNS RMDRS 4,609 V2	AUTHORIZED 5/4/88	STILL LACK CERTIF OF OWNERSHIP WITH WHICH TO REGISTER	BY NEWSPAPER 7/88 FOUR TIMES	RECEIVED 2 OFFERS \$188,500 \$150,000	86,789	250,000	188,475	188,500	11/88	TURNED DOWN 2 OFFERS IN PROCESS
5. LAND & CONSTRUCTION RUBEN DARIO Y II AV SUR EL CALVARIO	AUTHORIZED 5/4/88	IN FINAL STAGE OF REGISTERING TITLE	SENT LTRS TO ALL WHO HAD SHOWN INTEREST	RECEIVED 3 OFFERS: \$989,169 \$850,000 & \$900,000	535,645	800,000	796,446	989,000	6/88	
6. LAND & CONSTRUCTION 38 AV NORTE PERALTA 2,117 V2	PENDING VALUATION & AUTHORIZATION TO SELL	IN FINAL STAGE OF REGISTERING TITLE	BY NEWSPAPER 7/88 FOUR TIMES	IMPEP OFFERED TO BUY OTHER OFFER: 320,000	245,498	340,000				TURNED DOWN \$320,000
7. LOT 3-A AT LA UNION EL TAMARINDO 7,186 V2	AUTHORIZED 5/4/88	TITLE REGISTERED	BY NEWSPAPER 6,7 & 9/88	NO OFFERS RECEIVED	98,466	136,000	265,995			INDT ON BEACH FRONT MAY HAVE TO SUB-DIVIDE TO SELL (for both 3-A & 4-A)
8. LOT 4-A AT LA UNION EL TAMARINDO 8,860 V2	AUTHORIZED 5/4/88	TITLE REGISTERED	BY NEWSPAPER 6,7 & 9/88	NO OFFERS RECEIVED	111,829	167,000	265,995			INDT ON BEACH FRONT MAY HAVE TO SUB-DIVIDE TO SELL (for both 3-A & 4-A)
9. GADALA MARIA LAND & BUILDING	AUTHORIZED 4/19/88	IN FINAL STAGE OF REGISTERING TITLE	NEWSPAPER ADS TWICE IN APRIL 88	IRECVD 1 OFFER FOR \$1.434 MILLION WITH BLDG DISOCCUPIED	876,912	1,500,000	1,382,677			IMPEP OFFERED TO BUY MONTHS FOR OFFICES
10. LAND & CONSTRUCTION CALLE VILLEGAS, PJE BOLANOS, COL DOLORES BO LA VEGA, SAN SALVI	AUTHORIZED 4/19/88	IN PROCESS OF REGISTERING TITLE	DIRECT PLACEMENT	ISOLD TO OWNERS OF ADJACENT FACTORY	39,275	60,000	45,273	60,000	6/88	

W

	STATUS OF VALUATION & AUTHORIZATION TO SELL BY MINISTRY HACIENDA	STATUS OF REGISTRATION AND TITLE TO PROPERTY	OFFERED FOR SALE	RESULTS OF OFFER	ORIG VALUATION WHEN ACQUIRED BY CORSAIN	INITIAL EST SALE PRICE OR BASE PRICE	VALUATION SET BY MIN HACIENDA	PRICE RECEIVED	DATE SOLD	COMMENT	
II. THE 5 WHOLLY OWNED COMMERCIAL COMPANIES											
24.	TEXTILERA IZALCO	PENDING VALUATION & AUTHORIZATION TO SELL	TITLE REGISTERED	1A PIECE LAND 1,576 V2 ADVERTISED FOR SALE IN 7/88	2 OFFERS FOR PART: \$315,232 & 250,000 REJECTED	15,906,723	7,500,000	17,303,454		VALUATION DOESN'T INCLUDE MACH LAND AT PLANT 1 = 1,576 V2	
25.	HOTEL PRESIDENTE		TITLE REGISTERED	IN NEWSPAPER 11/88		26,363,469	40,000,000	34,805,828		INTEND ADVERTISE REGIONALLY & ABROAD. NEW VALUATION ABOUT TO BE MADE	
26.	COMPLEJO PESQUERO		TITLE REGISTERED		1 SOLD 1 BOAT \$3 MILL OTHER TO BE SOLD WHEN LIBERATED	149,000,000	NOT SET			1 \$149 MILLION WAS ORIGINAL COST FACILITIES TO BE RENTED FOR 1 YR FOR \$10 MILLION	
27.	CENTRO GRAFICO		LACKS TITLE		12 OFFERS RECVD 1 SOLD 1 AWAITING PAYMENT	1,689,911	1,689,911	1,613,449	2,600,000	9/88 (NOT INCLD-ING MACHNRY)	1 ORIGINALLY WAS TO BE RENTED FOR 1 YEAR FOR \$264,000
28.	INGENIO JIBOA	PENDING VALUATION & AUTHORIZATION TO SELL				49,344,914	70,000,000			1 GEOCL STUDY VALUED AT \$50 MILL	
SUB-TOTAL COMPANIES						242,305,017	119,189,911	53,802,731			

III. THE 5 CO-PARTICIPATIONS

				CARRIED ON BOOKS FOR:	CURRENT BOOK VALUE	
29.	INSINCA SYNTHETIC CLOTH PARTICIPATION: 50%	REGISTERED SHARES		30,786,000	25,000,000	1 BEST BOOK VALUE OF CORSAIN'S 1 SHARE = \$7.5 MILLION
30.	COMELCA ELECTRIC CABLES PARTICIPATION: 23%	REGISTERED SHARES		4,216,910	5,628,226	1 BEST BOOK VALUE OF CORSAIN'S 1 SHARE = \$5.6 MILLION
31.	QUALITY FOODS CANNED OKRA, ETC. PARTICIPATION: 5%	REGISTERED SHARES		476,392	1,295,000	1 BEST BOOK VALUE OF CORSAIN'S 1 SHARE = \$1.3 MILLION
32.	CEMENTO MAYA CEMENT PRODUCTION PARTICIPATION: 18%	REGISTERED SHARES		5,000	(DEFICIT)	1 COMPANY HAS A DEFICIT NET WORTH
33.	INACASA FARM IMPLEMENTS PARTICIPATION: 3%	REGISTERED SHARES		165,000	199,000	1 BEST BOOK VALUE OF CORSAIN'S 1 SHARE = \$199,000
SUB-TOTAL CO-PARTS				35,650,102	32,122,226	

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	STATUS OF VALUATION & AUTHORIZATION TO SELL BY MINISTRY HACIENDA	STATUS OF REGISTRATION AND TITLE TO PROPERTY	OFFERED FOR SALE	RESULTS OF OFFER	ORIG VALUATION WHEN ACQUIRED BY CORSAIN	INITIAL EST SALE PRICE BASE PRICE	VALUATION SET BY MIN HACIENDA	PRICE RECEIVED	DATE SOLD	COMMENTS
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RECAPITULATION

SUB-TOTAL PROPERTIES					13,777,662	36,425,342	32,424,398			
SUB-TOTAL COMPANIES					242,385,817	119,189,911	53,882,731			
SUB-TOTAL CO-PARTS					35,650,102	(NOT SET)	32,122,226			
GRAND TOTALS:					291,732,781	155,616,253	118,349,355			

REMAINING ASSETS - AS OF 11/88 (ALLOWING FOR SALES OF CENTRO GRAFICO, 1 BOAT & 3 PROPERTIES:

SUB-TOTAL PROPERTIES					10,979,856	31,666,342	27,159,869			
SUB-TOTAL COMPANIES					225,615,106	102,500,000	37,189,282			
SUB-TOTAL CO-PARTS					35,650,102	(NOT SET)	32,122,226			
GRAND TOTALS:					272,245,064	134,166,342	96,470,577			

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Exhibit 2

NOTES FROM MEETING WITH JULIO RIVAS, NOVEMBER 15, 1988:

HOTEL PRESIDENTE

Wednesday, 16th, will announce the sale of Hotel Presidente. Phase no.1 is the hotel (option to buy the adjacent land too). Phase 2 is to sell the surrounding lands. Feels will get more by doing it this way - since lots in that zone are much sought after. Profile and terms of reference are ready. A commission is valuing it (Min. Hacienda & CORSAIN). On Dec 12, at the request of the hotel administration, a retired hotel man is to come down to make another avaluo (note: later Julio told us not to let this interfere with bringing our own expert down).

COMPLEJO PESQUERO

Will divide into 2 parts:

1. Refrigeration installations - have made a rental contract with a Spanish company, Jose Pascual, for 10 years. Pascual will make finishing investments in equipment, replacement parts, containers (tinajas) for the refrigeration room at a cost of over \$1 million, of which CORSAIN will put in 1/3 to be repaid out of canones. The place will be declared a free zone for boats to bring in their catches and be serviced.

2. The boats - rented to IPER, Venezuela - complicated - not paying - boats need repair. CORSAIN decided annul contract to rescue the boats. In Panama - secuestro preventivo. There are contra demands of creditors privilegiados - ex. payments to the crew and credits to IPERA. Requires a fianza for the boats to get out. CORSAIN working on it through local banks here. May use INSINCA shares as a guarantee to the banks.

Demands of \$600,000 against the boats. Also owe \$1.2 million. Jose Pascual depositing \$1.8 million in Panama and will exercise option to buy the boats. Eventually CORSAIN will pay the judgement of Panama.

P. & P. Marine Consultants in New York valued the boats at \$3 million and \$4 million. Four years to pay - \$500,000 per year.

Have legal ownership of the port. It is now the property of CORSAIN, which no longer has to administer it on behalf of the government.

JIBOA

A difficult situation. Study wasn't favorable, concluded that buyers couldn't support payment. So it will pass to INAZUCAR. I told him this wasn't privatization. The transaction will be done after the 1988-9 crop year. Banco Central will finance the transaction.

TEXTILERA IZALCO

CORSAIN is paying off the workers - had over 600 workers. Company has lost C37 million while in the hands of the government. Now running a loss of C800,000 per month. 300 of the 600 are being let go. CORSAIN still owes social security on them. Average indemnization is C10,000 -

but some get as high as C52.000. Have already paid off 70 and have 100 more pending to go and expect to reach 300 this week (note: did so) - trying to pay off the lower wage earners first. Its being done on a voluntary basis.

Estuardo Castillo of Guatemala - fabrica de hilos - a candidate to buy IZALCO.

CENTRO GRAFICO

Buyer got C2.6 million credit to pay it off.

PROPERTIES

Little response in general; for example, one fairly attractive property got only one response.

Institute de pensiones publicos interested in buying properties for public employees - bot the piece of land on the beach for C4.4 million and will put up a vacation spot for retirees. CORSAIN is using the cash to pay the indemnities to IZALCO workers. CORSAIN's idea in selling to the Government is that its getting money - doesn't matter from whom.

Sold Ruben Dario to the private sector for the man's furniture factory.

Sold Col. Dolores to a private lady for her bra factory.

Some offers CORSAIN has refused due to the form of payment proposed. Ex. - Gabriela Mistral.

CEMENT BLOCK MACHINE

Got 2 replies

RE ORGANIZATION

The new VP is Cartagena. formerly the Contralor.

Rivas would like to have an indemnization fund - which he would reimburse from the property sales.

Exhibit 3

MEETING 11/16/88 WITH J. RIVAS (Pres. CORSAIN) & E. ALTSCHUL (USAID)

HOTEL PRESIDENTE:

Sales notice published today - intend publish in C. A. & Wall St. Journal. Calendario: 18 Jan open bids

Min. Hacienda & Corsain are valuing. Canadian retiree coming 12/13 contracted by the administration of the hotel to put a value on it. Saneamiento legal has been done. Want me to help with the financial packaging of it.

Make an approach to the Central Bank re debt or bonds in dollars that Exxon, IBM etc have - a fund to redeem them - specifically for the hotel

SETEFE manages balance of payments funds. C300.000 could be tapped with their approval.

Sales to IMPEP to be in cash - 4 terrenos & Edif Gadala Maria

IZALCO:

Indemnizations to cost 6.000.000 colones plus another 7.000.000 of debts to third parties to be cleared up.

Strategy is to close it for awhile - clean it up in terms of debt/workers. By today, 300 of the 600 workers will have been paid off. Payed out \$3 million; need another \$3.5 million to finish the job (I raised question of AID conceding an indemnization fund as per Hnduran model, attached), and will have to suspend program until new funding received.

PNUDI sending a tecnico. BUT CORSAIN would accept AID help in form of a tecnico. Are willing accept fact that they may have only chatarra left.

JIBOA:

The idea of a mixed company didn't make it. (I questioned its practicality, anyway).

Find someone to do the valuation.
Could we bring in an appraiser to look at JIBOA? JIBOA not part of the reforma agraria; therefore, may not require 51% ownership by INAZUCAR. Julio believes INAZUCAR not interested in participation. I mentioned Tootsie Roll Company's interest in getting their hands on a long term source of sugar (see my notes on conversations with A. L. Quinn). It was agreed I would contact Tootsie to ascertain their interest in the sugar.

Have until February to find a solution.

Talked about an ESOP. I said would need valor real for it to work; mentioned that I thought a value of C50, 60 or 70 million would be unreal to buyers.

It was thought I should mention ESOPS etc at the Governors meeting

COMPLEJO PESQUERO:

Have made contrato de arrendamiento de las camaras to Spanish group - 10 year rental. Spaniards will bring their own boats; will also make additional investments. Later put in a processing plant for the tuna; and still later a canning plant.

Could rent/sell other parts like the dique seco (dry dock). Could crear a zona franca - a possibility to service boats that bring in their catches.

Discussed the possibility of interesting the Japs.

CENTRO GRAFICO:

Three months ago rented it out to a group who negotiating the financing to buy it. Bank has now approved the loan. Sales value is C2.6 million.

CO-INVERSIONES:

Re INSINCA/CONELPA, The U.S. and Jap socios want see the government staying in. These two pay dividends. The other three represent a dead investment. Better to see them turned into cash.

Also. from an optic point of view. it would be better to sell IMACASA and QUALITY FOODS:

BIENES DE RAIZ:

No offers for Tamarindo; thinking of dividing it into smaller lots.

FOREST RESERVES:

Three places are candidates for bosques: La Trinidad - 105 manzanas: San Roque - 69 manzanas: La Argentina - 59 manzanas.

Could I put them in touch with the Nature Conservancy movement?

BOLSA DE VALORES:

AID is making a matching grant to the bolsa.

Miscelanous:

I questioned values derived by Min. Hacienda people, because probably not market valuations.

We agreed that need three tasks regarding hotel and that CORSAIN would ask AID to finance bringing them in:

1. get a hotel valuation expert down here immediately - who would also help represent CORSAIN ante hotel chains on the marketing side of things
2. Someone to help with mercadeo & ventas
3. third person - financing alternatives - how it could be done financially. This person could be me.

AGREED ON ANOTHER MEETING: TUESDAY AT 10:00 AM TO GUAGE PROGRESS.

Exhibit 4

NOTES FROM PHONE CONVERSATION ON 11/18/88 WITH ALEX BEEHLER (WASH REP OF TOOTSIE ROLL INDUSTRIES):

Tootsie has made one shipment from the D.R. when I couldn't help them earlier this year to make a deal here (in El Salvador).

Alex will phone David Press and repeat our conversation about the possibilities of a long term contract with JIROA etc. and advising that.

I will call him Tuesday at 10:30 AM.. Tel: (312) 838-3440. David Press is in charge of sourcing: the one who does the traveling in the company.

In his absence, phone Howard Embers VP & Treas, right under Mr. Gordon. Tel: (312) 838-3422.

NOTES FROM PHONE CONVERSATION WITH DAVID PRESS, VP TOOTSIE ROLL INDUSTRIES, 11/22/88:

Re the old sugar, depends on quality and packing. Re packing, they like to use their own large bags; don't like to handle small bags. Can probably handle this by having local filling with their own bags.

Quality another problem. and they would like to see samples.

Re shipping, they prefer Atlantic/Caribbean ports so that the cargo can go up the Mississippi to Chicago. If roads are good, Puerto Santo Tomas could serve.

If investment involved, he would have to talk with his Chairman. I said it was. This will involve discussion of the country's stability and other risks - especially re government price controls.

Their needs were formerly for high polarity raw sugar and plantation white. They now have an additional need for a fully refined white sugar.

Press will be going to Mexico and Guatemala shortly, and could go on to El Salvador. Meanwhile, he asked that I phone his Chairman next Wednesday (Nov 30) and discuss the whole matter with him. He also asked me to bring up samples of current production of raw, white and refined sugar plus samples of the old refined sugar which has been sitting around for 2 years.

J. J. Borgatti

November 22, 1988

NOTES FROM CONVERSATIONS WITH MIRANDA (CORSAIN). ON 11/18/88 & BEEHLER (WASH REP OF TOOTSIE ROLL INDUSTRIES) ON 11/21/88:

MIRANDA:

Doesn't know the polarization of the 26,000,000 refined sugar still stored. Its priced at c 91cts

The color was white but it has been stored in a tug of war between CORSAIN & inazucar for 2 years. so has deteriorated in color (grano brillante, color amarillo)

NOTES FROM MEETING WITH JIBOA BOARD OF DIRECTORS. 11/23/88:

They want to go through with a privatization where employees, management and growers participate.

I explained how ESOPS work and that, upon reflection, if they had further questions, E. Altschul could answer them as he has a good grasp of the subject.

We talked about the need for strengthened management team, especially as regards marketing and finance. Discussion centered around bringing in a Salvadoran group experienced in sugar mill management such as the De Solas. This idea was well received.

Also well received was the idea of bringing in a company like Tootsie Roll to provide a long term contract for (refined) sugar, and possibly to share in the equity.

There was considerable discussion of the need to have JIBOA completely private, and to be divorced from INZUCAR. In this connection, policy changes would be necessary to permit JIBOA to market its sugar directly abroad and to buy and sell without price direction from INAZUCAR.

They were warned that there is a long road ahead - with many obstacles. I suggested they keep in touch with Altschul who could give them guidance.

For my part, I would take product samples back to Tootsie and talk with their principals about coming down for talks with CORSAIN and the Government.

J. J. Borgatti

November 23, 1988

Exhibit 5

REF: PROPOSED SALE OF HOTEL PRESIDENTE

At a meeting on Nov. 16 with Julio Rivas, Sonva LLevano and Ernesto Altschul, it was agreed that I would seek help for CORSAIN in valuating and marketing the Hotel Presidente. This morning, I phoned Tom Wilcox, former Vice Chairman of Citibank and ex-Chairman of Crocker Bank, who is a long time director of the Hilton Hotel chain, to request his help in finding the right person.

Tom was traveling in California and could not be reached. But learning that he would be spending the weekend with Baron Hilton, head of the company, I left the following message with his secretary in New York (along with my office and hotel telephone numbers):

CORSAIN is putting up for sale to private interests 100% of the 240 room Hotel Presidente (I briefly described the facilities and location) and seeks help in two areas: -putting a value on the hotel (what is it worth?). -working up a marketing plan (how to sell it).

I said we were seeking a recently retired hotel executive, or possibly one still with the Hilton chain, who could come down soon on a short visit to advise CORSAIN. I mentioned that expenses plus fee would be paid, but that the fee would carry an AID ceiling.

During the discussion with Mr. Wilcox' secretary, she opined that possibly Hilton itself could be interested in a participation, especially if a debt equity swap were involved.

Note: I spoke directly with Wilcox on Nov. 18: communicated all of the above to him, answered several questions about the hotel itself, as well as the political situation in El Salvador, and received his promise to have someone from the Hilton organization get back to me in the next few days.

November 17, 1988

J. J. Borqatti

NOTES FROM PHONE CONVERSATION. ON 11/21/88. WITH DENNIS HEINZ:

Heinz [tel: (305) 262-6220] is VP of Conrad International hotels, a subsidiary of Hilton Hotels. He is an engineer with a financial background. His boss, Irving Williams is Senior Vice President in charge of development of hotels in the eastern hemisphere.

After I described the program to sell the Presidente, he commented that the first need would be for a marketing strategy. He could help by giving some "light" projections as far as cash flow is concerned, and also could give an idea of how to market the hotel. The marketing strategy would depend heavily on the appraisal of the hotel. The appraisal should really involve a feasibility study.

Heinz thought the best way to go would be to hire PKF or Laventhal Horwith, who deal in this area, to do a market overview, which would be a step below a feasibility study. This would probably cost \$10,000 plus expenses. Both companies have offices in Miami, and he could arrange the contact.

He said that the key to the bottom line, in deciding on the purchase of a hotel, would be the average daily room rate and the average occupancy rate. His rule of thumb is that room revenues less direct expenses should provide most of the gross profit. Put another way, 75% of room revenues should wind up in gross revenues. If a hotel produces 10 million in room revenues, 7.5 million should be in gross profit.

He would want to see an analysis of revenues for the past 10 years to see what the gross profit was, and also to ascertain the cash flow. One of his rules of thumb is that the sales price is 8 times the cash flow. If he asks John O'Brien, Vice President of Finance, located in Beverly Hills, to have a look at the proposal, that is the way O'Brien would analyze it. Another type of analysis would be to divide the hotel purchase price into the number of rooms. He thought that \$10 million could be cheap for a 240 room hotel. Granted the condition of the hotel and the local circumstances could bring down the price, nevertheless, this works out to \$40,000 per room which is a lot less than the \$100 to 150,000 per room which it costs per 420 sq ft room in other parts.

He thought it would be prudent to bring in professional people to get the hotel sold. Also, the profile should be in English and be professionally prepared.

Hilton itself might want to take a look at the hotel -provided Salvadorans are interested in buying in too. Hilton specializes in resort and business/convention hotels. He opined that the Presidente would fall into the latter category. He said that Hilton would be remiss in not taking a look at it.

When pressed to take an active part, Heinz said he could make a trip to El Salvador after the first of the year, but not before, due to travel commitments.

J. J. Borgatti

November 21, 1988

EXCERPTS FROM APRIL 30 REPORT

DIVESTITURE PROGRAM. CORSAIN. EL SALVADOR - APRIL 13-28. 1988

III. EXECUTIVE SUMMARY

CORSAIN -This government investment agency has just stepped into the divestiture market place. While it is gaining experience and confidence in marketing some relatively easy to sell properties, it will have to be preparing the large, commercial enterprises, where it has considerable investment, into saleable packages. For this CORSAIN will need specialized technical help in appraisal, financial/legal packaging and marketing. This should include the preparation of a professional sales document for the commercial and industrial investments and help in identifying buyers and contacting them. Moreover, CORSAIN will need to be able to count on the availability of an advisor who can help deal with problems along the way, and who can see to providing specialized technical help and contact as needed.

There is a vacuum that is going to be more and more felt -the lack of an in-house capability for valuation, especially valuation on a going-concern basis. The Minister of Hacienda, responsible for valuations, has suggested forming a commission composed of representatives of the Ministry and CORSAIN for the purpose. If CORSAIN is to fulfill its role on the committee, and indeed assume leadership of the group, it needs to acquire this capability.

The writer's fundamental conclusion is that CORSAIN is not fully prepared to carry out the divestiture program with which it is charged. As a test, the Gadala Maria building sale may prove to be a real learning experience. CORSAIN simply does not have familiarity with techniques of divestiture, and with what works and doesn't work. Nevertheless, enough of the elements are present that, with internal strengthening backed by outside professional assistance, this deficiency could be remedied.

RECOMMENDED WORK PLAN - It is recommended that the Mission offer to provide CORSAIN with two types of assistance:

- * help in developing/strengthening its in-house capability for administering the divestiture function
- * help in preparing to market the 5 targeted commercial enterprises.

INTERNAL STRENGTHENING - Make available to CORSAIN for limited visits over a period of 6 months an advisor (from the Center for Privatization) who would:

- *work with the staff
- to identify the precise steps in taking an asset to market.
- to establish criteria for assigning priorities and.
- to work up a program for tracking the progress of each divestiture candidate.

- * help the staff develop a standard format in both English and Spanish for profiles and Terms of Reference and, coincident with the visits of the outside experts, prepare new profiles and terms of reference.
- * be generally available to CORSAIN's President and management to provide counseling and make contacts.
- * Provide the opportunity for key personnel, especially the President, to familiarize themselves with what another similarly situated country (Honduras) is doing, in order to shorten the learning curve.
- * Provide the opportunity for training in specific skills such as valuation. In this connection, it is recommended that one person be designated to become the in-house valuation expert, and that person be offered the chance to attend workshops etc. outside the country in order to observe and learn the techniques.

THE 5 TARGET COMPANIES - The advisor would also be responsible to arrange to be made available to CORSAIN outside experts who will provide specific advice and help to take these 5 companies to the point of divestiture. Basically, these experts would be dealing with the questions: WHAT HAVE WE? WHAT IT IS GOOD FOR? WHAT IS ITS FAIR VALUE? WHO SHOULD BE INTERESTED IN IT?

Generally, there would be one expert per company, who would come down on a one-shot basis and spend one week in the country. The expert would back up his visit with 5 or more days abroad gathering information, making contacts and report writing.

OTHER POTENTIAL PRIVATIZATION TARGETS - wide variety of targets has been identified by private sector groups as well as GOES entities.

GOVERNMENT WILL TO PRIVATIZE BEYOND CORSAIN

There are all kinds of ideas floating around, with more than one ministry and subministry wanting to head the activity. This does indicate a spreading interest. But it is still a very nascent interest.

CONCLUSION - The writer's conclusion is that the situation is full of social strains, and political upheaval in terms of a shifting of the power structure, plus an economic/financial crisis. Thus it would be better to go step by-step avoiding major mistakes. It would be preferable to build up to a national plan through a series of projects like CORSAIN, and let the leadership problem of who is to be in charge, take care of itself.

The recommendation is that the Mission not pursue the idea of a national program at this time. The writer, as part of his next assignment, could sketch out what a national program could consist of, and this could provide the Mission and GOES, if it desired, with foundation material for further consideration and planning purposes.

TIMING AND NEXT STEPS - The advisor would start now to line up the experts. He should then plan to return to El Salvador in 4-6 weeks and bring with him the first of the experts either for IZALCO or the Complejo Pesquero.

The remaining experts would be brought in according to a schedule agreed with CORSAIN so as not to overburden them.

ESTIMATED DURATION AND COST OF RECOMMENDED PROGRAM

This program is estimated to run over the next 4-6 months. Its cost is estimated at around \$87,000 (Exhibit 6).

While CORSAIN' managers are gaining experience and momentum selling the real estate, they will need to be helped to professionalize their organizational capability. At the same time they must be helped to prepare each of the five companies for sale.

In addition, attention will have to be paid to counteracting the widespread belief that their days are numbered. CORSAIN needs to be around for a long time to get its divestiture job done; and it needs to retain the staff with which to do it. This requires them to deal with the problems of morale and continuity.

EXHIBIT 7

BALTASAR RICARDO FERREIRO

EDUCATIONAL BACKGROUND

Aug. 71. - Trade Promotion Officer on British Council Scholarship to the University of Manchester, England. Areas of concentration were in Finance and International Commerce. Insurance as an Aid to Export Promotion was the thesis.

Jun. 73. - Master of Business Administration from the Harvard School of Business sponsored Instituto Centro Americano de Administracion de Empresas (INCAE) in Managua, Nicaragua. Areas of concentration were Finance, Production and Marketing. Recipient of the United Nations full academic scholarship.

Jan. 74. - Bachelor of Science in Agriculture from Purdue University in West Lafayette, Indiana, U.S.A. Majored in Econometrics of Production. Recipient of a University Academic Scholarship for the last scholastic year.

Oct. 65. - High School Degree (Bachiller en Ciencias y Letras) from Liceo Salvadoreño and the Government of El Salvador.

PERSONAL INFORMATION

Date of Birth: June 3, 1949, San Salvador, El Salvador.
Marital Status: Married, two children
Address: Edif. Azucena # 24, 15 Ave. San José, Escalón
San Salvador, Zona 11, El Salvador
Phones: 22-56-69 and 22-56-40

Varied professional seminars in management, investment financing and analysis, marketing strategies, production and cost benefit analysis and leadership have been attended since completion of formal educational programs. Served as Director in the Export Authority Executive Committee (CEPA) and other privately held institutions.

Current membership included The Aero Club, Boston and Lima Alumni associations, Salvadorean Coffee Growers Association, the British Club, among others.

EMPLOYMENT EXPERIENCE

Briefing:

"Mr. Ferreira has over 10 years of international business experience as both a consultant to Senior Management as well as owner and shareholder of various companies. Most of his experience is in international finance and he has some experience in international trade through established trade exchanges such as the Coffee & Cocoa Contract. Mr. Ferreira is involved in coffee production and is currently developing one of the largest citrus (lime) plantations of the OECF designated countries. For four years, Mr. Ferreira served as the Liaison between the Agency for International Development (U.S.AID) and the Central Reserve Bank of El Salvador (CCR). While working for U.S.AID, Mr. Ferreira served as a Project Manager, developing and implementing several programs with the CCR, including: (a) International Price Checking Unit; (b) the Separate Account (currently a U.S. Government world wide policy); (c) the Trade Credit Insurance Program (TCIP); (d) Balance of Payment Support Programs (ESF); (e) Local Currency Lines of Credit for the Private Sector; (f) Insurance of Productive Assets against Terrorism Sale Program (COINVER); (g) El Salvador's Eastern Region Economic Revitalization Program; and (h) Coffee Debt Refinancing Scheme. Also under his management at U.S.AID was conducted the advancement of credit institution for the small and micro producers (Federated by and Crusades Programs), as well as the financial support needed for the expansion of Junior Achievement of El Salvador. Finally, Mr. Ferreira cooperated with the U.S.AID Mission to El Salvador on special economic/financial assignments. During the San Salvador earthquake of 1986, Mr. Ferreira served as financial advisor to the Private Entrepreneurial Committee for Assistance (COPEYA) financial branch COPEFEL. Previous to his experience with U.S.AID, Mr. Ferreira served as a freelance for U.S. and European financial institutions and participated in the design and implementation of projects in the Mexico, Central American and Caribbean regions."

Mar. 87. - Project Manager, Office of the Private Sector, U.S. Agency for International Development (AID), in charge of the AID-CCR relationship. Balance of Payments Support Program, development partner of the Separate Account (now in worldwide use), Trade Credit Insurance Program (TCIP), design and implementation of several Lines of Credit for the Private Sector, the Price Checking Unit of the Central Reserve Bank of El

Pool Available Resources

- 10

Salvador, Coffee Refinancing Scheme, El Salvador's Export-Import Refinancing and Financing Schemes, Protective Insurance against terrorist action on Productive Assets (POTIVER), Financial advisor to earthquake COMFICHA, Non-traditional Export-Import Unit of the BCR, Organization of the PCR Districts, Finance Commissions, the APROS III Agreement (support to development of El Salvador), financing and training scheme for SMEs and private enterprises, Peruvian PROCEPI and later private firm entrepreneurship programs, Direct Response (DR) program and implementing bilateral financial agreements, financing and development. It also included other economic activities where a private sector was a beneficiary or affected by.

May 1971 - Consultant to various investors in Mexico and Central America. Services provided included financial analysis of investment alternatives, review and recommendations of financial operating procedures, and detailed analysis of proposed investment candidates.

Regional coffee trader for Central Coffee Corp. of Houston, Texas. Responsibilities included the selection of coffee and the negotiation of contract prices with individual growers, processors and local organizations.

Direct and control of family business.

Jan. 70. General Manager of Kautzin, a division of Ciba-Geigy Industries, S.A. Primary responsibility was to improve plant operating efficiency, productivity and profit performance in addition to general managerial functions. Major accomplishment was the analysis of current operating methods and the suggested implementation of current technological methods and equipment to manufacture blow-molded plastic items.

Dec. 68. General Manager of Sello de Oro, poultry division. Major accomplishment was the expansion of poultry products production by 700% over a two year period.

Nov. 75. Financial Advisor and Executive Member of the Board of Directors, Grupo Ganadero de Intendencia, S.A. Responsibilities included the financial analysis, selection and implementation of new projects. Major accomplishment was the adequacy of the company's portfolios, both short and long term; the acquisition and implementation of an automated data processing center and the establishment of an effective cost control system. Additional contributions included the development of a five year investment plan for an acquired subsidiary and the establishment of a general long-term plan of action for the poultry division. Furthermore, the making of feasibility studies and financial alternatives for newly formed divisions, among other related tasks.

Jun. 74. - Deputy Director of American Commercial Affairs for the Department of Economics, Government of El Salvador. The primary function of this position was to represent government interests promoting national and international trade. It included various appointments to numerous organizations, among them: World Trade Fair; Deputy Director to the Secretary of Economic General Coordinator to the Western Hemisphere Bilateral Commerce Council; representative to the InterAmerican Bank for Development Conference; founding member of the Hydrocarbons Council for the Government of El Salvador; General Coordinator to the First Central American-European Economic Community Trade Seminar.

2025 RELEASE UNDER E.O. 14176

AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES OF AMERICA A. I. D. MISSION
TO EL SALVADOR
C/O AMERICAN EMBASSY.
SAN SALVADOR, EL SALVADOR, C. A.

TO WHOM IT MAY CONCERN:

I had the pleasure of working with Lic. Baltazar Ferreiro from March, 1984 to March, 1987. During that period his primary responsibility was administration of the AID Balance of Payments Support Program with the Salvadoran Central Reserve Bank (BCR). The program channeled more than \$600 million to El Salvador during the period when Lic. Ferreiro was responsible for it. He was very successful in developing a working relationship at all levels of the BCR. This relationship allowed us to solve all problems which arose in the implementation of this very important program. He was also able to develop a very productive working relationship with the Arthur Young & Co. contracted technical assistance team which gave the BCR and AID technical support needed to develop a price verification program and to determine eligibility of transactions for funding under the program. The system developed under Lic. Ferreiro's management is being recommended by AID/Washington as a model to be imitated in other countries.

In addition to his excellent work with the BCR, Lic. Ferreiro was able on several occasions to solve expeditiously specific problems encountered by the AID Private Sector Office. An example of one of these problems was the risk of loss of raw cotton by the La Carrera cotton gin due to the spontaneous combustion at times when the gin was unable to function due to lack of electric power. When Lic. Ferreiro learned that others had worked unsuccessfully for two months to get a generator to provide an alternate power source, he took it on as a personal challenge and was able to coordinate the commercial bank, the BCR and the Caterpillar dealer to obtain the generator in three days. In many such situations he rose to the occasion to solve problems which others had been unable to handle.

I shall always respect Lic. Baltazar Ferreiro as a friend and a professional.

Sincerely,

Gregory F. Huger

Gregory F. Huger
Private Sector Office

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BANCO CENTRAL DE RESERVA
DE EL SALVADOR

1A. CALLE PONIENTE Y 7A. AVENIDA NORTE
SAN SALVADOR, EL SALVADOR, C. A.

24 de abril de 1987

1979

Licenciado
Federico Linares, Presidente
Banco de Guatemala,
Guatemala.

Estimado señor Presidente:

A solicitud del Licenciado Baltazar Ricardo Ferreiro extendiendo la presente nota de recomendación a su favor, la cual se basa en la labor desarrollada por el Licenciado Ferreiro, durante los últimos cuatro años como funcionario de AID/El Salvador, Oficina del Sector Privado.

Dentro de las responsabilidades que el Licenciado Ferreiro ha desempeñado y que se relacionan con este Banco, se pueden señalar: el Programa de Apoyo a la Balanza de Pagos y su Cuenta Separada; los créditos en moneda local con fondos generados por el anterior citado programa, el T.C.I.P., la Unidad de Verificación de Precios Internacionales de este Banco el Programa de Seguros contra actos de violencia a bienes productivos y el de Reactivación de la Zona Oriental del País.

En el desempeño de tales actividades, demostró profesionalismo, cooperación y discreción, lo cual consideramos satisfactorio, en consecuencia, se extiende la presente recomendación.

Atentamente,


Alberto Benitez Bonilla
Presidente

EXHIBIT 8

**PRIVATIZATION OF STATE-OWNED ENTERPRISES
TECHNICAL ASSISTANCE PROJECT
USAID/HONDURAS**

**CRITERIA FOR DESIGN AND IMPLEMENTATION
OF DIVESTITURE SUPPORT COMPONENTS**

Prepared for the
U.S. Agency for International Development
Under
Contract No. DPE-0008-C-00-5058-00

Prepared by
THE CENTER FOR PRIVATIZATION
Washington, D.C.

May 1986

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PRIVATIZATION OF STATE-OWNED COMMERCIAL ENTERPRISES
ANNOTATED PROJECT PAPER OUTLINE

III. PROJECT DESCRIPTION

C. PROJECT ACTIVITIES

2. DIVESTITURE SUPPORT COMPONENTS

While the thrust of the Privatization Project is to provide GOM/CONADI with the capability to implement the process, our analysis and experience up to now, mainly with the 10 prioritized firms plus FIAFSA, shows that there will be a need for support mechanisms to complement the process. It is recognized that this is a small sample and that the companies to be privatized are each so different from each other that only in the actual experience will the exact needs come to be known. Nevertheless, it is reasonable to generalize that support will need to be provided, on the one hand, to specific companies being privatized, and on the other, to potential buyers in order that the transactions can materialize. Basically, these support elements involve funding for: credit, severance pay, worker training, contract management and clean-up costs for legal and accounting work. Exhibit 1 (attached) shows the kinds and amounts of needs which a first-order analysis suggests might exist for the 10 prioritized firms. Globally stated, the 10 firms would represent a combined sales transaction value of L 85 million; a need for purchase credit of an amount close to the sales value; modest amounts of working capital; and small but important amounts for severance pay, training, management contract and clean-up components. It is difficult to extrapolate from this sample, first because it is small and, as said, may not be representative, but also because many of the hard cases, which may involve significant clean-up work, have tended to be pushed to the end of the priority list.

Not all the companies need support and not all potential buyers need help. At the same time, there are some support elements without which buyers of any kind, well heeled or not, will be unwilling to proceed. One such is the provision for taking care of unfunded severance pay, as the discussion which follows, will indicate.

In addition, there are other reasons for considering support mechanisms. One is that some of the companies to be privatized may not be transferrable in their present condition without calling some support items. They may have to be put in operating condition, as in the case of FACARESA where there is a need to provide funding to finish assembling the equipment and do operating tests. To put such a company in operating condition would require capital of a medium-term nature and technical help.

Secondly, there is a political and social, if not economic, need to broaden the participation - to include labor, suppliers, and young professionals, possibly none of whom can participate without financial aid and maybe other help as well. If they do not participate, the process may never really succeed. Moreover, the capital base must be broadened to permit the small Honduran capital market to absorb the mass of privatization. The option of placing a great part of the privatization holdings with foreign investors is unrealistic both in political and

practical terms. The incorporation of these non-traditional investors into the process is not only necessary in the case of Honduras, but it also complies with AID's overall policy guidance on implementing privatization programs worldwide.

DISCUSSION OF KEY ELEMENTS:

LABOR COMPENSATION FUND

In every case where a CONADI enterprise has workers on the payroll, there exists an obligation for severance pay for which no funding has been provided. In most instances, cash does not exist in the firm to cover this obligation. There are three types of pertinent situations:

One is where liquidation/dissolution has to take place before a transfer can be made. Before the liquidation can be effected, the workers have a claim on the assets and must be paid. An example would be a company like ACEROS INDUSTRIALES which is unable to repay its loan to CONADI and, having experienced losses greater than its capital, must, under the law, be dissolved or auctioned off. TEXSHONSA could prove to be a similar case.

A second occurs when the sale of a company brings a change of ownership. Custom, if not right, requires that the workers be paid their severance pay first, even if they are to be retained in the firm. And, of course, a buyer would be reluctant to take on this obligation. FIAFSA was such a company. PRODUCTOS LACTEOS could be one too.

The third occurs when, through the sale of CONADI's shareholding (may not be controlling) there would be layoffs. FIAFSA would be a case in point.

TRAINING

Where layoffs will occur through transfer, there will be a need for retraining the workers for other jobs. Such could be the case if ACEROS INDUSTRIALES were dissolved and its assets sold. However, at this point, this should not be a major item.

A more likely need for training would be where an asset is to be put into production requiring training in skills not currently existing locally. PACARSA AND FUCENSA would be industrial examples. HOTEL BRISAS DEL LAGO would be an example where a resort hotel is to be put back into operation and there would be a need to train the people of the vicinity to staff the operation.

MANAGEMENT CONTRACT

There will be cases in which it will be necessary to contract experienced management to get a company up and running and show potential investors its capabilities. An example would be an industrial company like PACARSA, or LACTEOS SULA, where the dairy farmers cooperative does not know how to run such an operation as a commercial firm responding to market forces and not to their special interests. In such a case, an entity such as Land-O-Lakes (also a cooperative) might be brought in to

manage (and teach) for a few years. A different case would be where CONADI has to take over a concern which has not been well managed by its owners and must be kept running until new owners are found. Hotel companies, like Holiday Inn, would be an example. In both of the cases cited above, the need will be for funding to cover these costs when the cash cannot be generated from within the business.

CLEAN-UP COSTS

There are going to be cases where a team of accountants and financial experts will have to be brought in to reconstruct the company records and accounts and design a financial restructuring. In other cases, considerable legal effort will be required to work out legal complications, as in the case of MEJORES ALIMENTOS. To the extent that the DIU cannot, with its own resources, perform these functions, funding for them will be required.

CREDIT

Two types of special credit needs are envisioned as part of the transfer process. One is to finance the acquisition of shares where such a credit vehicle does not really exist or the potential borrowers do not have access to it (or even, arguably, the cost is prohibitive). An example would be the workers, managers and/or suppliers of a company wishing to buy all or a portion of the shares owned by CONADI. Generally speaking, they could not provide to a bank the collateral it requires. Moreover, the banks would be unlikely to offer the medium-term payback which the borrowers need.

A second type of special credit need would be for additional working, or more likely, medium-term capital to bring a company back to its production potential. Given the company's experience, it would probably not qualify as a good credit risk. Moreover, the new owners would have spent what capital resources they possess to buy the company in the first place and so meet some of its more pressing financial needs. Thus, they would not be in a position to provide additional capital or to come up with the guarantees required by the banks.

CONCLUSION

The most likely and generalized needs appear to be funding for severance payments and purchase credit for the non-traditional investors -management, labor, suppliers, and professionals. Specialized needs, however, are likely to pop up, such as funding for contracting management, where the firm's cash flow does not yet justify, or for contracting a team of clean-up experts. Only experience will tell the precise type and volume of support elements that will be needed. But it is important to establish criteria for their application right from the outset so that AID's financial support is appropriately viewed and used as a complementing element and does not become a crutch for any or all of the participants to the process.

CRITERIA

In order to be prepared to deal with the cases when they come up, the Mission may consider the following criteria:

The key criterion should be that the need to be satisfied is a legitimate, real and reasonably documented one whose fulfillment is required for a transfer to take place which meets the general objectives of the Privatization Process. The second criterion is that facilities do not already exist to which recourse can readily and reasonably be had. A clear example would be the case of workers and/or management forming themselves into an entity to purchase shares and being denied financing from a commercial institution because they do not qualify for existing lines or cannot come up with the required collateral.

In addition, other criteria can be laid down. One is that the need cannot be satisfied from the resources of the company being privatized. An example is severance pay. If it is due and payable and there are no funds in the company to satisfy the obligation, then funds are going to have to be provided before the workers and buyers are going to agree to the transaction. Another criterion is that if the support funds are to flow to CONADI/GOH, as in the case of financing the workers' purchase of shares from CONADI, that such funds be placed in a separate account to be drawn on only for support transactions in facilitating other transfers.

With regard to the key role of credit in the privatization process, the main problem seems to be access to credit, and not so much its availability or its cost. Access implies being able to obtain credit on terms conforming to the borrower's capability to service the debt and to provide sufficient security. As this implies medium to longer term credit without full guarantees, the lender's risk is greater than on his normal loans. Since credit can be key to the realization of GOH objectives of achieving privatization, in the first place, and second, of realizing it in a manner which broadens the base of share ownership by permitting the participation of workers groups, suppliers, managers and other professionals, it is proposed that a supplementary line of credit be created, in local currency, for special privatization purposes.

This privatization line of credit would be channeled through the Central Bank of Honduras to enable cooperating banks to rediscount their privatization loans under specific conditions. This would be a last resort line of credit, and the banks would have to certify that the borrower could not otherwise qualify for a loan at that bank. In the event that the loan went unpaid, after due diligence on the part of the lending bank, the bank would only repay to the Central Bank one half the amount due and unpaid. In other words, AID would share the loan risk with the commercial banks as an incentive to get them to participate. With regard to interest rates, it is assumed that AID provides the funds to the Central Bank at a rate consistent with U.S. Government cost of funds, that the Central Bank administers them for its normal fee, adding this charge to the AID rate to arrive at the discount rate to the banks. The banks would then be free to add on a mark up consistent with the risk and term features of the loan. Alternatively, AID, in consultation with the Central Bank or other Honduran authorities, might wish to set the maximum rates chargeable by the banks.

Exhibit 2 present a synoptic chart which summarizes the main divestiture support components discussed above, and outlines the criteria for their design and implementation.

EXHIBIT 1

SUPPORT NEEDS: 10 PRIORITIZED COMPANIES

COMPANY	ASSUMED SALES PRICE	PRESUMED PURCHASER	CREDIT NEEDS TO BUY	OPERATE	LABOR COMPENSAT FUND	TRAINING FUND	MANAGMNT CONTRACT	CLEAN UP COSTS
1ST TEN:								
AZUCARERA YOJOA	6,000,000	50% CAHSA 50% CANE GROWERS	NONE 2,400,000	0 0	0 0	0 0		0 0
MEJORES ALIMENTOS	25,000,000	75% A MULTINAT 25% MGT/WORKERS	15,000,000 6,600,000	0 0	0 0	0 0		SERIOUS 500,000
AGRICOLA DE DE HONDURAS	3,000,000	20% OF LAND BY OF MALI 80% BY 4 REGIONAL GROWERS	2,700,000 5,700,000	0	250,000			
PRODS LACTEOS SULA	10,000,000	MILK PROD COOP	10,000,000	0	250,000		800,000	
ACEROS INDUSTRIALES	10,000,000	COMPETITORS	10,000,000	0	33,000	100,000		
INACERO	8,000,000	NOT KNOWN	7,200,000	0	230,000			
PACARSA	10,000,000	NOT KNOWN	10,000,000	1-1.4 MILL	0	0		0
INDS QUIM CONRAD	5,000,000	R&D CTR TO UNIV FREE GREENHOUSES TO GROWERS PLANT TO MANAGEMENT	5,500,000 (1.8) (3.7)	500,000 800,000	40,000			0
SYST INTL CONSTRUCT	550,000	CONSTRUCTOR OR AUCTION	500,000	100,000	0	0	0	0
FUCENSA	2,000,000	PENN ENG/H LEON	2,000,000	4,000,000	0	200,000	0	0
TOTALS: L 85,550,000			77,600,000	5,400,000	803,000	300,000	800,000	500,000

EXHIBIT 1

SUPPORT NEEDS: 12 PRIORITIZED COMPANIES

COMPANY	ASSUMED SALES PRICE	RESUMED PURCHASER	(LEMPIS 000'S) CREDIT NEEDED		LABOR COMPENSAT FUND	TRAINING FUND	MANAGEMENT CONTRACT	CLE CL
			TO BUY	OPERATE				
AZUCARERA YUCA	6,000,000	50% CUSA 50% CNE GROWERS	0 2,400,000	0 0	0	0	0	
MEJORES ALIMENTOS	25,000,000	75% A MULTINAT 25% MGT/WORKERS	15,000,000 6,600,000	0 1,300,000	0	0	0	500
AGRICOLA DE HONDURAS	9,000,000	20% OF LAND BY MLI 80% BY 4 REGIONAL GROWERS	2,700,000 5,700,000	0 500,000	250,000	0	0	
PRODUCTOS LACTEOS SULA	10,000,000	MILK PRODUCERS COOP	10,000,000	500,000	250,000	0	300,000	
INDUSTRIAS INDUSTRIALES	10,000,000	COMPETITORS	10,000,000	500,000	50,000	100,000	0	
INDUSTRIAS INACAP	3,000,000	NOT KNOWN	7,200,000	1,000,000	250,000	0	0	
INDUSTRIAS INACAPSA	10,000,000	NOT KNOWN	10,000,000	14,000,000 *	0	0	0	
INDUSTRIAS QUIMICAS CONYUN	5,000,000	RED CIR TO UNIV FREE GREENHOUSES TO GROWERS PLANT TO MANAGEMENT	1,800,000 3,700,000	500,000 300,000	50,000	0	0	
INDUSTRIAS INIL C. SISTRUT SISTEMAS	550,000	CONSTRUCTOR OR AUCTION	500,000	100,000	0	0	0	
INDUSTRIAS FUONSA	2,000,000	PEN ENGH LEON	2,000,000	4,000,000	0	200,000	0	
INDUSTRIAS LICO SPA	500,000	BY AUCTION	400,000	200,000	500,000	0	0	
INDUSTRIAS SEISA	500,000	BY AUCTION	400,000	200,000	500,000	0	0	
TOTALS:	96,550,000		78,400,000	23,300,000	1,850,000	300,000	600,000	500,000

* 1-14 MILLION

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EXHIBIT 2

DIVESTITURE SUPPORT COMPONENTS: LEMENTATION OR DESIGN AND IMP

MECHANISM & APPLICATION	WHEN TO USE	WHEN NOT TO USE	MODUS OPERANDI
<p>1. CREDIT FOR SOE PURCHASE (OR PARTIAL ACQUISITION) LAST RESORT CREDIT LINE</p>	<ul style="list-style-type: none"> FOR GROUPS OF WORKERS, MANAGEMENT OR SUPPLIERS WHO DO NOT HAVE EASY ACCESS TO REGULAR CREDIT CHANNELS OR DO NOT COVER ALL NEEDS THROUGH THEM TO COMPLEMENT MARGINAL CREDIT NEEDS OF BUYERS WHO HAVE EXHAUSTED REGULAR LINES OF CREDIT, BUT HAVE REASONABLE OPERATING AND FINANCIAL PLANS 	<ul style="list-style-type: none"> ALTERNATIVE CREDIT FACILITIES EXIST WORKERS/MANAGEMENT/SUPPLIERS DO NOT HAVE A REASONABLE PLAN FOR OPERATING THE SOE AND PAYING THE CREDIT NO EVIDENCE THAT BUYERS HAVE FAILED TO OBTAIN CREDIT THROUGH EXISTING CHANNELS 	<ul style="list-style-type: none"> USAID CREATES SPECIAL REDISCOUNT LINE AT CENTRAL BANK (PRIVATIZATION LINE). ELIGIBLE INVESTORS APPLY FOR CREDIT AT COMMERCIAL BANKS AND NEGOTIATE TERMS. BANKS REDISCOUNT DOCUMENT AT CENTRAL BANK VIA PRIVATIZATION FUND. USAID STIPULATES CONDITIONS FOR REDISCOUNT AND SHARES RISK WITH BANKS IN CASE OF DEFAULT.
<p>2. CREDIT FOR WORKING CAPITAL NEEDS LAST RESORT CREDIT LINE</p>	<ul style="list-style-type: none"> TO COMPLEMENT NEEDS OF WORKERS/MANAGEMENT/SUPPLIERS AS IN 1. ABOVE TO ASSIST INVESTORS WHO HAVE TO INTRODUCE NEW TECHNOLOGIES OR COMPLETE INSTALLATION OF PLANTS, RUN PRODUCTION TESTS ETC. (COMPLEMENTARY FINANCING) 	<ul style="list-style-type: none"> INVESTORS HAVE ASSETS ELIGIBLE FOR USE AS COLLATERAL ON REGULAR CREDIT FACILITIES INVESTORS CAN RELY ON PARENT COMPANIES OR AFFILIATES TO OBTAIN ADDITIONAL CREDIT 	
<p>3. LABOR COMPENSATION FUND (SEVERANCE PAYMENTS) GRANT</p>	<ul style="list-style-type: none"> WHEN TRANSACTION REQUIRES LIQUIDATION OF ACCUMULATED SEVERANCE PAYMENTS IN CASH TO EMPLOYEES AND COMAD OR SOH DO NOT HAVE RESOURCES; AND TRANSFER OPERATION WOULD FAIL UNLESS THIS STUMBLING BLOCK WERE REMOVED 	<ul style="list-style-type: none"> ONLY MINORITY SHAREHOLDERS EQUITY IS BEING TRANSFERRED AND COMPANY WILL CONTINUE TO OPERATE AS GOING CONCERN 	<ul style="list-style-type: none"> USAID ADMINISTERS FUNDS AND APPROVES CORRESPONDING CREDITS IN CONSULTATION WITH DIU, WHICH REGISTS IN DETERMINING SEVERANCE PAYMENTS NEED, AMOUNT, ETC..
<p>4. TRAINING NEEDS GRANT</p>	<ul style="list-style-type: none"> WHEN WORKERS WILL NEED TO BE TRAINED IN NEW SKILLS & TECHNIQUES TO IMPLEMENT NEW TECHNOLOGIES (ONLY AS COMPLEMENT TO INVESTORS' FINANCIAL EFFORT) WHEN LAID OFF WORKERS NEED TO BE RETAINED AND PLACED IN NEW JOBS OR IN OTHER INDUSTRIES AND THERE IS NO EXISTING PROGRAM WITH FUNDS FOR THIS PURPOSE IN HONOURS 	<ul style="list-style-type: none"> WHEN INVESTORS CAN PROVIDE ON-THE-JOB TRAINING, RELYING ON THEIR OWN RESOURCES WHEN RE-TRAINING AND PLACEMENT PROGRAMS EXIST AND HAVE NOT BEEN UTILIZED 	<ul style="list-style-type: none"> USAID ADMINISTERS FUNDS. DIU ESTABLISHES TRAINING NEEDS AND RECOMMENDS APPROVAL OR REJECTION OF CORRESPONDING GRANT FINANCING FOR THIS PURPOSE THROUGH EXISTING PROGRAMS.
<p>5. MANAGEMENT CONTRACTS GRANT</p>	<ul style="list-style-type: none"> WHEN THERE IS A NEED TO RETAIN INDUSTRY SPECIALISTS TO TEMPORARILY RUN THE SOE BEING SOLD, IN ORDER TO STRENGTHEN MANAGEMENT, PRODUCTION, MARKETING ETC., AND THERE IS NO CASH TO COVER THIS NEED (LOCAL CURRENCY PORTION ONLY) 	<ul style="list-style-type: none"> WHEN MANAGEMENT CONTRACT COMPENSATION CAN BE NEGOTIATED ON THE BASIS OF PROFIT SHARING (RESULTS ORIENTED) 	<ul style="list-style-type: none"> DIU RECOMMENDS FUNDING FOR MANAGEMENT CONTRACT. USAID ADMINISTERS THE FUNDS.
<p>6. COMPANY CLEAN-UPS a. LEGAL COSTS b. ACCOUNTING/FINANCIAL SYSTEMS c. OTHER GRANT</p>	<ul style="list-style-type: none"> TO COMPLEMENT THE RESOURCES OF THE DIU TO REMOVE LEGAL BARRIERS THAT CAN AFFECT THE TRANSACTION, AND TO ASSIST INVESTORS IN THE RECONSTRUCTION OF ACCOUNTING RECORDS OR IN THE IMPLEMENTATION OF ADMINISTRATIVE/CONTROL SYSTEMS (ESPECIALLY IF INVESTORS ARE MANAGEMENT/WORKERS/SUPPLIERS) 	<ul style="list-style-type: none"> WHEN DIU RESOURCES APPEAR TO COVER THOSE NEEDS SATISFACTORILY OR WHEN NEW INVESTORS APPEAR TO HAVE THE CAPACITY TO INTRODUCE NEW SYSTEMS AND IMPROVE OPERATIONS WITHOUT ADDITIONAL ASSISTANCE 	<ul style="list-style-type: none"> AT DIU'S REQUEST, USAID PROVIDES FUNDING TO COVER LEGAL AND ACCOUNTING SERVICES, AS A COMPLEMENT TO DIU'S RESOURCES.

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Exhibit 9

NOTES FROM CONVERSATIONS WITH CHUCK CONNOLLY. 11/18 & 22/88

Connolly is partner & CEO of White Knight Industries - a new company which cuts cloth in Miami and sews it in Costa Rica (900 sewing machines) under contract for Levi, Gap and the Limited. Formerly, he spent years as a production manager in the fabric business in the U. S.

Connolly said that people in the trade say that few in Central America are qualified to evaluate Textilera Izalco. He suggested that CORSAIN contract one of the mill people from the U.S. - like Cone Mills or Burlington, who are the major producers of denim. He promised to talk with Levi to get names, and then get back to me next week.

During the second conversation on the 22nd. Connolly suggested inviting Jov Habie of Guatemala to have a look. In the first place, he said, Habie already knows something about it, and could give a quick analysis from a mill standpoint. Secondly, he might be interested himself. Habie owns and runs the largest plant in Guatemala. Another person who could be interested is my old friend, Moises Russ of Pegasus Inc. which owns a firm in Guatemala. CORTEX (5022) 767-345 with the Haddad family. The man running the firm, Les Williams, is very knowledgeable about the business.

He also suggested that, on my return to New York I contact a friend of his in the fabric business. His friend, Gary Kabler, oversees for LIDA Manufacturing their production outside New York, and can introduce me to the owners of the company. He reminded me to take with me an equipment list.

Another company he suggested my contacting is Manes, a converter and producer of fabrics. He did not have contacts at Burlington and Cone. But he did suggest I contact a Burlington retiree who is working in the fabric, sewing business in Costa Rica. Joe Hamilton (506) 36-64-39.

Exhibit 10

CORSAIN - CO-INVESTMENTS

COMPANY	ANNUAL SALES	(IN COLONES THOUSANDS)			DIVI-DENDS	CORSAIN INVESTMNT	% PARTI-CIPATION	BOOK VALUE OF INVESTMNT
		NET PROFITS	TOTAL ASSETS	NET WORTH				
INSINCA	63,000	1,500	92,000	48,000	750	31,000	50%	24,000
CONELCA	64,000	11,000	58,000	25,000	450	4,000	23%	5,750
IMACASA	20,000	900	28,000	12,000		200	3%	360
QUALITY FOODS	15,000	200	16,000	7,000		500	5%	350
CEMENTOS MAYA	36,000	(17,000)	73,000	(135)		5	18%	(24)

(1) INSINCA OWES \$3.4 MILLION IN DIVIDENDS TO CORSAIN

Exhibit 11

PLANNING & PRIORITIES

Start with GOALS - what is to be achieved

may require eliciting a mandate from Governors and/or Government

Conclude what is practical to achieve, and set objectives

Then decide how to do it

By analyzing:

1. What there is to work with in terms of:

a. The companies and properties of CORSAIN - their condition and possibilities

b. The resources of CORSAIN - people, experience and money

2. The environment within which have to work

Then set objectives and priorities aimed at achieving a regular flow of divestitures

- based on common sense approach to doing some easy ones first in order to gain experience and momentum and send out the right signals to the public, and while doing these,
- work on the ones that will take a long time to prepare for sale.

Finally, set up check points for review along the way

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