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PRIVATIZATION AND DEVELOPMENT PROJECT

Quarterly Report

July 1 - September 30, 1992

December 1, 1992

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EXECUTIVE SUMMARY

New Buy-Ins

In the quarter ending September 30, 1992, the Privatization and Development Project experienced a marked increase in the level of buy-in activity. Eastern Europe, the New Independent States (NIS) and Africa each initiated several new buy-ins. Several existing buy-ins were enlarged and/or extended. New Delivery Orders (DOs) were signed for:

Research and conference management of a SADCC telecommunications symposium dealing with privatization and deregulation (DO 025)

Privatization (concessional operation) of the toll highway system in Guatemala (DO 026)

Review of State Commission plans for privatizing national housing stock using vouchers in Mongolia (DO 030)

Pension reform program (creation of private pension plans) for Bolivia (DO 032)

Review of privatization and business opportunities for women in Eastern and Central Europe (DO 033)

Review of child care facilities and business opportunities for women in Eastern and Central Europe (DO 034)

Review of the lessons learned from completed privatization transactions in Central Europe (DO 035)

Broad-based support of privatization programs for Russia, Kyrgyzstan and Uzbekistan (DO 036)

Regional assessments of 12 African nations' privatization activities and corporate governance issues (DO 037)

Studies of hotel privatization and labor displacement in Cape Verde (DO 038)

Privatization assistance including transactions, training and long term advisors for Morocco (DO 039)

In addition to these new Delivery Orders, several medium to large buy-ins in the Philippines, Tunisia, Zambia, Burundi, and the New Independent States (NIS) appear imminent in the upcoming quarter.

Research, Training and Information Dissemination

Dr. Andrew Cao and his staff made presentations at conferences on privatization held in Geneva and Puerto Rico. Dr. Cao lead a privatization training needs assessment in Indonesia, instructed the Tunisia Privatization Expert Group on privatization techniques and visited Grenada to work with the Mission and Government of Grenada on development of a privatization program.

The Price Waterhouse/International Privatization Group (PW/IPG) Research & Training Unit has completed cataloging the Documentation Center's titles. This on-line system is operational and being used in our research activities and by outside users.

The monthly *Press Clippings On Privatization* is continuing to expand its distribution, now exceeding 350 members.

Milestones and Deliverables

Transactions Completed

July 1-September 30, 1992 (Third Quarter):

Maricalum Mining Co., Philippines, DO 003--sold in competitive bid with subsequent negotiations of terms and conditions to a private Philippine investment group.

Polpren (foam padding), Poland, DO 027--privatization completed through liquidation with the enterprise's assets contributed to a joint venture with an Austrian/German concern.

HSG Rozalia (glass), Poland, DO 027--sold in trade sale to Minex, a Polish foreign trade organization.

April 1-June 30, 1992 (Second Quarter):

North Davao Mining Company (copper), Philippines, DO 003--liquidation through sale of assets to close operations.

Prospectus Issued

Montelimar Hotel, Nicaragua, DO 022

Valuations Issued

July 1-September 30, 1992 (Third Quarter):

CTM-LN (bus service) in draft, Morocco, DO 001

Inter-Continental Hotel, Nicaragua, DO 022

NEWCO (mining), Philippines, DO 028

Gambia Oilseeds Processing and Marketing Co., The Gambia, DO 024

Bagacay Mineral Properties, Philippines, DO 028

April 1-June 30, 1992 (Second Quarter):

PNOC Dockyard and Engineering Corporation (PDEC), Philippines, DO 012

Malangas Coal Corporation (MCC), Philippines, DO 012

Metro Transit Organization (MTO), Philippines, DO 019

Information Memoranda Issued

Gambia Oilseeds Processing and Marketing Co., The Gambia, DO 024

HS Bialystok (glass), Poland, DO 027

Kraskzko (glass), Poland, DO 027

PNOC Dockyard, Philippines, DO 012

Gemtex (textiles) preliminary, Czechoslovakia, DO 008

HS Jaroslaw, Poland, DO 027

Candidates for Privatization Identified

Philippines National Railways, DO 004

Philippine Phosphate Fertilizer Corp., DO 04

Barlovento Hotel, Nicaragua, DO 022

Las Mercedes Hotel, Nicaragua, DO 022

Ingenio Victoria de Julia (sugar mill), Nicaragua, DO 022

Ingenio Julio Buitrago (sugar mill), Nicaragua, DO 022

ONAPHA (generic medicines manufacture), Burundi, DO 028

Five glass producers (Julia, Violetta, Tarnow, Hortensja, and Zawierce) for potential glass holding company, Poland DO 026

Six enterprises in the container glass segment, Poland, DO 026

Other Reports Issued

Draft report on ESOP implementation strategies in Morocco, DO 001

Financial assessment of privatization legislation, Bolivia, DO 016

Legal analysis of government obligations regarding pension funds, Bolivia, DO 016

Draft report on diagnostic study and privatization action plans for Mozambique trucking, DO 020

Draft report on privatization schemes for the National Power Corporation, Philippines, DO 021

Quick sale procedures for privatizing small and medium enterprises, Poland, DO 027

Diagnostic of state housing privatization plans, Mongolia, DO 029

Second draft of financial projections of pension reform, Bolivia, DO 033

Report on privatization issues for Russia, DO 036

Report on privatization issues for Uzbekistan, DO 036

Report on privatization issues for Kyrgystan, DO 036

Recommendations on 16 textile firms considered for privatization,
Czechoslovakia, DO 008

Review of PTP Estates Marketing System, Indonesia, DO 016

Review of SOE pension funds, Indonesia, DO 016

MIS systems design for government implementing unit, Indonesia, DO 016

Other Milestones and Deliverables

Conducted two 2-day seminars on privatization of municipal public services, Prague and Bratislava, 35 to 40 attendees each, Czechoslovakia, DO 013

Conducted three training sessions on privatization for state officials and Peace Corps "business volunteers." Poland, DO 027

A. CORE OPERATIONS

1. Staffing

Additional staff hired this period include:

Geralynn Hrycyk

Ms. Geralynn Hrycyk, an M.B.A. graduate from the American University has been brought on as full time staff on the PAD project concentrating in the Latin American regions. Ms. Hrycyk is fluent in Spanish and completed her M.A. in Spanish Language and Literature from Alcala de Henarates in Spain. Ms. Hrycyk had previously been an intern in the Price Waterhouse Office of Government Services International Unit assisting in various projects including the Financial Sector Development Project (FSDP).

Laura Oradei-Bayz

Ms. Oradei-Bayz joined Price Waterhouse/International Privatization Group (PW/IPG) as a Senior Consultant from the International Privatization Consulting Practice of Ernst & Young. She has extensive experience in financial and market analysis for both public and private sector entities and will be assisting the Poland team in its efforts to privatize the glass sector.

2. Marketing

During this quarter, Dr. Andy Cao and Stephanie Francis travelled to Grenada to promote privatization initiatives.

PW/IPG was requested by the USAID Caribbean Regional Development Office (RDO/C) to perform a limited scope assistance project involving the assessment of the environment for privatization in Grenada. PW/IPG also assisted RDO/C to develop further a privatization assistance package for a planned one-year project to support the Government of Grenada's (GOG) privatization initiative.

A project team was assembled during the first week of September to assist the RDO/C in the design of their privatization assistance package to the GOG. The project consisted of a reconnaissance mission to Grenada to evaluate the environment for privatization and the technical assistance needs of the Build Operate Transfer (BOT) in the expectation of a privatization component of their structural adjustment program. Incorporating the findings of the research, PW/IPG worked directly with the RDO/C to recommend specific project activity.

PW/IPG recommended a technical assistance program consisting of six project activities to be conducted over a one-year period. Two types of project activities were recommended: institutionalization activities and implementation activities. Institutionalization activities were designed to equip GOG personnel with the skills and policies required for the successful execution of their privatization initiative. The project activities include the following: preliminary assessment and program design, long-term privatization advisor and applied research and training.

The institutionalization of the GOG privatization program is a priority for the GOG and RDO/C. Additional technical assistance projects were proposed to assist with the implementation aspects of the GOG program.

The agreement between the GOG and RDO/C for privatization technical assistance was approved on Sept 30. A tentative start date for project activities as recommended by PW/IPG is scheduled for December 1, contingent upon the execution by the GOG of the conditions precedent.

B. RESEARCH, TRAINING AND INFORMATION DISSEMINATION

1. Research Activities

Documentation Center's Cataloging Process Complete

The Research & Training Unit has completed the cataloging process of the Privatization Documentation Center's holdings on the MICRODIS software system. The software enables Center staff to conduct searches by title, author and call number, further enhancing user access to Center resources. Additionally, a complete bibliography has been compiled to emphasize ease of reference and reflect the Documentation Center's organization. Holdings are grouped in one of four categories: Country, Issue, Sector, and General, to reflect the privatization topic that is addressed in the document. The bibliography is available at the Documentation Center and can be obtained by contacting Dr. Andrew Cao, PW/IPG Director of Research & Training, at (202) 296-0800.

Presentation on Privatization held in Geneva

For cooperation in the area of research with other international donors and at the invitation of the UNDP Privatization Network, PW/IPG presented "Privatization of State-Owned Enterprises - A Framework for Impact Analysis" at the Meeting of Experts on Privatization in Geneva, Switzerland on August 17-20. The presentation paper was included in the "Issues" section of the August issue of the PW/IPG *Press Clippings on Privatization*.

Presentation Given to Tunisian Delegation

PW/IPG presented "Valuation for Privatization in Tunisia: Methods & Issues" to senior government officials of the country's privatization committee while they were in Washington, D.C. on September 3.

Presentation on Privatization held in Puerto Rico

At the invitation of the Government of Puerto Rico, PW/IPG presented "Privatization and International Economic Competitiveness" at the North American Free Trade Agreement conference in Puerto Rico on September 8-20.

2. Research & Training Unit Projects

Following are projects which have been carried out by the Research and Training Unit. These are special projects which develop the research, training and information dissemination aspects of PW/IPG.

COUNTRY: USA
PROJECT NAME: PRIVATIZATION DATABASE 1991 and 1992

DESCRIPTION OF PROJECT:

Research pertaining to a database of statistics on worldwide privatization transactions and projects in specific countries. The empirical model has been designed to provide a quantitative assessment of the privatization process in various countries for 1991 and 1992.

STATUS: On-going

Activities this Quarter:

During this quarter the information recorded for 1991 privatization transactions was edited and finalized. The Database has been organized by region: Asia & Pacific, Eastern Europe, Latin America, and the Middle East and Africa. Each section is introduced by regional summaries which highlight unique aspects of the privatization programs in the four regions. This is followed by 50 country profiles from the respective regions. Each country profile examines the government commitment to privatization, the privatization strategy followed, the legal issues salient to implementation of privatization, the role of the capital market and the prospects for the development of the privatization program in 1992. A draft version of the Database Text was completed and has been bound.

Financial data on 1992 worldwide privatization transactions was entered and is accessible to all researchers. Privatizations which have been announced by the government but are still in the negotiation process have been included in a separate section.

Issues Arising this Quarter:

Disclosure of information on price, number of shares, and buyers poses difficulties in compiling accurate information on transactions worldwide. In Africa and the Middle East regions, the slow pace of transaction activity and the lack of reporting information remain a problem.

Activities Planned for Next Quarter:

Privatization transactions and announcements for 1992 will continue to be recorded to update the Database. Statistical models are being developed and tested to assess the feasibility of the present data structure and the need for modernization in order to support rigorous empirical research.

COUNTRY: USA

PROJECT NAME: DOCUMENTATION CENTER DEVELOPMENT

DESCRIPTION OF PROJECT:

On-going project to maintain a comprehensive collection of privatization literature for use by PW/IPG technical assistance teams, USAID Missions, and researchers.

STATUS: On-going

Activities this Quarter:

The Documentation Center has continued to receive and process inquiries for Center resources from outside users this quarter. The Center has also pursued acquisition activities through networking with consortium members and others within the PW/IPG network.

Issues Arising this Quarter:

None.

Activities Planned for Next Quarter:

Acquisition and service activities will continue. Acquisition activities will target the Africa & Middle East Region and information on countries and sectors with significant privatization activities and important implementation issues.

COUNTRY: USA
PROJECT NAME: *PRESS CLIPPINGS ON PRIVATIZATION*

DESCRIPTION OF PROJECT:

PW/IPG continues to compile and distribute articles monitoring worldwide privatization activity. Sources include *The Wall Street Journal, Asia Money & Finance, EBRD Watch/Project Finance International, Far Eastern Economic Review, Financial Times, Lagniappe Letter, LatinFinance, PlanEcon, and Public Works Financing.*

STATUS: On-going

Activities this Quarter:

Three issues of *Press Clippings on Privatization* were published and distributed to consortium members and subscribers to promote the activities and services of PW/IPG and the Research and Training Unit.

"Financial Determinants of Selection Between BOO versus BOT in Infrastructure Project Financing" written by Dr. Andrew Cao, the Director of Research & Training, was presented in the "Privatization Issues" section of the July issue. The study provides the financial framework for analysis, decision making and negotiation of BOO and BOT techniques. "Privatization of State-Owned Enterprises - A Framework for Impact Analysis," also written by Dr. Cao, was presented in the "Privatization Issues" section of the August issue. The study proposes a practical analytical framework for identifying the relevant privatization variables, developing appropriate indicators, and designing practical reference standards for comparison and evaluation.

The mailing list has been expanded to 350 consortium members and subscribers. These include donor agencies as well as multinational organizations worldwide.

Issues Arising this Quarter:

None.

Activities Planned for Next Quarter:

Press Clippings On Privatization will be published and distributed on a monthly basis. The expansion of the mailing list in the next quarter will target multinational corporations as prospective investors in privatized enterprises.

COUNTRY: USA
PROJECT NAME: MICRODIS COMPUTERIZED CATALOGING SYSTEM

DESCRIPTION OF PROJECT:

Cataloging of Documentation Center resources on the MICRODIS computerized cataloging database.

STATUS: On-going

Activities this Quarter:

All the articles acquired by the library have been entered on microdis during this quarter. A bibliography of current holdings has been printed and bound in both a long version and short version. The bibliography is organized by region and country, by sector and issue, in accordance with the call numbering system.

Issues Arising this Quarter:

None.

Activities Planned for Next Quarter:

Up-dating the system will occur on an on-going basis as new documents are received by the Documentation Center.

C. PRIVATIZATION ADVISORY SERVICES AND TRANSACTIONS

1. Buy-Ins Under Discussion

Potential work includes the following projects:

Tunis Air II

This project is designed to provide continued assistance to the Government of Tunisia as it divests a portion of its shares in the capital stock of Tunis Air. Assistance in this second phase will involve assisting the Government with the actual management of the public offering which may include refining the privatization action plan as required, overseeing the work of any involved securities firms, reviewing local promotional efforts, and assisting with the review of offers. A principal objective of this assistance is to identify potential problems during the offering process and propose solutions. A broader objective is to recommend improvements in the execution of future public offerings.

A description of current PW/IPG assistance to Tunis Air, Delivery Order 031, is detailed later in this report.

Burundi

USAID/Burundi is considering obtaining technical assistance from PW/IPG to prepare an enterprise for privatization. Assistance would include conducting a full business/industry appraisal and valuation, recommending a sales strategy, and proceeding to the execution of the sales strategy. The enterprise has yet to be selected, but this request follows ongoing PW/IPG work in Burundi under Delivery Order 029.

Zambia

USAID/Zambia contacted PW/IPG to explore the idea of having PW/IPG provide an investment banker and an investment relations specialist for a period of five to six months to assist with the divestiture of state-owned enterprises (SOEs). These consultants would advise the Government of Zambia in areas such as financial restructuring, sales strategies for SOEs, investor identification, and technical assistance for transactions.

New Independent States

Jim Waddell, PW/IPG Executive Director, will travel to Russia to meet with USAID and Russian officials and discuss a potential large-scale initiative to provide privatization assistance at the regional level. PW/IPG is also continuing discussions with USAID and Russian officials concerning privatization support of enterprises, especially the conversion of military production to commercial goods production.

Philippine National Railway

PW/IPG will start a privatization study for the Philippine National Railway (PNR) to determine the value of PNR, recommend an appropriate privatization strategy, and design an ESOP plan and separation schemes. PNR is currently facing a serious financial crisis and the government is keen to privatize this entity.

Private Provision of Public Services Seminar, Philippines

Ed Harrell, PW/IPG Director of Operations and Programs, will present a half-day seminar on the private provision of public services on December 4, 1992 in Manila. Executives of 79 retained corporations and agencies of the Government of the Philippines will be in attendance. The seminar will focus on privatization in the power, transportation, ports, and water sectors. Particular emphasis will be given to labor issues and financing alternatives.

Privatization II Project Design, Philippines

USAID/Manila is considering contracting with PW/IPG for a second privatization assistance project to follow on the first project which expires December 31, 1992. The new project would encompass privatization assistance to any asset retained by the Government of the Philippines, not just those held by the Asset Privatization Trust (APT). Companies in the power, transportation, ports, and water sectors would be particular targets for privatization.

2. Project Status

Following are project status reports on all delivery orders currently under performance by PW/IPG.

COUNTRY: MOROCCO
PROJECT NAME: PRIVATIZATION ADVISORY SERVICES
DELIVERY ORDER: 001

DESCRIPTION OF PROJECT:

The Government of Morocco (GOM) has embarked on an ambitious privatization program which initially included 75 enterprises and 36 hotels. Privatization laws were passed in 1989 and in 1991, and the two principal entities overseeing the privatization process, the Valuation Authority and the Transfer Commission, were appointed. Preparation for divestiture is currently underway for several enterprises and hotels.

Price Waterhouse/International Privatization Group (PW/IPG) technical assistance to the ongoing Moroccan privatization program includes the provision of a long-term advisor and short-term, project-specific technical assistance. The long-term advisor provides services in training, information systems, research, external relations, and management as well as assistance to short-term projects. The short-term technical assistance provides support to specific projects involving privatization transactions and additional support for training activities.

STATUS: Finished (activity will continue under Delivery Order 039)
Start Date: June 1, 1992
End Date: September 30, 1992

Activities this Quarter:

Long-Term Advisor

The long-term advisor, Alfred Saulniers, continued to offer analysis and policy recommendations on a consultative basis to the Ministry of Commerce, Industry and Privatization. Major activities included assistance with the Ministry's database and information systems needs, research and preparation of a report concerning the development of the Casablanca Stock Exchange, and continued external relations work with prospective investors, multilateral donor agencies, and government officials outside the Ministry interested in the Moroccan privatization process. In August he attended the Expert Group Meeting on Privatization in Geneva and presented a paper, *Privatization in Morocco: Constraints and Impacts*.

Mr. Saulniers also worked with the Ministry and PW/IPG teams on the projects listed below.

Short-Term Technical Assistance

Companie de Transports au Maroc-Lignes Nationales (CTM-LN)

PW/IPG activity commenced this quarter on a project to provide assistance with the privatization of CTM-LN, Morocco's intercity bus service. Due to the complexity of the transaction, an initial reconnaissance visit was conducted to identify the prospects and constraints for privatization of the company. Follow-up field visits were also conducted in August and September.

PW/IPG issued a Valuation and Sales Strategy report to the GOM in mid-September that addressed concerns raised by the Ministry concerning the company's pension and tax liabilities and the structure and value of the firm's intangible assets (licenses). PW/IPG also submitted the draft prospectus later that month and final French, English, and Arabic versions of the prospectus will be issued in mid-October.

Employee Stock Ownership Plans (ESOPs)

Jeffrey Gates, an attorney specializing in ESOPs, conducted a series of workshops and discussions for the Ministry concerning adapting the ESOP concept to the Moroccan environment. The meetings were designed to familiarize Ministry employees with ESOPs and sensitize them to issues associated with the inclusion of ESOPs in privatization projects.

In mid-September, Mr. Gates returned to Morocco to present a draft report to the Ministry recommending various alternative ESOP approaches. The final report will be issued early next quarter under Delivery Order 039.

Findings and Recommendations:

CTM-LN

The Valuation focused upon obtaining a net asset value and reviewing assumptions on future performance with CTM-LN management in order to project future earnings and obtain a net present value of the company as a going concern. The PW/IPG team noted that CTM-LN's performance is strong and future prospects are encouraging. Its management is solid and represents a significant contribution to its good performance.

The Sales Strategy recommended that an initial public offering would serve as the most appropriate divestiture strategy for CTM-LN owing partly to the fact that such a divestiture mechanism will serve to meet the government's objectives of broadening share ownership and contributing to the development of the Moroccan Stock Exchange. This strategy would be accompanied by a private placement and ESOP component.

ESOPs

The Draft Report recommended that the Ministry formulate operating principles and guidelines to ensure ESOPs are implemented in Morocco and attain success. This will include the design of specialized financing techniques, including possible adoption of a "self-financing" mechanism whereby future share earnings could be used to pay for ownership. The report also recommends the formulation of an economic empowerment initiative that would include not only wage earners in the ownership of privatized companies but also encourage wider Moroccan ownership of private firms.

Issues Arising this Quarter:

The August timing of the CTM-LN fieldwork posed constraints since most business and government officials were on vacation. The PW/IPG team compensated for this difficulty by returning to Morocco in September, at which time final data gathering could be completed.

An on-going constraint to the implementation of the buy-in has been the lack of an agreed upon work plan and project execution schedule that would allow for adequate planning of project activities and sufficient time for their execution.

The Ministry approached PW/IPG again for assistance in the privatization of ICOZ (a proposal for such assistance had been submitted in October 1991). However, because of the short time frame available to complete the project, both the Ministry and PW/IPG agreed to reserve assistance for other projects.

Activities Planned for Next Quarter:

This Delivery Order has concluded. Please refer to Delivery Order 039 for continuing activities.

Key Staff:

Alfred Saulniers, Long-term Advisor--Dr. Saulniers, a PW/IPG Senior Manager, has experience in advising foreign governments in economic reform programs. He holds a Ph.D. in economics from the University of Wisconsin and is affiliated with the University of Michigan, the University of Texas, and the University of Wisconsin. Mr. Saulniers provides advisory services to the Ministry of Commerce, Industry and Privatization.

Mara Fellouris, Project Task Manager--Ms. Fellouris, PW/IPG's Africa Regional Manager, has broad experience with privatization, including related financial, institutional and training issues. She holds an M.B.A. from the Monterey Institute of International Affairs and a B.A. from Mount Holyoke College. Ms. Fellouris coordinates the implementation of all activities under the buy-in.

Dennis Mykytyn, Management Consultant--Mr. Mykytyn, a PW/IPG Manager, has over 13 years experience in developing and implementing innovative capital financing programs for public sector clients in the areas of transportation, utility systems, solid waste management, public/private partnerships, and general capital programs. He holds a Masters of City and Regional Planning from the Kennedy School of Government at Harvard University and a B.A. from Harpur College. Mr. Mykytyn served as team leader on the CTM-LN engagement.

Richard Dangay, Financial Analyst--Mr. Dangay, a PW/IPG Senior Consultant, specializes in financial analysis of privatizing companies. He is proficient in financial market issues and policies and participated in capital market studies which Price Waterhouse conducted in Morocco. He holds an M.B.A. from The American University and served as lead analyst on the CTM-LN engagement.

Ben Porter, Industry Specialist--Mr. Porter, a PW/IPG Senior Manager, has experience in providing financial and technical expertise to a number of bus companies throughout the U.S. He holds an M.S. in Transportation Engineering from the University of Washington and he conducted an in-depth analysis of CTM-LN operations and the bus industry.

PW/Morocco

Aziz Belkasmi--Mr. Belkasmi is a partner of PW/Morocco. He is the partner responsible for the CTM-LN audit conducted by PW/Morocco and he provided technical oversight to the CTM-LN engagement.

Mr. Khalfaoui--Mr. Khalfaoui is a Senior Manager for PW/Morocco who conducted many of the Morocco firm's major audits. He is a Fellow of the Arab Society of Certified Accountants. Mr. Khalfaoui directed the CTM-LN audit and provided technical input to the PW/IPG engagement.

Ismael Farih--Mr. Farih is a financial analyst with PW/Morocco. He holds an M.B.A. from California State University in San Diego and served as financial analyst on the CTM-LN engagement.

COUNTRY: PHILIPPINES
PROJECT NAME: GOP ASSET PRIVATIZATION
DELIVERY ORDER: 003

DESCRIPTION OF PROJECT:

The issuance of Presidential Proclamation No. 50 by President Corazon C. Aquino on December 8, 1986 defined the policy and procedural framework for privatization. It created the Committee on Privatization (COP) and the Asset Privatization Trust (APT) and spelled out the policy objectives of the program. Under the proclamation, COP oversees the implementation of the Government of the Philippine's (GOP) privatization program, formulates the general guidelines on privatization issues and approves the sale/divestiture of government assets/shares with respect to price, buyer, and terms of sale. The actual disposal of assets/shares is performed by APT and other disposition entities. These disposition entities are responsible for drawing up and carrying out privatization schemes for transferred assets or government owned and controlled organizations assigned to them by COP.

Price Waterhouse/International Privatization Group (PW/IPG) is to assist APT in the privatization of two state-owned enterprises; provide advice to APT on screening, evaluating and disposing of the 166 assets in its portfolio; prepare options for APT and the Philippine National Construction Company (PNCC) for privatizing the toll road operations under PNCC's responsibility; and provide advice to COP, the Department of Finance, and the 13 disposition entities on the public relations aspects of privatization.

USAID/Manila later amended the scope of work so that technical assistance is no longer limited to APT assets.

STATUS: In progress
Start Date: July 15, 1991
End Date: December 31, 1992

Activities this Quarter:

APT liquidated the North Davao Mining Company. Maricalum Mining Co. (the first valuation, privatization action plan, and sales strategy prepared by PW/IPG under this buy-in) was successfully sold in September. PW/IPG prepared the information memorandum, advised APT on sales strategy including targeting investors and assisted APT in reviewing bids.

PW/IPG revised the Privatization Action Plan submitted for PICOP, a paper mill, in light of a new law requiring all sales of government assets be for cash.

Findings and Recommendations:

In liquidating the North Davao Mining operations, the GOP realized significant savings because the mining operations were losing an estimated \$3.87 million per year on the mine operations.

Issues Arising this Quarter:

USAID/Manila originally wanted to use remaining money in the delivery order for privatization of the Manila Hotel, a non-APT asset. Now USAID/Manila has decided to reappropriate the money to either the privatization of the Philippine National Railway (PNR) or the Philippine Phosphate Fertilizer Corporation (Philphos). Since both the PNR and Philphos cannot be completed with funds remaining in the buy-in, USAID/Manila is considering adding funds and extending the end date of the existing buy-in or contracting with PW/IPG under another buy-in, so that PW/IPG can provide technical assistance in the privatization of both enterprises.

Activities Planned For Next Quarter:

PW/IPG will go ahead with the planned privatization work on Philphos or the PNR pending a final decision from USAID/Manila on amendments to the scope of work and funding available.

Key Staff:

Ed Harrell, Project Manager--Dr. Harrell, PW/IPG Director of Operations and Programs, has over 30 years of experience managing foreign assistance and investment programs in developing countries as well as extensive experience managing large scale privatization projects. He holds a Ph.D. in Economics from Columbia University and a B.S. from Dickinson College. Mr. Harrell is the PW/IPG Director in charge of the project and quality control.

Faustino Garza, Task Manager--Mr. Garza, an independent financial consultant, has extensive experience in privatization, mergers and acquisitions, and financial restructuring in developing countries. He holds an M.B.A. from Stanford University and a B.S. from the University of Houston. Mr. Garza is the full-time project manager for the privatization work on the mining companies and the paper companies.

Steve Steckler, Task Manager--Mr. Steckler, a PW/IPG Senior Manager, has over 10 years experience in infrastructure finance, privatization, and regulatory reform in transportation.

He has an M.S. in City and Regional Planning from Harvard University and a B.A. from DePauw University. Mr. Steckler managed the PNCC toll road component of this project.

Pincock, Allen & Holt--Mining industry specialists who performed the operational analyses and valuations of North Davao and Maricalum mining operations.

Sandwell--Paper industry specialists who prepared the operational analysis and valuation of PICOP.

COUNTRY: CZECHOSLOVAKIA
PROJECT NAME: SLOVAK TECHNICAL ASSISTANCE
DELIVERY ORDER: 008

DESCRIPTION OF PROJECT:

The Ministry of Industry (MOI) of the Slovak Republic has requested technical assistance from USAID to accelerate the pace of the Republic's privatization program; to improve the technical capabilities of the Ministry staff, government personnel, and local managers; and to design and oversee the ongoing privatization program. The request focuses specifically on the privatization program for select medium-sized industrial enterprises that are likely to require a foreign joint venture partner. Czechoslovakia is relying heavily on a voucher system of privatization, and Price Waterhouse/International Privatization Group (PW/IPG) technical assistance will reflect the availability of this privatization method.

There are two main components to this project: (1) enterprise appraisal and privatization and (2) technical training. Enterprise appraisal and privatization focuses on developing criteria for the selection of four enterprises to be privatized, assisting in the selection process, and, as appropriate, conducting a thorough appraisal of each of the four enterprises, deriving a set of recommendations on financial and/or operational restructuring that should be undertaken prior to privatization, constructing a model to project future operating and financial performance, suggesting a range of value for the enterprise, developing a privatization implementation plan, and assisting in the completion of transactions. The technical training component of the project is to include six five-day workshops which will provide practical training in project evaluation and privatization methodologies for middle- and senior-level Ministry staff and local counterparts.

STATUS: In progress
Start Date: August 30, 1991
End Date: September 30, 1992 (Extension to December 31, 1992)

Activities this Quarter:

PW/IPG continued to provide privatization assistance to four existing clients. In addition, PW/IPG concluded its privatization assistance to the MOI on the privatization of 16 companies in the textile and garment sector. These efforts are described below.

Client #1 - Slovena, s.p.--Limited investor interest in Slovena has resulted in only one company (a U.S. manufacturer) having continued interest. This company has placed a

product order with Slovena to evaluate its manufacturing capabilities and may further consider investment after the receipt and evaluation of this order.

Client #2 - Tatral'an, s.p.--Limited investor interest in Tatral'an has resulted in only one company (an Italian manufacturer of non-woven textiles) traveling to Kezmarok to see the company and meet its management. Preliminary negotiations revealed a disagreement on future market and product demand/development.

Client #3 - Izomat, s.p.--Several companies from the United States and Western Europe have expressed interest in investing in this manufacturer of building materials. Due diligence procedures and negotiations with these potential investors continued. A preliminary letter of intent has been discussed with a Danish company with a price level 50% above the original offer. Participation by the Danish Investment Fund for Eastern Europe is expected if this transaction proceeds.

Client #4 - Gemtex, s.p.--A preliminary information memorandum on Gemtex was completed, a summary of which is being sent to potentially interested investors. An Indian textile group has made a proposal.

Client #5 - Ministry of Industry--At the request of the MOI, PW/IPG analyzed the privatization projects of the following 16 textile companies and made the following recommendations:

- Finis, a knitwear producer in Spiska Nova Ves--proceed with privatization by the coupon method.
- LKZ, a linen fiber and carpet producer in Holic--proceed with privatization by the coupon method.
- Levitex, a yarn and non-woven textile manufacturer in Levice--delay privatization until the company is restructured in order to avoid the risk of bankruptcy.
- Luna, a knitwear producer in Nitra--proceed with privatization by the coupon method.
- LTZ, a linen fabrics and products manufacturer in Revuca--delay privatization until the company is restructured in order to avoid bankruptcy risk.
- Makyta, a garment company in Puchov--privatize through a combination of the coupon method and a direct sale to management.
- Modus, a knitwear producer in Kosice--liquidate the company.

- OZKN Presov, a manufacturer of ready-made outer-wear garments--delay the privatization process.
- OZKN Svikon Svidnik, a manufacturer of ready-made outer-wear garments--delay privatization in order to consider the viability of direct sales to identified foreign investors.
- Pol'ana, a wool fabric/products company in Lucenec-Opatova--delay privatization until the company is restructured to avoid bankruptcy risk.
- Pratex, a wool fabrics/products company in Cadca--delay privatization until the company is restructured in order to avoid bankruptcy risk.
- Selanka, a knitwear producer in Turzovka--delay privatization until the company is restructured in order to avoid bankruptcy risk.
- Slovenka, a knitwear producer in Banska Bystrica--privatize through a direct sale to its management.
- Trikota, a knitwear producer in Vrbove--proceed with privatization by the coupon method.
- UMOV, a textile machinery producer in Trencin--proceed with privatization by the coupon method.
- Zornica, a knitwear company in Banovce and Bebravou--privatize through a combination of the coupon method and a direct sale to management.

Findings and Recommendations:

There are many desirable candidates for privatization in Czechoslovakia and the legal and enabling infrastructure for privatization is in place. However, the government requires assistance to carry out the actual transactions. Without assistance, the pace of the privatization process will be slowed down.

Issues Arising this Quarter:

None.

Activities Planned For Next Quarter

Client #1 - Slovena, s.p.--Depending upon the level of interest from potential foreign investors, PW/IPG will continue to provide appropriate privatization assistance in the privatization process.

Client #2 - Tatral'an, s.p.--Depending upon the level of interest from potential foreign investors, PW/IPG will continue to provide appropriate privatization assistance in the privatization process.

Client #3 - Izomat, s.p.--Negotiations regarding foreign investment in Izomat continue to progress. PW/IPG expects to conclude the negotiation of a letter of intent, assist in due diligence accounting and assist in final negotiation of documentation related to the investment by the foreign firm.

Client #4 - Gemtex, s.p.--The Indian textile group is expected to submit a letter of intent and perform due diligence work.

Key Staff:

Jim Waddell, Project Manager--Mr. Waddell, PW/IPG Executive Director, has extensive experience in domestic and international privatization. He holds an A.B.D. Ph.D. in Economics and an M.A. in Economics from Georgetown University, an M.S. in Industrial and Labor Relations from Cornell University, and a B.A. in Economics from the University of Virginia.

Tom Flohr, Project/Task Manager--Mr. Flohr has considerable experience in mergers and acquisitions, investment banking, and corporate finance. He holds a J.D. from Columbia University Law School, an M.B.A. from Harvard Business School, and an A.M. and A.B. in Economics from Stanford University.

Bill Mako, Project/Task Manager--Mr. Mako, a PW/IPG Senior Manager, has considerable experience in privatization and corporate finance. He holds an M.P.P.M. from the School of Management at Yale University and a B.S. from Georgetown University.

Tim O'Neill, Project/Task Manager--Mr. O'Neill has significant experience in mergers and acquisitions and is a Chartered Accountant.

COUNTRY: CZECHOSLOVAKIA
PROJECT NAME: CZECH TECHNICAL ASSISTANCE
DELIVERY ORDER: 009

DESCRIPTION OF PROJECT:

The Ministry of Industry (MOI) of the Czech Republic has requested technical assistance from USAID to accelerate the pace of the Republic's privatization program; to improve the technical capabilities of the Ministry staff, government personnel, and local managers; and to design and oversee the ongoing privatization program. The request focuses specifically on the privatization program for select medium-sized industrial enterprises that are likely to require a foreign joint venture partner. Czechoslovakia is relying heavily on a voucher system of privatization, and Price Waterhouse/International Privatization Group (PW/IPG) technical assistance will reflect the availability of this privatization method.

There are two main components to this project: (1) enterprise appraisal and privatization and (2) technical training. Enterprise appraisal and privatization focuses on developing criteria for the selection of four enterprises to be privatized, assisting in the selection process, and, as appropriate, conducting a thorough appraisal of each of the four enterprises, deriving a set of recommendations on financial and/or operational restructuring that should be undertaken prior to privatization, constructing a model to project future operating and financial performance, suggesting a range of value for the enterprise, developing a privatization implementation plan, and assisting in the completion of transactions. The technical training component of the project is to include six five-day workshops which will provide practical training in project evaluation and privatization methodologies for middle- and senior-level Ministry staff and local counterparts.

STATUS: In progress
Start Date: August 30, 1991
End Date: September 30, 1992 (Extension requested to June 30, 1993)

Activities this Quarter:

Having concluded its work with Ferox, a.s. and Ceska Typographie begun in the fall of 1991, PW/IPG continued to provide privatization assistance to the Film Studio Barrandov and Elton, s.p. PW/IPG also provided preliminary privatization advice to ZVVZ Milevsdo and Aero.

Film Studio Barrandov--PW/IPG commented on the business plan suggestion made by a U.K. consultancy funded by the British Know-How Fund on the alternatives to asset

dispositions, and on the organization of approaches to investor groups for the studio and its operating divisions. The privatization project of Cinepont, composed of the Company's management, was approved by the Czech Government, but has been subjected to further post-election review by the new Minister of Culture, who decided to review all of the projects originally submitted to the Ministry.

Elton, s.p.--PW/IPG prepared a preliminary draft information memorandum and a draft list of investors. PW/IPG began ad hoc negotiations with two investor groups and preliminary joint venture documentation was received for the watch manufacturing component of the business.

ZVVZ Milevsko--PW/IPG formulated a proposal for identifying and negotiating with foreign investors and then initiated preliminary contacts with a limited number of foreign investors.

Aero--In coordination with an interested aerospace consulting firm, PW/IPG formulated a preliminary proposal for assistance in restructuring the potential shareholder group of the holding company and undertaking a search for financial/strategic investors.

PW/IPG also began preliminary work on the a training curriculum for the workshop on corporate governance including determining when and where the workshops would be held and who would attend.

Findings and Recommendations:

There are many desirable candidates for privatization in Czechoslovakia and the legal and enabling infrastructure for privatization is in place. However, the government requires assistance to carry out the actual transactions. Without assistance, the pace of the privatization process will be slowed down.

Issues Arising this Quarter:

Under the terms of the contract, the MOI was to provide PW/IPG with "supporting documents, legal counsel, asset appraisers, secretarial support, office space, logistical support, and seminar facilities." MOI has been unable to provide many of these forms of support, so PW/IPG has maintained an administrative support function for the project team.

PW/IPG will request a no-cost date completion extension to continue work on the corporate governance training program.

Activities Planned for Next Quarter:

Pending the no-cost date extension, PW/IPG will continue development of the corporate governance training material.

Key Staff:

Jim Waddell, Project Manager--Mr. Waddell, PW/IPG Executive Director, has extensive experience in domestic and international privatization. He holds an A.B.D. Ph.D. in Economics and an M.A. in Economics from Georgetown University, an M.S. in Industrial and Labor Relations from Cornell University, and a B.A. in Economics from the University of Virginia.

Tom Flohr, Project/Task Manager--Mr. Flohr has considerable experience in mergers and acquisitions, investment banking, and corporate finance. He holds a J.D. from Columbia University Law School, an M.B.A. from Harvard Business School, and an A.M. and A.B. in Economics from Stanford University.

Bill Mako, Project/Task Manager--Mr. Mako, a PW/IPG Senior Manager, has considerable experience in privatization and corporate finance. He holds an M.P.P.M. from the School of Management at Yale University and a B.S. from Georgetown University.

Tim O'Neill, Project/Task Manager--Mr. O'Neill has significant experience in mergers and acquisitions and is a Chartered Accountant.

COUNTRY: PHILIPPINES
PROJECT NAME: PHILIPPINES NATIONAL OIL COMPANY
DELIVERY ORDER: 012

DESCRIPTION OF PROJECT:

USAID/Manila requested Price Waterhouse/International Privatization Group (PW/IPG) to draw up a privatization action plan, including valuation, for PNOC Dockyard and Engineering Corporation (PDEC) and Malangas Coal Corporation (MCC), two subsidiaries of the Philippine National Oil Company (PNOC). PW/IPG was then to complete the execution of the privatization of one of the above firms, based on the selection to be made by the Board of PNOC, in collaboration with USAID/Philippines.

STATUS: In progress
Start Date: October 10, 1991
End Date: November 30, 1992

Activities this Quarter:

After PNOC chose PDEC for privatization and execution of the privatization action plan, a PW/IPG team flew to Manila in August to assist PDEC with the preparation of an information memorandum sales document and with the formulation of bidding procedures and documents for selling the dockyard during the fall. A marketing campaign was carried out in August and September, which included direct mailings to various ship building/repair companies and world-wide advertising to alert potential investors to the PDEC sale. This campaign culminated with a pre-bidding conference held in Manila on September 15, 1992, where approximately 70 interested parties, along with PW/IPG and USAID, were in attendance. For those with serious intent, site visits were arranged during the latter half of September.

Bidding procedures and evaluation criteria were solidified by the end of September.

Findings and Recommendations:

In the case of Malangas Coal, the technical advisors Pincock, Allen & Holt determined that an investment of \$6 million would be required to make Malangas Coal competitive with imported coal and bunker oil in supplying the cement industry. PNOC has decided to go forward with this investment.

Issues Arising this Quarter:

If USAID/Manila asks PW/IPG to assist in the privatization of Malangas Coal, additional funds and an extension to the project end date will have to be added to the buy-in or a new buy-in would have to be created.

Activities Planned For Next Quarter:

Final bids for PDEC are due by October 16, 1992. PW/IPG will assist with the evaluation of the bids and will help with the negotiations of a final sale upon the request of PNOC. The sale is expected to be complete by the end of November.

Key Staff:

Ed Harrell, Project Manager--Dr. Harrell, PW/IPG Director of Operations and Programs, has over 30 years of experience managing foreign assistance and in developing countries as well as extensive experience managing large scale privatization projects. He holds a Ph.D. in Economics from Columbia University and a B.S. from Dickinson College. Dr. Harrell is the PW/IPG Director in charge of the project and quality control.

Faustino Garza, Task Manager--Mr. Garza, an independent financial consultant, has extensive experience in privatization, mergers and acquisitions, and financial restructuring in developing countries. He holds an M.B.A. from Stanford University and a B.S. from the University of Houston. Mr. Garza is the task manager for the privatization work with Malangas Coal.

Tom Russo, Investment Advisor--Mr. Russo, an independent financial consultant, has 18 years of experience in developing and implementing project financing in the developing world. He holds an M.B.A. in International Business and Finance from the George Washington University and a B.A. from Georgetown University. Mr. Russo is responsible for preparing the sales memoranda and bid documents, assessing and organizing a sales strategy, and overseeing the preparation and submission of announcements and letters of solicitation.

Tim Colton, Industry Expert--Mr. Colton, a consultant to the maritime and transportation industries, assisted in the marketing process, reviewed the information memorandum, and assisted in the bid process including the selection of evaluation criteria and the definition of a term sheet, structure for bids, and assistance with the review of bids. He holds an M.S. in Industrial Engineering from Columbia University and a B.S. in Naval Architecture from Glasgow University.

Pincock, Allen & Holt, Industry Experts--Pincock Allen & Holt are industry experts in mining and provided the technical evaluation of Malangas Coal.

COUNTRY: CZECHOSLOVAKIA
PROJECT NAME: PRIVATIZATION OF SOLID WASTE MANAGEMENT SERVICES
DELIVERY ORDER: 013

DESCRIPTION OF PROJECT:

While this project's original design called for a feasibility study of private participation in solid waste management services in Czechoslovakia, a subsequent scope of work modification outlined a more practical approach involving direct technical assistance to two municipalities (one in each republic) in their efforts to transfer municipal services to the private sector. The revised scope of work focused on defining the contracting process, assessing financial needs, measuring operational efficiency, and building contract monitoring capabilities.

Given that the existing legal and regulatory framework in Czechoslovakia has devolved the authority to provide urban services to the municipal authorities, Price Waterhouse/International Privatization Group (PW/IPG) assistance focused on implementing private participation in solid waste management services. In light of the existing conditions and willingness to privatize, PW/IPG and USAID/Prague opted to hold two seminars in addition to direct technical assistance. These seminars would provide municipal leaders with guidelines and performance indicators for their privatization activities in the area of urban services.

STATUS: Finished (Requesting a no-cost date extension)
Start Date: November 8, 1991
End Date: September 30, 1992

Activities this Quarter:

PW/IPG held two seminars for municipal officials to address the topic of privatization of public services. The main objective of the seminars was to provide decision makers at local government levels with guidance on the following issues involved in the transfer of public service delivery to the private sector: the decision to privatize, issues in private provision of public services, the different contractual arrangements, measuring operational efficiency, assessing financial costs, and monitoring private provision. These issues were addressed through presentations by four American speakers and three local speakers, each drawing on their experiences to illustrate methodologies and issues in private provision.

Prague Seminar--August 28-29, 1992

More than 40 individuals from 39 municipalities of the Czech Republic attended the two-day seminar. Four American experts (two City of Phoenix officials, one solid waste management consultant, and a privatization expert) made presentations on the private provision of municipal waste services. Three Czechoslovak officials from the cities of Ceske Tecin, Banska Bystrica and Karlovy Vary led the ensuing discussions of privatization issues.

The group working sessions scheduled for the second day provided participants (who ranged from city mayors, deputy mayors, city managers and heads of finance departments) an opportunity to share their experiences and questions and to apply the concepts presented and discussed in the seminar in order to identify alternatives and solutions applicable to the Czechoslovak context. Seminar participants were assigned to working groups with each group being responsible for discussing local situations and presenting alternative solutions to the rest of the audience. The topics discussed included:

- Existing regulatory constraints to the transfer of government of assets;
- Financing of infrastructure projects;
- Joint ventures with foreign companies;
- Environmental/political issues in landfill siting;
- Performing financial/cost analysis of public services; and
- Technical aspects of solid waste operations (routing, monitoring, efficiency analysis etc.).

Bratislava Seminar--August 31-September 1, 1992

Twenty-eight cities of the Slovak Republic were represented by 34 participants in the seminar held at the Forum Hotel in Bratislava with a format identical to that of the seminar in Prague. Issues of concern discussed during group presentations at this seminar included:

- Identification and selection of landfill sites;
- Waste reduction and recycling schemes;
- Fee and rate setting (particularly in the context of rising costs and resistance from the community to pay for a service);
- Regionalization of infrastructure projects;
- Financing of infrastructure projects;
- Joint ventures; and
- Service technology and equipment.

As a conclusion to the seminars, PW/IPG distributed post-seminar materials including presentations, introductory speeches, a list of participants, and a seminar evaluation form.

Findings and Recommendations:

In both the Czech and the Slovak Republics, the seminar discussions highlighted the fact that the lack of financing of infrastructure projects presented a significant obstacle to the private provision of public services, particularly for participation by local firms. The local government does not have the resources available to provide adequate services, so they are turning to the private sector to provide these services. However, even though local firms have the necessary interest and expertise, they have limited access to commercial financing. Therefore, foreign firms with outside capital sources are better positioned to take advantage of the opportunities in the privatization of the municipal urban services such as waste management. Local governments need assistance in identifying alternative financing mechanisms which promote participation by local firms.

Although Czechoslovakia has a clearly defined legal process which transfers the ownership and control of public and urban services and infrastructure from the Republic to the local authorities, this process is a lengthy one which can take up to 12 months. This delays the transition to private delivery because even though there may be private sector interest, local governments lack the legal authority to transfer ownership of facilities and equipment. To bypass these delays, many municipalities have resorted to one- or two-year management contracts which are not attractive to the private sector because it cannot find financing for a management contract of such short length. This situation seems to be particularly common in the Czech Republic and was brought up repeatedly by the seminar participants.

Fee and rate setting is an area that needs to be addressed in the near future. Local authorities and companies do not have experience in setting fees appropriate to the local economy. While excessively low user fees will place a company at financial risk, excessively high rates will encourage users to resort to illegal dumping. In order to have an efficient waste management system that meets community needs and provides attractive profit margins, assistance is required in advising municipalities in structuring appropriate rate schedules.

Issues Arising this Quarter:

None.

Activities Planned for Next Quarter:

PW/IPG plans to ask for a no-cost date extension on this project to evaluate the findings from the seminar and clearly identify the areas where assistance is required in order to achieve a successful system of private provision of municipal waste management. Pending the granting of a no-cost date extension, PW/IPG will compile the information obtained through evaluation forms and prepare a document to highlight areas requiring the most urgent attention.

Key Staff:

Margarita Fernandez, Task Manager--Ms. Fernandez, a PW/IPG Senior Consultant, has experience in privatization and financial sector development projects including the privatization of public services, bank training, and financial restructuring. She has an M.A. from the Johns Hopkins School of Advanced International Studies and a B.A. from Carleton College.

David Agnew, Task Manager--Mr. Agnew, a PW/IPG Senior Consultant, has experience in public policy analysis, impact assessment, environmental protection, local infrastructure development, and public cost/revenue projection. He holds an M.P.P. from the Kennedy School of Government at Harvard University and a B.A. from Erskine College.

COUNTRY: BOLIVIA
PROJECT NAME: TECHNICAL SUPPORT TO THE GOVERNMENT OF BOLIVIA
DELIVERY ORDER: 014

DESCRIPTION OF PROJECT:

The Government of Bolivia (GOB) has recently initiated its privatization program with the first stage focused on the privatization of small and medium-sized companies, but only a few firms have been sold due to difficulties encountered in privatization implementation as well as delays brought about by GOB policy to forge a consensus of key participants (labor, regional authorities, etc.). With presidential elections scheduled for May/June 1993, the GOB is trying to finalize as many privatizations as it can by the end of the year because initiating new privatizations may prove difficult during the electoral period. The next administration is expected to include the larger SOEs in the privatization process. The GOB contracted the UNDP/ORS to manage the open bidding process for technical advisory services needed to complete transactions of the small and medium-sized companies targeted for privatization.

Price Waterhouse/International Privatization Group (PW/IPG) is to provide two components of ongoing support to the GOB for the implementation of its privatization program:

- 1) Advisory services to the Ministry of Planning's (MOP) Executing Unit in the design, institutionalization and implementation of its privatization program including assistance in preparing the legal framework for privatization, assistance in setting up the privatization unit, assistance in establishing procedures for privatization, and the provision of senior level advisory services for the privatization program.
- 2) Technical Assistance to the Ministry of Finance (MOF) in the reform and privatization of pension funds of the long-term social security system including the drafting of the law for the new pension fund system, drafting of the regulations defining the legal and supervisory framework, definition of an investment policy for private pension funds, execution of technical analyses to support the privatization of pension funds (i.e. the projected macroeconomic impact of the reform), and assistance in the design and implementation of a public information program to help gain support for the privatization of pension funds.

STATUS: In progress
Start Date: November 13, 1991
End Date: September 30, 1993

Activities this Quarter:

Advisory Services to MOP's Executing Unit

Jorge Segura, a Senior PW/IPG Privatization Advisor, briefed the GOB on assessing valuation/appraisal reports, reviewed privatization reports (including the reports for the privatization of the edible oils factory that was sold) with the privatization staff, and provided advice on handling key implementation issues.

PW/IPG arranged for senior privatization advisors, including Elis Juan, the former Vice Minister of the privatization implementation agency in Venezuela, and Jorge Silberstein of the Privatization Unit in Mexico, to brief the Executing Unit on their practical experience with privatization programs.

Technical Assistance for Privatization of Pension Funds

PW/IPG continued work on the preparation of the law, technical studies, and media campaign for the privatization of the pension funds. USAID/Bolivia approved the follow-on buy-in which will advance key technical studies, financial analyses, and the public information program.

On July 8, PW/IPG presented the draft final pension funds law, which embodies key aspects of the reform, to the Minister of Finance. To support fees and costs specified in the law, the PW/IPG analyzed the commissions which Pension Fund Administrators may charge to their affiliates as well as the minimum capital required to enter into business as a Pension Fund Administrator. The team also reviewed the first draft of the assessment of the financial impact of the reform on the Government's accounts and balance of payments. Additionally, PW/IPG conducted a legal analysis of the GOB's obligations toward the complementary pension funds, which are technically private, and submitted a report to the MOF.

For the public information program, the PW/IPG international and local public information team worked with the new local public relations firm to design and produce the campaign materials to build public and political support for the reform. PW/IPG also completed and presented the public information plan and draft materials to USAID/Bolivia and the Minister and Undersecretary of the MOF.

Findings and Recommendations:

PW/IPG had two notable findings from the privatization of pension funds component:

Minimum Capital--The GOB asked PW/IPG to further analyze the issue of how much minimum capital should be required to establish a Pension Fund Administrator and how should it be structured. In order to determine the level and the structure, the team analyzed

and distinguished between two obligatory forms of capital which the Pension Fund Administrator (SAP) is required to maintain: the minimum capital necessary to form a pension fund administrator (a fixed amount which becomes the SAP's equity) and the profitability guarantee account (an amount equivalent to 0.75% of the Capitalization Funds that is considered an asset of the SAP, not the Capitalization Fund). The purpose of the minimum capital requirement is primarily to be a barrier to entry. The purpose of the profitability guarantee account is to ensure that in case the Capitalization Fund does not have sufficient resources to meet its obligations, the Administrator has the resources available to ensure that its affiliates receive pensions at the minimum profitability level defined by law. Therefore, the team recommended that since the profitability guarantee account is related to the assets of the capitalization funds and is part of the SAP's accounts, any loss represents a loss to the SAP and not to the Fund, so it serves the traditional purpose of owner's equity.

Financial Impact--An important issue for the MOF is whether debt financing of the cost of implementing the reform will prevent the GOB from meeting the deficit targets set by the IMF. To determine this effect, the PW/IPG team prepared a model to project the deficit to the government's accounts to the year 2000 and to determine sources of funding for the deficit which included internal borrowing, international borrowing at concessionary and commercial terms, and own resources. Consequently, PW/IPG was able to determine that the effect of implementing the reform will be minimal on the non-financial public debt and the balance of payments as long as most of the international borrowing is undertaken at concessionary terms.

Issues Arising this Quarter:

None.

Activities Planned for Next Quarter:

Continuing activities will be performed under Delivery Order 032, which is the follow-on buy-in.

Key Staff:

Jorge Segura, Privatization Specialist--Mr. Segura, a PW/IPG Senior Manager, has extensive experience in the design and implementation of privatization projects in developing countries. He holds an M.B.A. from Xavier University and is a Ph.D. candidate at George Washington University.

Jeanne Balcom, Project/Task Manager--Ms. Balcom, a PW/IPG Manager, has conducted consulting assignments in the area of privatization and pension fund reform and she has managed four large projects for Price Waterhouse in Bolivia. Ms. Balcom holds an M.A. in

International Economics and Latin American Studies from the Johns Hopkins School for Advanced International Studies and an A.B. in Russian Studies from Dartmouth College.

Regis Cunningham, Project/Task Manager--Mr. Cunningham, a PW/IPG Senior Manager, is experienced in privatization and institutional strengthening. He is a C.P.A. and holds an M.B.A. from the University of North Carolina and a B.S. in Accounting from the State University of New York at Buffalo.

COUNTRY: INDONESIA
PROJECT NAME: LONG AND SHORT-TERM TECHNICAL ASSISTANCE
DELIVERY ORDER: 016

DESCRIPTION OF PROJECT:

USAID/Indonesia's buy-in with Price Waterhouse/International Privatization Group (PW/IPG) is part of USAID's large Financial Markets Project (FMP), which has three major components: 1) Capital Markets, 2) Privatization, and 3) Money Markets. The Privatization Component is to provide long- and short-term technical assistance and training to the Ministry of Finance (MOF) Directorate General of State Enterprises (DGSE) in developing, refining, and implementing a comprehensive program for restructuring and privatizing state-owned enterprises (SOEs), including linkages to the Government of Indonesia's (GOI) Private Participation in Public Services (PPPS) program.

The USAID/Indonesia buy-in is broken down into five implementation components:

- . Project Management Component
- . Policy Component
- . DGSE Institutional Strengthening Component
- . Implementation/Transaction Component
- . Training Component

STATUS: In progress
Start Date: December 9, 1991
End Date: September 30, 1994

Activities During This Quarter:

Project Management Component

Administrative and reporting systems are established and operational. During the quarter, the Directorate of State Enterprise was elevated to the level of Directorate General, and a new government counterpart for the project was named. In view of the fundamental reorientation in mandate associated with this restructuring, PW/IPG held discussions with the new counterpart regarding the applicability/potential utility of the overall assistance program and the first-year work program.

Tasks utilizing short-term technical assistance during this quarter included a Management Information Systems preliminary design, a review of the PTP Estates Marketing System and an assessment of SOE Pension Funds. Also, PW/IPG held discussions with World Bank

and Asian Development Bank officials to discuss a number of issues, including a review of the industrial sector and the role of state-enterprise, progress on restructuring of the telecommunications sector, and the status of the government's private power program.

Policy Component

PW/IPG conducted a study of the PTP Estates Marketing System to determine the desirability and feasibility of privatizing the Estates collective marketing office. The study culminated in a draft report presented to the DGSE which recommended how the collective marketing office could be restructured and privatized.

PW/IPG also carried out a review of SOE pension funds. A new law governing the establishment and operation of pension funds in Indonesia was recently promulgated, and the objective of this review was to advise the DGSE in its efforts to ensure that all SOE pension funds conform to the terms of the new law. A draft report was submitted to the DGSE and USAID/Indonesia for review.

DGSE Institutional Strengthening Component

Preliminary discussions with the new Director General of State Enterprises may shift the orientation of an institutional strengthening assessment to include elements typical of a corporate "strategic review." PW/IPG has presented a draft scope of work for this activity for the Director General's review.

During this quarter, PW/IPG concluded a preliminary design for a revised management information system for the DGSE, and submitted a draft report which presented specific recommendations.

Implementation/Transaction Component

At the request of the MOF, PW/IPG prepared a scope of work for providing assistance in devising an airline leasing unit and strategy that will initiate the process of exposing Garuda and other government-owned airlines to market forces as an initial step in the process of restructuring and privatizing their operations. Discussions were held with a number of aircraft leasing specialists.

Working in conjunction with other government legal, financial and technical advisors, PW/IPG provided ongoing assistance for GOI negotiations on the first private power generation project, Paiton Private Power I.

Training Component

In view of the restructuring of the Directorate General of State Enterprise, and the significant change this could entail in its basic mandate and staffing requirements, PW/IPG's

preliminary draft of a training needs assessment has been put on hold subject to a broader strategic redefinition of the Directorate General.

Findings and Recommendations:

Project Management Component

A new Ambassador and Mission Director came on board during the quarter. Increased U.S. trade and investment have emerged as key themes, reinforcing the importance of work plan activities focusing on the private provision of public services, particularly in the areas of power and telecommunications.

Policy Component

Owing to strategic changes in both the Indonesian Ministry of Finance and USAID, activity in the Government's program to restructure/privatize state enterprises and to maximize the private provision of public services is expected to increase. The Government is also continuing to assess its strategic options with respect to restructuring the telecommunications sector.

PW/IPG presented a number of recommendations during this quarter for improving the marketing arrangements and internal organization of the Collective Marketing Office. Recommendations were also made to the DGSE on the definition of operational guidelines for SOE pension funds.

On-going negotiations within the electric power sector can be expected to significantly influence the further development of a private power policy and procedural framework.

DGSE Institutional Strengthening Component

PW/IPG recommended that the DGSE install a comprehensive management information system (MIS). Proceeding with a revised MIS will have to await broader decisions on the Directorate General's strategic redefinition and reorganization.

Implementation/Transaction Component

PW/IPG prepared a scope of work to conduct an assessment of establishing an aircraft leasing function within the Government. A decision has been made on the broad directions in which the GOI would like to move in this area, but the full range of policy issues and strategic and operational decisions that must be made by the government have yet to be delineated.

Training Component

A key issue under the training component is the changes that are likely to result from the elevation of the Directorate of State Enterprise to the Directorate General level. This change is likely to fundamentally affect the orientation and skill mix required of the organization's staff, and therefore the nature and content of training programs to strengthen their abilities.

Activities Planned for Next Quarter:

Project Management Component

The elevation of the Directorate of State Enterprise during this quarter to the level of Directorate General, and the change of the project's GOI counterpart, may lead to a fundamental reorientation in mandate. During the next quarter, guidance will be sought from the new FMP counterpart to determine if any adjustments to the current first-year work program are necessary.

Policy Component

During the upcoming quarter, activity under this component is expected to focus on:

- Increasing efforts to define an appropriate role for the project in the telecommunications sector, particularly as it pertains to increasing private participation;
- Continuing efforts to develop a policy and procedural framework for the successful development of private power in Indonesia;
- Assisting with MOF implementation efforts to improve the PTP estates marketing system, as requested; and
- Assisting with MOF implementation efforts to improve the deployment and supervision of SOE pension funds, as requested.

DGSE Institutional Strengthening Component

PW/IPG will be available during the upcoming quarter to assist the Director General in defining the basic strategic orientation of the DGSE. In addition, assistance with DGSE efforts to implement a comprehensive and integrated management information system may be provided.

Implementation/Transaction Component

PW/IPG expects to initiate efforts to review the status of the SOE restructuring and privatization program during the next quarter. PW/IPG also plans to begin providing technical assistance in devising an airline leasing unit and strategy for the MOF and to continue providing assistance to the Paiton private power negotiations.

Training Component

PW/IPG will remain on call to re-design and implement a comprehensive training needs assessment for the DGSE on the basis of a revised mandate and strategy. Ad-hoc programs to address near-term DGSE training needs will continue to be designed and implemented.

Key Staff:

Mark Camstra, FMP Chief of Party--Mr. Camstra, a PW/IPG Senior Manager, serves as the Chief of Party for the Privatization Component and the Capital Markets Component of the Financial Markets Project. He has extensive experience with the restructuring and privatization of SOEs, having conducted organization and management reviews of a number of entities and strategic reviews and appraisals/valuations of SOEs slated for privatization. Mr. Camstra holds an M.B.A. from the University of Southern California and an M.A. from the Johns Hopkins School of Advanced International Studies.

William Hollinger, Senior Privatization Advisor--Mr. Hollinger has over fifteen years of experience serving as a senior advisor to high-level GOI officials, and has been involved in a range of matters directly affecting the state enterprise sector. Mr. Hollinger holds a Ph.D. in Economics from the Massachusetts Institute of Technology and a B.A. from Swarthmore College.

Howard Schuman, FMP Training Specialist--Mr. Schuman, a PW/IPG Senior Manager, is an international training specialist with over 20 years experience in the design, development, and management of financial and management training programs. He is an Ed.D. candidate in Human Resource Development at Rutgers University and he holds an M.A. in International Training from the School for International Training and a B.A. from Rutgers University. Mr. Schuman is responsible for all training and public relations activities under the project.

Alberto Libedinsky--Mr. Libedinsky, a pension funds expert with experience in pension fund reform in Latin America and elsewhere, worked closely with the DGSE in carrying out a study of SOE pension funds in Indonesia. He holds an M.B.A. from the Massachusetts Institute of Technology and a B.S. from the University of Chile.

Raul Fabre--Mr. Fabre, a PW/IPG Senior Manager, is a specialist in management information systems and managerial finance. He holds a M.B.A. from Indiana University

and a B.S. from Metropolitan University. Mr. Fabre provided technical expertise to the DGSE in carrying out a preliminary design of a comprehensive management information systems.

David DeOrío--Mr. DeOrío, a PW/IPG Manager, has extensive privatization experience with the UNDP in numerous countries, including Poland and New Zealand. He holds a D.Phil in Economics from Oxford University, an M.P.P. from the Kennedy School of Government at Harvard University, and an A.B. from the University of Michigan. Mr. DeOrío carried out a review of the PTP Estates Marketing System and made recommendations on its improvement.

Deborah Dungan, FMP Administrator--Ms. Dungan, a PW/IPG Senior Consultant, has experience in macroeconomic and financial analysis and project management, planning, budgeting, and organization. She handles management and administrative issues for the Financial Markets Project's Privatization and Capital Markets Components and participates in technical studies as needed. Ms. Dungan holds an M.S. in International Relations/International Economics from the School of Foreign Service at Georgetown University and a B.A. from Texas Christian University.

COUNTRY: PHILIPPINES
PROJECT NAME: METRO TRANSIT ORGANIZATION, INC.
DELIVERY ORDER: 019

DESCRIPTION OF PROJECT:

The privatization of the light rail transit system is desired in order to minimize government subsidy, tap private risk capital especially in system expansion, and ensure efficiency of operations. USAID/Manila contracted PW/IPG to examine the current organization, determine the most appropriate privatization strategy for the system, determine selling price and schedule of offerings for the shares of stocks/assets, and assist the Department of Transportation and Communication (DOTC) in the implementation of the privatization strategy and privatization action plan including preparation of a prospectus, marketing of the offer, and lining up local and/or foreign investors.

This project has been divided into three phases:

- Business/Technical Issues Review
- Privatization Strategy and Valuation
- Execution

STATUS: In progress
Start Date: February 4, 1992
End Date: December 31, 1992

Activities this Quarter:

No new activities this quarter because the Light Rail Transit Authority (LRTA) was reassessing its privatization intents (see Issues Arising this Quarter).

Findings and Recommendations:

Indecision on the part of the LRTA Board has delayed the execution phase of the project. Management must have a clear mandate and set of goals to be accomplished when undertaking privatization activities designed to culminate in a privatization transaction.

Issues Arising this Quarter:

After PW/IPG presented the final report in June, the Board of Directors of LRTA remained indecisive regarding going forward with the privatization of Metro as discussed above. PW/IPG now understands that the LRTA Board has decided to privatize the

physical assets in addition to the operating entity for the light rail system (Metro) as originally planned. As a first step, LRTA may be recapitalized.

Activities Planned for Next Quarter:

PW/IPG will await the final decision of DOTC and LRTA regarding the privatization strategy they choose to pursue.

Key Staff:

Ed Harrell, Project Manager--Dr. Harrell, PW/IPG Director of Operations and Programs, has over 30 years of experience managing foreign assistance and in developing countries as well as extensive experience managing large-scale privatization projects. He holds a Ph.D. in Economics from Columbia University and a B.S. from Dickinson College. Dr. Harrell is the PW/IPG Director in charge of the project and quality control.

Dennis Mykytyn, Task Manager--Mr. Mykytyn, a PW/IPG Manager, has over 13 years experience in developing and implementing innovative capital financing programs for public sector clients in the areas of transportation, utility systems, solid waste management, public/private partnerships, and general capital programs. He holds a Masters of City and Regional Planning from the Kennedy School of Government at Harvard University and a B.A. from Harpur College.

Tom Russo, Investment Advisor--Mr. Russo, an independent financial consultant, has 18 years of experience in developing and implementing project financing in the developing world. He holds an M.B.A. in International Business and Finance from the George Washington University and a B.A. from Georgetown University. Mr. Russo is responsible for the financial plan.

David Warren, Financial Analyst--Mr. Warren, a PW/IPG Senior Consultant, has experience in financial analysis for transportation and other infrastructure projects. He holds an A.B. from Harvard University.

COUNTRY: MOZAMBIQUE
PROJECT NAME: TRUCKING PRIVATIZATION/LIBERALIZATION
DELIVERY ORDER: 020

DESCRIPTION OF PROJECT:

Within the larger context of the Economic and Social Rehabilitation Program supported by the IMF, the World Bank, and many bilateral donors, the Government of Mozambique (GOM) has identified improvements to transport infrastructure serving domestic needs as a priority for investment. The GOM's main objective in the transport sector is to promote rural development and trade, despite the constraints imposed by the continuing adverse security situation. In trucking-related services, the GOM wants to remedy the constraints imposed by the high concentration of the trucking fleet in large, government-controlled parastatal fleets, inefficient vehicle utilization, and poor facilities for maintenance and other support services. To accomplish their goals, the GOM seeks to privatize parastatal and government trucking fleets, liberalize regulatory constraints to private initiatives in this sector, and rehabilitate and increase productive utilization of the existing fleet.

The overall objective of the study is to develop proposals for the liberalization of regulations and other restrictions on private sector road transport activities and assess the prospects and most suitable channels for privatization of the main parastatal trucking fleets. Fieldwork is divided into two phases: (1) conduct baseline information collection and industry analysis, and (2) develop industry liberalization and fleet privatization plans.

STATUS: In progress (No-cost date extension requested)
Start Date: February 28, 1992
End Date: September 10, 1992 (No-cost date extension requested)

Activities this Quarter:

Phase I work was carried out in March 1992. The project team completed the field work for Phase II (liberalization and privatization plans) in mid-July, prepared the draft final report comprising the results and recommendations of Phases I and II in August, and submitted the report to USAID, the GOM, and the World Bank in late September.

Findings and Recommendations:

This project provides a good prototype for privatization in an environment where there is little or no foreign investment interest and only limited capital is available. The draft final report evaluates a full range of privatization options including management buy-outs, employee stock ownership, and leasing with the government extending the financing directly.

Principal findings and recommendations included in the draft final report cover areas such as the nature and structure of the fleet, trucking industry economics and regulation, constraints and changes required, options for shifting the ownership balance in the trucking industry to the private sector, and recommendations on privatization including methods and timing.

Issues Arising this Quarter:

A no-cost date extension has been requested.

Activities Planned for Next Quarter:

The team is awaiting comments on the draft final report and will finalize the report soon thereafter. Further discussions will be held with USAID, the World Bank, and the GOM to facilitate execution of selected next steps recommended in the report.

Tentatively, a strategic management workshop to build ownership for the recommended action plan will be held in Maputo in the first quarter of 1993 and the groundwork for the workshop will be conducted in the fourth quarter of 1992.

Key Staff:

Tony Davis, Team Leader/Privatization Specialist--Mr. Davis is a privatization and private sector development specialist with Abt Associates. He has been involved in a number of privatization assignments in Africa and Asia and has substantial experience in the transportation industry. Mr. Davis holds an M.B.A. from the Sloan School of Management at the Massachusetts Institute of Technology.

Charles Reinhardt, Trucking Industry Operations Specialist--Mr. Reinhardt, an Abt Consultant, has over 20 years experience in the trucking, rail, and marine transportation industries conducting strategy, policy, economic, and operations analyses. He holds an M.B.A. from Columbia University.

Harold Kurzman, Trucking Industry Policy and Regulation Specialist--Mr. Kurzman is a transport economist with 25 years of experience in transport economics, management, project screening, evaluation and appraisal, public enterprise pricing and finance policy, institutional development, and sector demand forecasting and planning. He holds an M.A. in Economics and Development Planning from the Johns Hopkins University and a B.A. in Economics from Haverford College.

COUNTRY: PHILIPPINES
PROJECT NAME: PHILIPPINE POWER SECTOR
DELIVERY ORDER: 021

DESCRIPTION OF PROJECT:

The current decline in the Philippines' power sector performance is constraining the country's efforts to achieve sustainable economic growth. This decline, along with the upsurge in load growth, the increase in maintenance and operations requirements and the need for capital investment has highlighted the need to focus on sector weaknesses and to formulate strategies to allow greater private sector participation. The current environment suggests that it would be appropriate to identify specific privatization options for the power sector, not only in new projects but also in National Power Corporation's (NAPOCOR) current operations with the view to maximizing the economic benefits and utilization of the company's assets.

The Price Waterhouse/International Privatization Group (PW/IPG) study aims to determine and develop privatization and decentralization schemes for NAPOCOR to attain its mandated responsibility of providing reliable electric service at the least cost to the public while maintaining adequate competition and cost effectiveness in the provision of electricity. The study will also develop a framework of power sector policy and strategy in relation to project and utility management, delegation of authority to implement policies and corresponding accountability, sector oversight mechanisms and reforms in the operational and financial climate.

STATUS: Finished
Start Date: March 20, 1992
End Date: September 30, 1992

Activities this Quarter:

The draft final report was presented in Manila to representatives from the Office of Energy Affairs and from NAPOCOR in August by PW/IPG Executive Director Jim Waddell.

Comments from the meeting regarding the report, which included a request for an expanded discussion on alternatives for the Philippine rural electrification initiative under a privatized environment, were incorporated into the final report which was sent to USAID/Manila on September 30, 1992.

Findings and Recommendations:

In the report, PW/IPG analyzed and made recommendations on:

- Philippine energy sector policies, with particular focus on the power sub-sector's organization and operations;
- Policy and regulatory changes required in the power sector;
- Evaluation criteria for choosing privatization schemes for specific activities or areas of concern for NAPOCOR;
- Privatization schemes for NAPOCOR with respect to power facilities construction, operation, maintenance and financial activities, and the most appropriate privatization strategies for NAPOCOR;
- The financial impact on NAPOCOR of promising projects/assets for privatization;
- The impact of each privatization strategy on project implementation, corporate ownership, staffing levels, etc; and
- Privatization implementation plans based on the list of the best candidates and the selection of the most appropriate privatization strategies.

Issues Arising this Quarter:

The World Bank suggested modifications in the recommendations in order to ensure that USAID and World Bank programs work together in meeting the power sector development needs of the Philippines.

USAID/Manila is considering a no-cost extension of the project end date to allow PW/IPG to follow up on some of the recommendations in the final report.

Activities Planned for Next Quarter:

In October, PW/IPG will issue an addendum to the final report which addresses the suggestions made by the World Bank.

This project has been completed within the scope of this buy-in. However, PW/IPG will discuss its suggestions for the next steps to be taken in the overall privatization of the power sector with the Office of Energy Affairs when a new chairman has been appointed.

Key Staff:

Jim Waddell, Project Manager--Mr. Waddell, PW/IPG Executive Director, has extensive experience in domestic and international privatization. He holds an A.B.D. Ph.D. in

Economics and an M.A. in Economics from Georgetown University, an M.S. in Industrial and Labor Relations from Cornell University, and a B.A. in Economics from the University of Virginia.

Ed Harrell, Task Manager--Dr. Harrell, PW/IPG Director of Operations and Programs, has over 30 years of experience managing foreign assistance and investment programs in developing countries as well as extensive experience managing large scale privatization projects. He holds a Ph.D. in Economics from Columbia University and a B.S. from Dickinson College.

Richard Downer, Task Manager--Mr. Downer, PW/Jamaica Partner in charge of Management Consulting, has extensive experience in the privatization of SOEs including the development and implementation of privatization strategies at the government and state-enterprise level. Mr. Downer is a graduate of McGill college in Canada and is a Chartered Accountant.

Mike Caffrey, Privatization Specialist--Mr. Caffrey, a PW/IPG Manager, has experience in project finance, privatization, feasibility studies, financial and economic modeling, and credit analysis. He holds an M.B.A. from the Amos Tuck School of Business at Dartmouth College and an A.B. in Economics from Dartmouth.

Karim Solh, Financial Analyst--Mr. Solh, a PW/IPG Staff Consultant, has experience in the planning and implementation of privatization transactions in developing countries. He holds an M.B.A. from Georgetown University and a B.S. from Cornell University.

COUNTRY: NICARAGUA
PROJECT NAME: TECHNICAL ASSISTANCE TO CORNAP
DELIVERY ORDER: 022

DESCRIPTION OF PROJECT:

Price Waterhouse/International Privatization Group (PW/IPG) is to provide technical assistance to CORNAP, the government agency responsible for privatization, in the divestiture of four hotels and two sugar mills.

For each enterprise, PW/IPG first prepares a Diagnostic Study and Business Valuation that includes:

- a review of the firm's operations, market position, human resource management and legal statue;
- an estimation of (adjusted) book value when the state assumed ownership and the book value today;
- a comparative analysis of balance sheet and profit/loss statements for the last three to five years;
- a comparative analysis of selected financial ratios;
- a valuation of the firm as a going concern;
- industry market potential analyses at the national and Central American regional levels; and
- a recommended divestiture/privatization strategy.

After completion of the Diagnostic Study and Business Valuation, PW/IPG assists in the marketing and divestiture of the companies or assets for which PW/IPG prepares a prospectus and bid documents.

STATUS: In progress
Start Date: March 20, 1992
End Date: March 31, 1993

Activities this Quarter:

PW/IPG provided policy guidance and technical advisory services to the Government of Nicaragua in the initial privatization stages for four hotels and two sugar mills.

Hotels

For the **Montelimar Hotel**, an international-class resort, PW/IPG met with CORNAP in July to discuss findings and recommendations concerning the diagnostic analysis, valuation and privatization strategy. In August, PW/IPG presented CORNAP a prospectus, bidding documents, and announcement material for the sale.

PW/IPG also presented CORNAP the valuation and privatization strategy study for **Hotel Inter-Continental**, a downtown business hotel in Managua. PW/IPG has begun work on the prospectus, bidding documents and announcement material for the hotel.

In August, PW/IPG performed the preliminary diagnostic analyses for the **Barlovento**, a small lodge, and **Las Mercedes**, the largest hotel in Nicaragua with 310 rooms.

Sugar Mills

PW/IPG prepared and presented enterprise analyses, valuation reports, and privatization recommendations to CORNAP for the sugar mills of **Ingenio Victoria de Julio** and **Ingenio Julio Buitrago** during the last week of July.

Findings and Recommendations:

None to date.

Issues Arising this Quarter:

None.

Activities Planned for Next Quarter:

Hotels

For the **Montelimar**, CORNAP will publish invitation announcements for bidding in international publications such as the *Economist*, the *Financial Times*, *El Financiero* of Mexico and *Actualidad Economica* of Spain in mid-October. PW/IPG will assist with the evaluation of bids which must be submitted by December 1, 1992.

The announcements for bidding for the **Inter-Continental** will be published in December.

Sugar Mills

PW/IPG will present the final Diagnostic Study and Business Valuation report for the two sugar mills and assist CORNAP in identifying and resolving pending issues related to the privatizations including the timing and basis of the sale to employees, the disposition of the

Canoas Dam which provides irrigation water for the mill of Ingenio Victoria de Julio, and other related matters. PW/IPG will present the draft prospectus and bid documents December 15.

Key Staff:

Jorge Segura, Project Manager--Mr. Segura, a PW/IPG Senior Manager, has extensive experience in the design and implementation of privatization projects in developing countries. He holds an M.B.A. from Xavier University and is a Ph.D. candidate at George Washington University. Mr. Segura is overseeing the entire privatization assistance project.

Regis Cunningham, Task Manager--Mr. Cunningham, a PW/IPG Senior Manager, is experienced in privatization and institutional strengthening. He is a C.P.A. and holds an M.B.A. from the University of North Carolina and a B.S. in Accounting from the State University of New York at Buffalo. Mr. Cunningham is overseeing the privatization work PW/IPG is performing on the sugar mills.

Michael Apel, Financial Analyst--Mr. Apel, a PW/IPG Senior Consultant, has a strong international finance background and has an M.A. from the Johns Hopkins School for Advanced International Studies and a B.A. from Carleton College.

COUNTRY: ECUADOR
PROJECT NAME: PRIVATIZATION ASSISTANCE
DELIVERY ORDER: 023

DESCRIPTION OF PROJECT:

USAID/Ecuador has a six-year Trade and Investment (T&I) project to support broad-based, sustainable economic development consisting of three components: (1) export promotion; (2) investment promotion; and (3) institutional development and strengthening/policy dialogue.

As part of the T&I project, USAID/Quito contracted Price Waterhouse/International Privatization Group (PW/IPG) to:

- 1) Provide insight into other countries' privatization experiences by arranging visits for Government of Ecuador (GOE) officials and private sector representatives to other Latin American countries;
- 2) Manage workshops teaching financial and marketing techniques utilized in the privatization of state-owned companies;
- 3) Provide technical assistance in transactions; and
- 4) Provide training on privatization through a variety of seminars.

STATUS: In progress
Start Date: June 1, 1992
End Date: December 31, 1992

Activities this Quarter:

PW/IPG coordinated conferences for two separate Ecuadorian delegations which met with government officials and private sector representatives involved in privatization in both Chile and Argentina and Costa Rica and Mexico. PW/IPG selected government officials and private sector individuals that would provide the Ecuadorians with comprehensive insight into the various components of a privatization process and the particular experiences of the countries visited.

In July, PW/IPG assisted the newly elected government and Fundacion Ecuador (an umbrella organization for the promotion of trade, investment, increased competitiveness, and modernization of Ecuador's economy) in developing a privatization strategy, guidelines and law. The development of a cohesive and functional privatization plan for Ecuador will

be aided by drawing on the recent experiences and insight from the country visits and meetings with the various private and public sector representatives.

PW/IPG reviewed the valuations of two Ecuadorian dairy product companies, which were initially performed by an Institute in Ecuador, and PW/IPG also conducted a diagnostic and valuation study of the fertilizer company Fertisa, a publicly and privately owned company (90 percent public, 10 percent private).

Through PW/IPG coordination, GOE officials and private sector representatives attended a seminar on communications put on by Intrados, an international management training company.

Findings and Recommendations:

The GOE is beginning to organize itself to promote privatization of certain industries. USAID and the GOE will have to establish priorities which are politically feasible and financially attainable as the program is formulated and implemented. Labor must be brought into the process at an early stage to ensure success.

Issues Arising this Quarter:

None.

Activities Planned for Next Quarter:

Ed Harrell, PW/IPG Director of Operations and Programs, will present the Fertisa diagnostic and valuation study to the Ministry of Agriculture and to the General Managers of CFN and BNF, two government financing institutions which are the principal stockholders of Fertisa.

USAID/Quito is considering a new buy-in in which PW/IPG would provide a long-term advisor to the newly created privatization unit of the GOE, provide assistance in setting up this unit and one in the Ministry of Agriculture, participate in a labor seminar, and expand advisory services for transactions.

Key Staff:

Ed Harrell, Project Manager--Dr. Harrell, PW/IPG Director of Operations and Programs, has over 30 years of experience managing foreign assistance and investment programs in developing countries as well as extensive experience managing large scale privatization projects. He holds a Ph.D. in Economics from Columbia University and a B.S. from Dickinson College.

Jorge Segura, Task Manager--Mr. Segura, a PW/IPG Senior Manager, has extensive experience in the design and implementation of privatization projects in developing countries. He holds an M.B.A. from Xavier University and is a Ph.D. candidate at George Washington University.

Geralynn Hrycyk, Financial Analyst--Ms. Hrycyk, a PW/IPG Staff Consultant, has worked on privatization and financial sector development projects. She holds an M.B.A. from the American University, an M.A. in Spanish Language and Literature from Alcala de Henartes University in Spain, and a B.A. from Harpur College.

COUNTRY: GAMBIA II
PROJECT NAME: PRIVATIZATION OF THE GAMBIA PRODUCE
MARKETING BOARD (GPMB)
DELIVERY ORDER: 024

DESCRIPTION OF PROJECT:

Price Waterhouse/International Privatization Group (PW/IPG) advised the Government of The Gambia (GOTG) on the privatization of GPMB, the state-owned groundnut processor in a two-phase project. The first phase, which was completed under Delivery Order 017, entailed a reconnaissance mission to identify key issues impacting GPMB performance. The second phase consisted of a valuation and limited business review report, sales strategy and an information memorandum. At the end of this quarter, the scope of work was expanded to include assistance with the promotion and distribution of the information memorandum.

The GOTG anticipates that the privatization of GPMB will result in increased private sector activity in the industry and encourage greater farmer productivity. This is in keeping with the Economic Recovery Program which will eventually lead to a transfer of state-owned parastatals to the private sector.

STATUS: In progress (date extension under consideration)
Start Date: April 23, 1992
End Date: September 30, 1992

Activities this Quarter:

As originally requested by Gambian officials, PW/IPG concluded field work and presented the draft valuation report in late July. In addition to presenting valuation findings, the report provided detailed background analysis on changes in the groundnut market and company operations. In the analysis, the PW/IPG team examined the problem presented by Senegal's policy of purchasing groundnuts at subsidized rates. Also, the report examined the possible consequences of rising import limitations on oil-grade peanuts in the European Economic Community.

PW/IPG issued a draft information memorandum and revised it with the National Investment Board, the department of the GOTG managing the sale of the Gambia Oilseeds Processing and Marketing Company (GOPMAC) created by an act of Parliament. GOPMAC consists of the core assets of GPMB used for oilseeds processing including the processing units, river fleet, transportation equipment, and depots, which were transferred with clear title, free of any liens, encumbrances or debt.

The final information memorandum provides potential investors with an introduction to GOPMAC, its market, and the assets available for sale.

PW/IPG also made recommendations for the management of bid solicitations for the sale and presented procedures for the evaluation and ranking of bids.

In September, the USAID/Gambia mission and PW/IPG agreed to use funds remaining in the buy-in to assist with the promotion, printing and distribution of the information memorandum.

Findings and Recommendations:

In August the GOTG adopted PW/IPG's recommendation for divestiture by means of selling GPMB's core assets as a going concern to private investors. A single-phased, all-encompassing bid procedure was advocated to reduce the time required for the bidding process to take place and to expedite administration of the sale.

Issues Arising this Quarter:

USAID/Gambia is considering extending the completion date to include the projected bid deadline in December.

Activities Planned for Next Quarter:

Advertisements for the sale are scheduled to appear in *The Economist*, *The Financial Times*, *The International Herald Tribune* and *The Public Ledger's Commodity Week* during the second week of October.

PW/IPG will coordinate distribution of the information memorandum.

Key Staff:

Mara Fellouris, Project Task Manager--Ms. Fellouris, PW/IPG's Africa Regional Manager, has broad experience with privatization, including related financial, institutional and training issues. She holds an M.B.A. from the Monterey Institute of International Affairs and a B.A. from Mount Holyoke College. Ms. Fellouris coordinates the implementation of all activities under the buy-in.

John Butt, Financial Analyst--John Butt, a PW/IPG Senior Consultant, has extensive international financial experience and has worked on privatization assignments in Czechoslovakia and Poland. He has an M.B.A. from the University of North Carolina and a B.S. from the University of St. Andrews in Scotland. Mr. Butt served as lead analyst on the engagement.

Edwin Jewitt, Privatization Specialist--Edwin Jewitt is a privatization specialist and has been the Director of Finance and Project Development for Resource Industries Ltd. for the last four years. Mr. Jewitt holds an M.B.A. from Loyola University in New Orleans. Mr. Jewitt served as team leader.

Benjamin Carr--Benjamin Carr is a Gambian financial analyst with broad experience dealing with the financial sector of The Gambia. He holds an M.P.A. in Public Policy and Management and an A.E. in Engineering and Applied Sciences, both from Harvard University. Mr. Carr served as the local financial analyst for this project.

Guy Posschelle, Industry Specialist--Guy Posschelle is an oilseed processing specialist with over 26 years of international experience in the oil and fats industry. He holds an M.Sc. in Engineering and an B.Sc. in Applied Science, both from the University of Louvain, Belgium. Mr. Posschelle provided assistance with the valuation of tangible assets.

COUNTRY: ZIMBABWE
PROJECT NAME: SADCC TELECOMMUNICATIONS CONFERENCE
DELIVERY ORDER: 025

DESCRIPTION OF PROJECT:

USAID/Zimbabwe contracted Price Waterhouse/International Privatization Group (PW/IPG) to provide assistance to the Southern African Development Coordination Conference (SADCC) in increasing the awareness of the governments of Angola, Mozambique, Lesotho, Zambia, Zimbabwe, Namibia, Tanzania, Malawi, South Africa, Botswana and Swaziland of the importance of reliable, high-quality telecommunications services in increasing economic productivity. A conference for high-level regional government officials focusing on telecommunications restructuring, policy, and regulation will be held in Namibia. In addition, the project will involve the development of an action plan to be implemented by SADCC to support telecommunications development in the region. The action plan will be based on research of telecommunications development in countries outside the SADCC region.

PW/IPG is responsible for the research component, both regional and global, the oversight of preparation of the agenda, the invitation of participants, and the formulation of an action plan. Intrados, a subcontractor, is responsible for some global research, speaker recruitment, training materials, and overall conference administration.

STATUS In progress
Start Date: August 13, 1992
End Date: February 13, 1993

Activities this Quarter:

After research visits to the SADCC member nations, PW/IPG has completed draft profiles of the telecommunications sectors in each of the target countries.

PW/IPG also prepared an agenda for the conference which SATCC, the group within SADCC overseeing telecommunications and transportation, and USAID approved. The seminar agenda covers the rising level of private sector involvement in telecommunications development, the promotion of competition, the establishment of sound rate-making mechanisms, the development of regulatory capabilities, and the role of regional entities in the promotion of telecommunications development.

Conference dates of February 17-19, 1993 in Namibia have been agreed upon with USAID and SATCC. PW/IPG has developed a list of participants which has been

reviewed and discussed with SADCC and USAID/Zimbabwe and SADCC sent out invitations to each of the participants. Approximately three participants have been invited from each country, with representatives coming from the telephone company, its parent ministry, and the Ministry of Finance.

PW/IPG has reviewed Intrados' proposed speakers for the conference and each has in turn been reviewed with USAID/Zimbabwe and SADCC. Comments from SADCC are being incorporated into the conference agenda.

Findings and Recommendations:

Key findings from the regional country analyses indicate that the privatization of telecommunications structures remains a long-term goal for most countries. Presently, emphasis is focused principally on telecommunications sector restructuring in terms of regulation and the development of more effective pricing strategies to support sector expansion.

Issues Arising this Quarter:

None.

Activities Planned for Next Quarter:

PW/IPG will finalize and submit the country telecommunications profile reports for review and comments by USAID/Zimbabwe and SADCC.

PW/IPG and Intrados will continue to address the global research component of the project, focusing on the experiences of countries outside the region that have recently restructured their telecommunications sectors. A tentative decision has been made to focus on a maximum of eight countries and the format of the reports will be similar to the regional country profiles. Among the target countries being considered are Mexico, Jamaica, Argentina, Chile, Venezuela, New Zealand and Nigeria.

PW/IPG will also begin work with PW/Namibia to establish the necessary logistic support systems the participants will require while attending the conference.

Key Staff:

Indira Jhappan, Management Consultant--Ms. Jhappan, a PW/IPG Senior Manager, has experience in financial analysis, restructuring and privatization, particularly in relation to the telecommunication and power sectors. She has an M.S. in Accounting from Georgetown University and a M.A. in International Affairs from the Johns Hopkins School of Advanced International Studies. As team leader, Ms. Jhappan is responsible for overall project supervision and some global research.

Sima Fishman, Management Consultant--Ms. Fishman, a PW/IPG Manager, specializes in economic and financial analysis, particularly for telecommunications clients. She holds an M.B.A. from Duke University. Ms. Fishman is responsible for part of the regional analysis, some global research and development of the Action Plan.

Judy Webb, Participant Training Specialist--Mrs. Webb, a PW/IPG Staff Consultant, specializes in the financial management of government-related projects, including participant training regulations. She will advise PW/Namibia on participant training concerns and on logistics management.

James A. Waddell, Project Task Manager--Mr. Waddell, PW/IPG Executive Director, has extensive experience in domestic and international privatization, particularly in the telecommunications sector. He has an A.B.D. Ph.D. in Economics and an M.A. in Economics from Georgetown University, an M.S. in Industrial and Labor Relations from Cornell University, and a B.A. in Economics from the University of Virginia.

PW/Africa

Barbara Harris, Research Specialist--Ms. Harris, a Senior Manager with PW/Kenya, is a Chartered Accountant and has extensive consulting experience with telecommunications clients in Africa. Ms. Harris is responsible for much of the regional research.

Intrados

Margaret Ghadar, President--Ms. Ghadar is responsible for supervision of Intrados activities performed under this buy-in and she acts as a liaison with PW/IPG.

Baljit Vohra, Senior Conference Coordinator--Mr. Vohra, the Director of Research and Advisory Services, has concentrated on the development of training programs dealing with financial liberalization issues and holds an M.B.A. from George Washington University. He is responsible for the overall conference logistics and some global research.

Deborah Thornton, Logistics Coordinator--Ms. Thornton, the Director of the training division at Intrados, holds a M.S.W. from the Michigan School of Social Work. She is responsible for assisting Mr. Vohra with logistical arrangements.

COUNTRY: GUATEMALA
PROJECT NAME: HIGHWAY PRIVATIZATION
DELIVERY ORDER: 026

DESCRIPTION OF PROJECT:

In March 1991, the President of Guatemala appointed a National Commission of Privatization composed of members of the public and private sectors to examine what should be privatized in Guatemala and how it should be done. For the past year, the Commission has been working to draft legislation to facilitate privatization. In line with these efforts, the Ministry of Communications, Transport and Public Works (MCTOP) has been pursuing concession-operation as a means of privatizing its holdings.

The objective of this project is to provide technical assistance to MCTOP to determine the feasibility and potential structure of a concession-operation system for Guatemala's highway system.

STATUS: In Progress
Start Date: July 9, 1992
End Date: October 31, 1992

Activities this Quarter:

The Price Waterhouse/International Privatization Group (PW/IPG) team spent two weeks in Guatemala gathering information and meeting with MCTOP officials. In August, PW/IPG submitted a Draft Implementation Plan for the Guatemalan Toll Road Concession Program to assist the Government of Guatemala (GOG) in structuring and implementing a toll concession program. The report evaluates the proposed toll concession program in Guatemala, analyzes the financial feasibility of such a program, and recommends specific steps for program implementation.

In preparing the report, PW/IPG:

- Analyzed the completeness and practicality of MCTOP's preliminary plans for accomplishing concession-operation of Guatemala's highways including the review of draft legislation, technical plans, and pricing schemes;
- Performed preliminary financial feasibility analysis of the program based on ridership and cost information provided by MCTOP; and

Developed specific technical recommendations regarding the necessary steps required for the implementation of highway concession-operation.

Findings and Recommendations:

The Guatemalan road system faces the problems of physical deterioration, inadequate access to geographically remote parts of the country, and a lack of public funds to rehabilitate and maintain existing roads and expand the road system. To address these problems, the GOG wants to offer private tollway concessions in order to attract private financing to improve the road system. PW/IPG provided the GOG with a detailed implementation plan to achieve a successful concession-operation program that will achieve the GOG's goals.

Issues Arising this Quarter:

None.

Activities Planned for Next Quarter:

A no-cost completion date extension was obtained for this project. PW/IPG will submit the final Implementation Plan for the Guatemalan Toll Road Concession program in October.

Key Staff:

Dennis Mykytyn, Project/Task Manager--Mr. Mykytyn, a PW/IPG Manager, has over 13 years of experience in developing and implementing innovative capital financing programs for public sector clients in the areas of transportation, utility systems, solid waste management, public/private partnerships, and general capital programs. He holds a Masters of City and Regional Planning from the Kennedy School of Government at Harvard University and a B.A. from Harpur College.

Gregory Fishbein, Financial Analyst--Mr. Fishbein, a PW/IPG Senior Consultant, has experience in the financial and economic analysis of state-owned enterprises, transportation, and other infrastructure projects. He holds an M.B.A. in Finance from the Wharton School of Business at the University of Pennsylvania and a B.A. in Economics from Dartmouth College.

COUNTRY: POLAND
PROJECT NAME: PRIVATIZATION SUPPORT SERVICES
DELIVERY ORDER: 027

DESCRIPTION OF PROJECT:

The Ministry of Privatization (MOP) of the Republic of Poland requested technical assistance from USAID to accelerate the implementation of the privatization program through completing transactions, improving the technical capabilities of the Ministry staff, and designing and overseeing parts of the ongoing privatization program. The four major components to the project are:

- 1) **Assistance with Valuation and Privatization of Medium-Size Enterprises -** Develop criteria for the selection of enterprise candidates and develop quarterly work programs that specify operating objectives and enterprise targets. Assist the Ministry in completing the privatization of the selected companies.
- 2) **Technical Training -** Conduct workshops for officials responsible for privatization at the local (voivodship) level in order to prepare the participants for negotiation transactions. Case-method teaching gives practical perspectives on enterprise valuation, cost accounting, privatization strategy, and business plan assessment.
- 3) **Feasibility Study for the Privatization Auction System -** Produce a procedures manual providing guidelines for the auction system.
- 4) **Glass Sector Privatization -** Focus on the sectoral approach to privatization by building a detailed database of information about the Polish industry and its component firms in the flat glass, packaging glass, and consumer glass segments to assist the MOP and other policy-makers in making informed decisions concerning appropriate and expeditious methods to privatize enterprises.

STATUS: In progress
Start Date: June 26, 1992
End Date: December 31, 1992

Activities this Quarter:

Enterprise Privatization

The **Polopren** transaction (\$4.5 million) was successfully completed by privatization through liquidation with the enterprise's assets contributed to a joint venture with an Austrian/German concern.

The HSO Sandomierz transaction has taken longer than Polopren because of its size (\$150 million) and the number of parties involved in the transaction. The Ministry of Industry (MOI), the MOP, plant management, and the Workers' Council represent the government. The investors include Pilkington, the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD), and the Polish Development Bank (PDB). However, negotiations are nearing completion and a successful outcome is anticipated. The Workers' Council reaffirmed their commitment to the joint venture in a meeting with Pilkington and the Sandomierz management. All parties to the transaction reached agreement on the work plan outlining the steps required for completion of the joint venture and on most of the outstanding business and legal issues. Substantial drafting of legal documents took place this quarter.

At a bankers' meeting in London September 21 and 22, Pilkington, PW/IPG (representing the Government of Poland), the IFC, the EBRD, and the PDB reached agreement on most terms and conditions for financing the project. A further meeting arranged by PW/IPG on September 29-30 between Pilkington and Sandomierz in Warsaw resolved certain outstanding environmental issues and the local cost proportion of the float plant feasibility study lead.

Technical Training

This component has been extended through direct funding by the Ministry of Privatization.

In July and August, PW/IPG held training sessions for privatization officials from the voivodships that covered over one-third of the local privatization officials and marked the completion of the USAID funded portion of the training program. The Ministry was pleased with the training project and funded PW/IPG to continue the training program for the rest of the privatization officials, including another training session held in September.

Auction System

As requested by the MOP's Department of Small and Medium Enterprises, PW/IPG designed and completed "The Vademecum of the Fast Track - Auction" process (also known as the "Quick Sale" procedures manual). The MOP gave final approval on the completed translated version that has been delivered to regional privatization officials in voivodships and delegaturas. PW/IPG has now completed work on this portion of the buy-in.

Glass Sector Privatization Program

Sector analysis is divided into three phases: Analysis of the Industry; Company Analysis and Prescription; and the Implementation of Recommendations. PW/IPG completed the first two phases and is implementing privatization through the various methods available in Poland.

Each industry segment team (container, consumer, and flat glass) concentrates on four activities:

- 1) Marketing of the companies including identifying, contacting, and following up on potential investors and preparing sales documents;
- 2) Preparing internal estimates of value;
- 3) Liaising with company management, founding bodies, MOP and other involved parties to facilitate the privatization process; and
- 4) Preparing Invitations to Negotiate and implementing recommendations.

Marketing

PW/IPG began the broad marketing effort for the glass sector this quarter; important contacts are international glass manufacturers and glass trade associations. PW/IPG contacted over 250 investors. One activity involved PW/IPG renting and staffing a booth at the premier glass trade show, Glastec '92, in Dusseldorf. In addition, a PW/IPG article on the glass industry was published by the main trade journal in its special show edition.

In anticipation of glass being one of the four industries featured in the UNIDO Investors Forum at the end of October in Warsaw in which twenty firms from the glass sector will participate, PW/IPG has written articles on investment opportunities in the Polish glass industry that will appear in *The Warsaw Voice* and *The Encyclopedia of Polish Industry* (to be published by the State Foreign Investment Agency).

PW/IPG wrote the script and provided technical consultation for an eight minute promotional video on the glass sector commissioned by the MOP Information Center.

PW/IPG is searching for debt and equity financing sources for the Polish glass sector. Institutional investors (i.e., insurance companies, pension funds and investment groups), banks, and individual venture capital funds are being contacted and queried on their interest.

Estimates of Value

In order to support the negotiation process, PW/IPG has prepared internal estimates of value for many of the enterprises. This has involved gathering an extensive database of comparable transactions and companies as well as the preparation of discounted cash flows.

Liaison Function

In order to privatize an enterprise in Poland, many parties have to be informed of the process and agree to it before it can be carried out. Many advisors have found potential investors for an enterprise only to discover that one of the stakeholders is blocking the sale. PW/IPG has therefore invested a great deal of time to ensure that this will not happen in the glass industry. Toward this end, PW/IPG held a privatization conference to discuss the findings of the Phase I and II sections of the project and to address the plans for Phase III on August 12 in Warsaw for six firms in the container Glass segment. Representatives from the Workers' Council, company management, the Founding Body and the companies' unions had the opportunity to question MOP officials and PW/IPG concerning the sector study and the privatization process.

Implementation of Recommendations

In the **consumer glass** segment:

- PW/IPG completed the sale of **HSG Rozalia** through a trade sale to Minex, a Polish foreign trade organization, for approximately \$2 million.
- PW/IPG prepared the information memorandum on **HS Bialystok** which is being distributed to interested investors. A number of bids are anticipated for this company.
- PW/IPG submitted a bid to EC PHARE to restructure the crystal manufacturer **HSK Julia** (EC PHARE is a European Community aid program that includes funds for restructuring firms to be privatized).
- PW/IPG is assisting with the liquidation of two enterprises in this segment for which PW/IPG recommended piecemeal liquidation.
- PW/IPG developed and has begun marketing the concept of a consumer glass holding company made up of five enterprises (**Julia, Violetta, Tarnow, Hortensja, and Zawiercie**) that would employ over 5,000 people. Target investors include the EBRD and internationally renowned crystal manufacturers.

In the **flat glass** segment:

- PW/IPG has prepared an information memorandum for **Kraskzko Sp. z o.o.** and the Invitation to Negotiate was published.
- The MOP placed **Jarosowiec** in the mass privatization program.
- **Kara** is one of the pilot companies in the privatization through restructuring program.
- PW/IPG submitted a bid to restructure **Szczakowa** to the EC PHARE program.
- PW/IPG drafted information memoranda for **Kunice** and **Murow**.

In the **container glass** segment:

- PW/IPG has advertised **HS Jaroslaw S.A.**, the largest company in this segment. Nine companies responded and signed confidentiality agreements. PW/IPG expects a number of them to bid.
- The MOP is putting **Pollena Czechy** and **Feniks** through the fast track auction process for an eventual employee buy-out.
- **Wolomin**, with 2,100 jobs at stake, is a candidate for EC PHARE.

Findings and Recommendations:

- 1) Privatization through transformation is easier and more expedient than privatization through liquidation. In a transformation, the MOP becomes the owner and is then the only government party involved. Since privatization is the MOP's main goal, privatization requirements are streamlined. MOP officials are also used to dealing with foreign investors.

A liquidation, on the other hand, must take at least 45 days according to Polish law. The founding body, often the MOI, remains the owner, introducing strict privatization procedures and adding another person to the negotiation process. The assets must also be reconstituted in another legal form.

- 2) Renting a booth at Glastec '92 in Dusseldorf was a valuable marketing tool which attracted potential investors in all three segments who have arranged to visit many of the enterprises.

- 3) According to the Polish press, the sale of **HSG Rozalia** in the consumer glass segment saved 350 jobs in a depressed economic area.
- 4) The goal of the consumer glass holding Company is to increase export sales for the five enterprises and help them enter more profitable, upscale export markets. Before this is possible, the companies must improve their quality and design, develop more efficient distribution channels and acquire marketing expertise. No single Polish manufacturer can afford to pay for these improvements by itself; only when sales reach a critical mass can the enterprise afford such activities. The size of these five enterprises together can attract international financing, but the individual companies would not likely receive such interest.

Issues Arising this Quarter:

Key personnel changes in the enterprises, the MOP, and the MOI sometimes created the need to reorganize privatization, marketing or negotiation efforts already in process. In addition, the government has great difficulty in making decisions and requires extensive documentation and discussion before doing so.

Delays by the MOP in choosing legal and environmental advisors cost time in completing the necessary steps to selling enterprises.

Activities Planned for Next Quarter:

The following activities are planned in the coming quarter.

Enterprise Privatization

For the **HSO Sandomierz** transaction, PW/IPG scheduled a lawyers' meeting (starting October 8 in London) to finalize drafting of the documentation, chiefly the Articles of Association and the Shareholders Agreement. PW/IPG expects that the Articles of Association and the Shareholders Agreement will be initialled by the shareholders upon completion of the drafting, thus enabling the process for the liquidation of HSO Sandomierz and the formation of the joint-venture company to begin. The Government has agreed in principle to the terms of the transaction subject to completion of financing issues.

Technical Training

Three more training sessions are scheduled at the beginning of November. Peace Corps "business volunteers" have been invited to attend and participate in the sessions since their objective is to work closely with the local (voivodship) privatization officials. The MOP is funding this work.

Glass Sector Privatization Program

In the **consumer glass** segment there is a strong likelihood that the transaction for **Bialystok** will be completed.

In the **container glass** segment, PW/IPG will begin the sales process for **Gostyn** and **Orzesze**. It is likely that the transaction for **Jaroslaw** could be completed.

In the **flat glass** segment, PW/IPG will complete information memoranda for **Kunice** and **Murow**. Due diligence will continue on **Kraskzko Sp. z o.o.** and PW/IPG anticipates two or three bids when the due diligence period ends. Offers for **Kraskzko Sp. z o.o.** are due in mid-November.

Key Staff:

Neil Murdoch, Project/Task Manager--Mr. Murdoch, a PW/IPG Senior Manager, has been in Poland full time for a year. He was previously a part of Price Waterhouse's Reorganization and Litigation Services group where he gained experience in a wide range of financial matters including bankruptcy, litigations support, and acquisitions. He has also practiced corporate law and holds an M.M. from the Kellogg Graduate School of Management at Northwestern University, an L.L.B. from the University of Toronto, and a B.Comm from McGill University in Montreal.

Jim Cantalini, Management Consultant--Mr. Cantalini has extensive experience in the area of investment banking both in the U.S. and Europe. He has been the lead negotiator on the Sandomierz transaction. He holds an M.B.A. from the University of Chicago and a B.A. from Holy Cross.

Michael Benn, Management Consultant--Mr. Benn is a glass industry expert in flat and container glass. He has over 25 years in the industry including managing the U.K. subsidiaries of two large multinationals.

John Butt, Valuation Specialist--Mr. Butt, a PW/IPG Senior Consultant, has experience in international finance and privatization. He holds an M.B.A. from the University of North Carolina and a B.S. from the University of St. Andrews in Scotland.

Sofia Bianchi, Management Consultant--Ms. Bianchi is responsible for the consumer glass segment and overall marketing. She has strong experience in European investment banking and holds an M.B.A. from the Wharton Business School at the University of Pennsylvania and a B.A. from George Washington University.

COUNTRY: PHILIPPINES
PROJECT NAME: BAGACAY MINERAL PROPERTIES PRIVATIZATION
DELIVERY ORDER: 028

DESCRIPTION OF PROJECT:

The Asset Privatization Trust (APT), a Government of the Philippines (GOP) entity tasked with the disposal of government-owned assets, acquired the mineral rights and existing surface facilities of the Bagacay mineral properties resulting from the foreclosure of the Marindique Mining and Industrial Corporation (MMIC) by the Development Bank of the Philippines (DBP) and the Philippine National Bank (PNB), two government institutions. The Philippine Pyrite Corporation (PPC) leases the Bagacay mining property from APT to exploit pyrite reserves. The substantial sums that PPC has invested to rehabilitate existing facilities are to be recovered as a credit against future lease rentals and royalties PPC pays to APT. PPC has also contributed assets in the form of equipment.

USAID/Philippines contracted with Price Waterhouse/International Privatization Group (PW/IPG) to determine the apportionment of equity between APT and PPC in the disposal of the Bagacay mining properties and to recommend the method of disposal that would best meet APT's objective of selling the mining properties quickly at the highest price.

STATUS: Finished
Start Date: June 19, 1992
End Date: September 30, 1992

Activities this Quarter:

PW/IPG analyzed the proportional equity stakes of APT and PPC and the subsequent value of the mining properties if they were disposed of through either asset liquidation or the formation and sale of NEWCO, a joint venture between PPC and APT.

PW/IPG determined relative equity stakes resulting from liquidation by assessing what stake each company had in the physical assets of the mining property. For the relative equity stakes in the formation and sale of NEWCO as an on-going concern, PW/IPG appraised physical assets, valued the rehabilitation conducted by PPC on APT assets, valued PPC development projects, and valued APT mineral rights based on three different methodologies--comparable transactions, capitalized lease payments, and future income streams.

PW/IPG arrived at specific value for liquidation disposal by estimating the sound value and the market value of the Bagacay physical assets. In assessing the value of NEWCO as an on-going concern, PW/IPG performed discounted cash flow analysis of the properties under two scenarios: (1) NEWCO only engages in pyrite production that it is limited to under the current agreement between APT and PPC, and (2) NEWCO expands into copper production based on exploitation of copper reserves on the properties.

Findings and Recommendations:

Based on the value estimates of liquidation versus sale of NEWCO as an on-going concern, PW/IPG has recommended a sales strategy to APT and PPC. PW/IPG also recommended the relative equity portions of APT and PPC in NEWCO.

Issues Arising this Quarter:

None.

Activities Planned For Next Quarter:

This project has been completed within the scope of this buy-in. No additional activity is scheduled for next quarter.

Key Staff:

Ed Harrell, Project Manager--Dr. Harrell, PW/IPG Director of Operations and Programs, has over 30 years of experience managing foreign assistance and investment programs in developing countries as well as extensive experience managing large scale privatization projects. He holds a Ph.D. in Economics from Columbia University and a B.S. from Dickinson College.

Richard Addison, Valuation Specialist--Mr. Addison is a Principal Process Engineer for Pincock, Allen & Holt and has over twenty years of experience in the mining industry. He assisted in the technical valuation of APT's share in PPC and the Bagacay mine.

William Pincus, Valuation Specialist--Mr. Pincus is a Mineral Economist for Pincock, Allen & Holt and has over twenty years of experience in the mining industry. He has been responsible for project teams throughout the world and recently analyzed the operations of two copper mines and a coal mine under a separate PW/IPG contract in the Philippines. He will be analyzing the financial strength of PPC and NEWCO, as well as assist with the valuation of Bagacay.

Mark Stevens, Valuation Specialist--Mr. Stevens is a Senior Geologist for Pincock, Allen & Holt and has over eleven years of experience as a geologist. He will assist in the technical valuation of the mineral rights of APT in the Bagacay mine.

Karim Solh, Financial Analyst--Mr. Solh, a PW/IPG Staff Consultant, has experience in the planning and implementation of privatization transactions in developing countries. He holds an M.B.A. from Georgetown University and a B.S. from Cornell University.

COUNTRY: BURUNDI
PROJECT NAME: PRIVATIZATION ASSISTANCE
DELIVERY ORDER: 029

DESCRIPTION OF PROJECT:

This project calls for Price Waterhouse International Privatization Group (PW/IPG) to review of five parastatals selected as prospective privatization candidates and then develop and implement a privatization action plan for one enterprise. In addition PW/IPG is to review the enabling environment for privatization, including governance issues.

The Burundian Government is presently designing laws and regulations intended to encourage overall economic liberalization, including privatization. Government officials also have drawn up a schedule indicating target deadlines for the privatization of specific enterprises.

STATUS: In progress
Start Date: June 15, 1992
End Date: December 31, 1992

Activities this Quarter:

Following the initial reconnaissance to Burundi, PW/IPG recommended that the Office National Pharmaceutique (ONAPHA), a manufacturer of generic pharmaceutical products, be the first privatization under the USAID/Burundi Privatization Assistance initiative in Burundi. PW/IPG selected ONAPHA from five candidates on the basis of industry and enterprise analyses as well as other criteria weighing on the transaction potential of each candidate. PW/IPG presented these findings and the selection procedure in the preliminary draft report to the Service Charge des Entreprises Publiques (SCEP) and USAID/Burundi.

After the acceptance of ONAPHA by USAID/Burundi as the most appropriate candidate, the PW/IPG team returned to Burundi for 24 days to begin the implementation of a broad-based strategy for ONAPHA's privatization. Support for the transaction was developed in meetings with the World Bank, the Ministry of Commerce, SCEP, USAID, the state insurance agency Mutuelle de la Fonction Public (MFP), the World Health Organization, representatives from the major public and private hospitals, and the pharmacies. In conjunction with PW/IPG's on-going search for potential investors, the teams explored financing opportunities with representatives from the commercial and development banks.

At ONAPHA, the PW/IPG team also conducted a comprehensive enterprise analysis including examinations of cost structure and product margins, production equipment and processes, market segments, new product potential, and capital budget for an intravenous solution project. Interviews were done with all of the management. Professor Morifere Bamba, an internationally recognized pharmaceutical expert with practical experience in the African manufacture of pharmaceutical products, completed a technical investigation of ONAPHA's plant and equipment.

Toward the end of the PW/IPG team's visit, SCEP sponsored a conference to announce the privatization of ONAPHA. Members of the health sector community, government officials, and the press were invited to discuss privatization issues with a panel comprised of the heads of SCEP and ONAPHA, and the PW/IPG team. The discussion touched on broad issues of privatization as well as the specific effects of ONAPHA's privatization.

Findings and Recommendations:

In addition to open debate, the conference encouraged the active interest of private health care operators. The private pharmacists have since announced the creation of an association of pharmacists to pool capital for investment in ONAPHA.

In the ongoing work to prepare the valuation report, sales strategy and an information memorandum, the PW/IPG team also sought to bring about a practical consensus on the far-reaching benefits of ONAPHA's privatization as a vehicle for reform in the pharmaceutical and health insurance sectors in Burundi. These reforms include the increase in local manufacture of generic products, the introduction of the intravenous fluids project in conjunction with the privatization investments, and changes in the state insurance reimbursement policies.

Issues Arising this Quarter:

The level of effort budgeted for a review of the privatization environment during the initial reconnaissance visit was insufficient to perform an in-depth analysis of all the key issues bearing on the privatization. The Mission had already funded policy, economic and governance studies, so hindsight indicates that the analysis should have been directed towards the specific issues that affect the privatization environment. For similar assistance to other countries, particularly under the AFR/ONI buy-in (Delivery Order 037), PW/IPG will ensure that the scope of the technical assistance is tailored to the specific needs of the Mission.

Activities Planned for Next Quarter:

The PW/IPG team will finalize the valuation and sales documents and assist in negotiations with prospective investors.

Key Staff:

Mara Fellouris, Project Task Manager/Privatization Specialist--Ms. Fellouris, PW/IPG Africa Regional Manager, has broad experience in privatization, including related financial, institutional and training issues. She holds an M.B.A. from the Monterey Institute of International Affairs and a B.A. from Mount Holyoke College. In addition to managing the project, Ms. Fellouris reviewed the institutional capability of the Government to implement the privatization program.

Louis Difo, Investment Banker--Louis Difo is a specialist in investment banking and president of Orion Tabor International. He was formerly a Vice President of Chase Manhattan Bank and established a regional office in West Africa that was responsible for 15 countries. Mr. Difo serves as team leader on this activity.

Mark Grader, Financial Analyst--Mr. Grader, a PW/IPG Senior Consultant, has experience in international corporate finance. He is a candidate for an M.B.A. from Harvard Business School and holds an M.A. in International Affairs from the Fletcher School of Law and Diplomacy and a B.A. from Tufts University. Mr. Grader served as lead analyst on the ONAPHA privatization work.

Bamba Morifere, Industry Specialist--Mr. Morifere is a pharmaceutical expert and entrepreneur who has created two pharmaceutical companies and teaches pharmacy in several African countries. He has a Ph.D. in pharmacy from the University of Paris and is a member of the French Academy of Pharmacy. Mr. Morifere performed a technical review of ONAPHA's production facilities, with particular emphasis on the intravenous fluids project.

Benjamin Hardy, Privatization Specialist--Mr. Hardy, a Consultant for Abt Associates, specializes in African economic development and corporate communications. He holds a Ph.D. in political science from the University of Chicago. Mr. Hardy was responsible for reviewing the macro-economic and policy reform environment in Burundi as well as governance issues as they relate to privatization.

COUNTRY: MONGOLIA
PROJECT NAME: HOUSING PRIVATIZATION IN MONGOLIA
DELIVERY ORDER: 030

DESCRIPTION OF PROJECT:

The Government of the Republic of Mongolia (GROM) enacted a privatization law in May 1991 that promotes the privatization of large industry, small business and state-owned apartment blocks in urban areas. A stock exchange has been created on which privatized and newly formed companies sell shares and a voucher system has been implemented through which blue vouchers have been used to acquire large state-owned enterprises (SOEs) and red vouchers have been used to acquire small businesses.

The GROM has also included privatization of the housing stock in its privatization plans and Price Waterhouse/International Privatization Group (PW/IPG) is to assist the GROM's State Commission for Privatization (SPC) in the preparation to implement the privatization of the housing stock using vouchers.

STATUS In progress
Start Date: June 20, 1992
End Date: October 30, 1992

Activities this Quarter:

After two weeks of fieldwork, the team prepared a report identifying critical issues and left the report for translation. Upon its return to the U.S., the team prepared an action plan which has been translated. The USAID Representative in Mongolia and USAID Bangkok Regional Housing and Urban Development Office (RHUDO) were briefed on the outcomes of the team's work in Mongolia. A work plan for the second visit to Mongolia has been prepared and submitted to USAID/RHUDO, USAID/Mongolia, and the SPC.

Findings and Recommendations:

The SPC, which planned to launch the privatization in October, was ill-prepared to do so. Numerous issues had not been studied in sufficient detail including: the valuation of the housing stock; the question of who could afford which dwellings; the need for access to finance beyond the value of the vouchers; the likely take-up of the offer to privatize; the question of what to do about non-privatized apartments; administrative procedures; the lack of a legal framework for housing markets; and the impact of the severe macro-economic crisis on the privatization.

Issues Arising this Quarter:

The SPC agreed with the team's diagnosis discussed above and postponed the privatization until the team's next visit.

Activities Planned for Next Quarter:

The team plans a return trip to prepare (together with the SPC, other implementation agencies, and the local authorities who own the housing) action plans to overcome the constraints identified in the diagnostic report. The team will also prepare a training plan covering training in Mongolia and abroad.

Smaller teams will make two further visits to Mongolia to review progress and help to overcome other problems as they arise.

Key Staff:

Sally Merrill, Project/Task Manager--Sally Merrill, a Managing Vice President and Technical Director of Abt Associates' Economic Development Group, is a housing economist with experience in Poland and with housing policy in many developing countries. She holds a Ph.D. in Economics from Boston University, an M.A. in International Economics from the Fletcher School at Tuft's University, and a B.A. from Wellesley College.

Harry Garnett, Privatization Specialist--Harry Garnett, Abt Associates' Privatization Coordinator, has extensive experience in privatization and economic development in developing countries. He has a B.A. in Economics from the University of Sheffield in England.

John Miller, Organizational Specialist--John Miller, Abt Associates' Senior Housing and Urban Development Planner, has extensive experience in research and analysis, policy formulation, project design and implementation, evaluation, and training in developing countries. He holds a Masters in City and Regional Planning from the Catholic University of America and a B.A. in Economics from Washington College.

Robert Burnham, Systems Analyst--Robert Burnham, an Abt Associates' Policy Research Analyst, is an information and computer systems specialist who works principally on issues of science policy, international development, and housing. He has an M.A. in Housing and Urban Affairs from Boston University and a B.A. from Bates College.

Douglas Diamond, Housing Finance Specialist--Douglas Diamond has helped to set up housing finance systems in Eastern Europe and developing countries in Asia and Africa. He holds a Ph.D. and M.A. in Economics from the University of Chicago and a B.A. in Economics from the University of Rochester.

Martin Heyman, Construction Industry Specialist--Martin Heyman is an engineer with extensive experience as a developer, who is currently working in East Europe. He holds a B.A. in Electrical Engineering from New York University.

Jaime Bordinave, Training Specialist--Jaime Bordinave has carried out training in condominium associations in the U.S. and developing countries.

David Madway, Legal Advisor--David Madway is the Counsel to the San Francisco Redevelopment Corporation and has provided legal advise on housing and housing finance policy in a number of developing countries. He holds a J.D. from the University of Chicago and a B.A. from Earlham College.

COUNTRY: TUNISIA
PROJECT NAME: LIMITED PUBLIC OFFERING OF TUNIS AIR
DELIVERY ORDER: 031

DESCRIPTION OF PROJECT:

Tunisia's privatization program has been underway for several years. Initial divestiture focused upon the smaller companies. Efforts are now underway to implement more complex transactions.

USAID/Tunis has contracted Price Waterhouse/International Privatization Group (PW/IPG) to provide a limited business appraisal and a full valuation of Tunis Air. The scope of work involves the development of an offering strategy identifying investors to be targeted and preparation of a prospectus for the divestment of a portion of the Government of Tunisia's (GOT) shares in the capital stock of Tunis Air. The GOT will retain a majority interest in the company.

STATUS: In progress
Start Date: June 15, 1992
End Date: October 30, 1992

Activities this Quarter:

PW/IPG retained SH&E, financial and operational analysts specializing in the privatization of the airline industry, to conduct a full valuation of Tunis Air, including an appraisal of tangible assets. The PW/IPG and SH&E team made two trips to Tunisia and presented initial findings to the GOT. At the end of the quarter, the team was assembling the preliminary draft reports for the valuation exercise, sales strategy formulation and the prospectus.

Findings and Recommendations:

Findings indicate that Tunis Air is a profitable and well-run firm making a strong candidate for privatization. Detailed analysis of the financial markets and Tunisian Stock Exchange indicates that an initial offering of 10% to 15% of Tunis Air shares can successfully be absorbed. Stock purchases would be limited to Tunisian investors residing in Tunisia and abroad. Because of the limited experience of local securities firms, the team has recommended that the GOT obtain technical expertise to assist with the execution of the offering.

Issues Arising this Quarter:

Many government and industry officials took vacations during the month of August, creating problems for the team's collection of data. The team was not able to get the expected level of financial information from Tunis Air (i.e. operation costs and performance levels broken down by route) to allow detailed financial and operations analysis. Consequently, this situation forced the team to modify the financial model to a more generalized level of analysis.

The PIO/T detailed local help to review capital markets issues, but the necessary expertise was not available in the country. PW/IPG contracted Jennifer McFarlane, a US-based consultant, to review capital market issues, judge the Tunisian Stock Exchange's capabilities to absorb the offering, and make detailed recommendations for the structure and execution of the offering.

Activities Planned for Next Quarter:

Members of the team will hold a debriefing session in Tunis with USAID and host-country clients to review PW/IPG findings and recommendations and a final report will be issued. USAID/Tunisia is considering providing further assistance to Tunis Air.

PW/IPG will also submit draft reports for the valuation exercise, sales strategy formulation and prospectus early next quarter.

Key Staff:

David Dempsey, Investment Specialist--Mr. Dempsey is a mergers and acquisition specialist who was a vice president at Prudential Bache Securities and Bankers Trust Company. He has an M.B.A. from Fordham University. As a consultant to PW/IPG, Mr. Dempsey served as team leader on this engagement.

Jennifer McFarlane, Securities Specialist--Ms. McFarlane is an investment banker who was previously a vice president at Solomon Brothers. She has extensive transactional experience and has an M.B.A. from Stanford University and a law degree from the University of New South Wales.

Home Office--Technical review and management was provided by James Waddell, PW/IPG Executive Director, Peggy Norgren, PW/IPG Project Manager, Mara Fellouris, PW/IPG Africa Regional Manager and Rene Shaker, an airline industry specialist with Price Waterhouse.

PW/Morocco

Abderrahmen Fendri, Management Consultant--Mr. Fendri is a Partner of Conseil Audit Formation (CAF), Price Waterhouse's correspondent firm in Tunisia. He completed his studies at the Institut Supérieur de Gestion in Tunisia. Mr. Fendri provided assistance in the situational analysis of Tunis Air and served as the in-country liaison with the clients during the engagement.

SH&E

Uli Bauer, Airline Valuation Specialist--Mr. Bauer is a Vice President of SH&E who specializes in the airline operations and business plan formulation. He has done significant graduate study in quantitative methods.

Krister Johnson, Financial Analyst--Mr. Johnson is a financial analyst for SH&E who specializes in computer models for airline valuations. He has an M.A. from Harvard University. He was SH&E's lead financial analyst on this engagement.

Clyve Medland, Valuation Specialist--Mr. Medland, a Director with SH&E who specializes in airline operations and management planning, has done graduate work in business management at Yale and Princeton Universities. He performed an appraisal of the tangible assets of Tunis Air.

COUNTRY: BOLIVIA
PROJECT NAME: TECHNICAL ASSISTANCE IN PRIVATIZATION OF PENSION FUNDS
DELIVERY ORDER: 032

DESCRIPTION OF PROJECT:

President Jaime Paz Zamora called for pension fund reform in his "State of the Nation" address in August, and the Economic Cabinet, led by the Minister of Finance, has been working intensively on the reform project. The Government of Bolivia (GOB) plans to take up reform in the Cabinet and request financing from the donor community at the meeting of the Consultative Group for Bolivia in October.

This buy-in is a continuation of the work performed for the Ministry of Finance (MOF) under Delivery Order 014 for pension fund reform. Technical Assistance involves reforming long-term social security, so that the private sector takes over the administration and investment of pension funds while the state supervises the administration of the funds. The two main components to the project are:

- 1) Institutional/legal reforms and technical studies which include the drafting of the law for the new pension fund system, the drafting of the regulations defining the legal and supervisory framework, the definition of an investment policy for private pension funds, and the performance of technical analyses to support the privatization of pension funds (i.e. the projected macroeconomic impact of the reform).
- 2) A public information campaign involving the design of a comprehensive public information campaign aimed at building support for the pension funds reform program and the provision of technical assistance in the implementation of the public information campaign.

STATUS: In progress
Start Date: August 12, 1992
End Date: June 30, 1993

Activities this Quarter:

Following on the pension fund reform work carried out under Delivery Order No. 014, Price Waterhouse/International Privatization Group (PW/IPG) has focused on assistance to the MOF in building political support for the reform by assisting the MOF to prepare presentations explaining the reform to key groups and individuals.

In August the MOF held a number of key meetings to present pension fund reform. At one of these meetings, the Minister of Finance presented the communications strategy for the reform to the Minister of Health, gaining his support for the project. The Minister also presented the proposed pension fund reform to leading businessmen of Bolivia.

PW/IPG also moved forward with the technical studies in August and presented and discussed a second draft of the financial projections of the cost of the pension fund reform with representatives of USAID, the World Bank, and an UDAPE (an Economic Policy Research Unit) technical team. The PW/IPG team also responded to a number of requests from the MOF for financial and technical analysis in support of the reform.

The technical team held a number of meetings to discuss the proposed reform with the Mission from the World Bank and the program officer for the project, Penny Farley, AID/PRE/W, during the month of September.

At the request of the World Bank and the GOB, PW/IPG assisted in preparing the documents for the Consultative Group. The team worked closely with the MOF to prepare the GOB's request for financing and assistance from the international donors, so that the GOB could be assured that it would have the financing necessary to cover the incremental deficit that will result from implementing the pension fund reform. Without this support, the GOB would not be able to implement the reform and finance the incremental deficit using its own resources.

The reform has been placed as a key item on the agenda for the meeting of the Consultative Group, which consists of the GOB and key donor agencies. The GOB is currently planning to introduce the pension fund reform to Congress in November.

Findings and Recommendations:

The MOF hoped to dissociate the pension fund reform from the privatization program in its public information campaign in order to avoid ideological opposition. However, opponents of the reform have linked the two reforms; therefore, the privatization of pension funds is affected by the climate of privatization as a whole. The GOB must build additional political support and launch the pension fund reform soon if the reform is to be implemented by this government, as the May/June 1993 election campaign has politicized the environment.

Issues Arising this Quarter:

None.

Activities Planned For Next Quarter:

Institutional/Legal Reforms and Technical Studies

- Assist UDAPE in projecting impact of the reform
- Define Methodologies for Transfer Bond
- Complete analysis of the issue of minimum capital requirements
- Analysis of the Fondo de Siniestralidad (to cover general disability and survivorship risks)
- Provide technical analyses as needed by the GOB
- Review and refine selected clauses of the draft Pension Fund Reform Law
- Outline pension fund regulations
- Prepare glossary and index for Pension Fund Law
- Complete draft design and implementation for Pension Fund Superintendency
- Complete field work and analysis of pension fund investment policy, and prepare final document

Public Information Campaign

- Train government speakers
- Present the reform to the communications media
- Organize workshops for reporters
- Launch publicity campaign, continue explaining the reform on TV, radio and the press
- Carry out seminars with target groups

Key Staff:

Regis Cunningham, Project/Task Manager--Mr. Cunningham, a PW/IPG Senior Manager, is experienced in privatization and institutional strengthening. He is a C.P.A. and holds an M.B.A. from the University of North Carolina and a B.S. in Accounting from the State University of New York at Buffalo.

Jeanne Balcom, Project/Task Manager--Ms. Balcom, a PW/IPG Manager, has conducted consulting assignments in the area of privatization, country risk/investment analysis, macroeconomic analysis and international trade. She holds an M.A. in International Economics and Latin American Studies from the Johns Hopkins School for Advanced International Studies and an A.B. in Russian Studies from Dartmouth College.

Jill Minneman, Financial Analyst--Ms. Minneman, a PW/IPG Manager, has experience in privatization and financial sector development projects in developing countries. She has an M.A. in International Business and Economics from the Fletcher School of International Law and Diplomacy at Tufts University and a B.A. in International Relations from Tufts University.

Marlyn Zelkowitz, Financial Analyst--Ms. Zelkowitz, a PW/IPG Senior Consultant, has experience in pension funds and insurance from her work as a Finance Associate at Prudential Insurance Company. She holds an M.B.A. in Finance from the Wharton School at the University of Pennsylvania, an M.A. in International Studies from the University of Pennsylvania, and a B.A. from Wellesley College.

COUNTRY: EASTERN EUROPE
PROJECT NAME: PRIVATIZATION & BUSINESS OPPORTUNITIES FOR WOMEN
DELIVERY ORDER: 033

DESCRIPTION OF PROJECT:

The objective of this project is to identify measures necessary to assist women in Eastern and Central Europe to participate in the privatization and business opportunities in their countries. By identifying opportunities and constraints through desk assessments and field visits, Price Waterhouse/International Privatization Group (PW/IPG) will develop a plan of action to promote the participation of women in business and privatization. The plan of action will respond to the needs identified in each country and will serve to support the role of women in the economic transitions of their countries and to facilitate their participation in privatization activities in Eastern and Central Europe.

STATUS: In progress
Start Date: August 28, 1992
End Date: December 31, 1992

Activities this Quarter:

PW/IPG reviewed existing studies and programs sponsored locally and multilaterally that focus on the role of women in business in Eastern and Central Europe in order to determine issues which need to be addressed during the in-country survey work. PW/IPG also identified U.S.-based institutions that offer women entrepreneurs services such as training, technical assistance, and financing and that may be interested in and capable of extending their services to Eastern and Central European counterparts.

Findings and Recommendations:

None to date.

Issues Arising this Quarter:

None

Activities Planned for Next Quarter:

PW/IPG will organize a donors' meeting in Washington, D.C. to confirm information obtained through research and to define issues/areas of concern which the teams are to address within the scope of the project.

Once the donors' meeting is held, PW/IPG teams will travel to Bulgaria, Czechoslovakia, Hungary, Poland, Estonia, Latvia, and Lithuania to explore the social, regulatory, educational and economic constraints on, and opportunities for, the successful participation of women in business and privatization. The teams will also identify business sectors and subsectors in which women are currently involved as well as prospective sectors for women entrepreneurship.

In an effort to evaluate the existing support system available to women interested in establishing or expanding a business, PW/IPG will also review existing programs designed to assist women in their entrepreneurial efforts during field visits. These programs and entities may range from training and technical assistance programs to financing institutions and information systems. The PW/IPG team will also evaluate women's access to credit in local communities and identify possible financing opportunities available through international funding agencies. Finally, the team will consider the legal framework encompassing women's participation in business to identify legal constraints and areas of improvement.

Based on the findings from field visits and interviews, PW/IPG will prepare an action plan recommending procedures to promote the integration and active participation of women in business activities in these countries. The action plan will include policy recommendations, development of financing alternatives, training programs, types of privatized firms to be targeted, recommended support organizations for women, regulatory issues to be addressed, and any additional information on the needs of women in business in Eastern and Central Europe and recommendations on how to meet those needs.

Key Staff:

Michelle Siren, Project/Task Manager--Ms. Siren, a PW/IPG Senior Manager, specializes in international marketing and strategic planning and participates in PW/IPG's practice development activities, including project design, contract negotiations and marketing activities in Eastern Europe and the New Independent States. She holds an M.B.A. and a B.A. from George Washington University.

Marlyn Zelkowitz, Task Manager--Ms. Zelkowitz, a PW/IPG Senior Consultant, has experience in financial, investment, and pension fund management, and risk analysis. She holds an M.B.A. from the Wharton School of Business at the University of Pennsylvania, an M.A. in International Studies from the University of Pennsylvania, and a B.A. from Wellesley College.

Margarita Fernandez, Task Manager--Ms. Fernandez, a PW/IPG Senior Consultant, has experience in privatization and financial sector development projects including the privatization of public services, bank training, and financial restructuring. She has an M.A. from the Johns Hopkins School of Advanced International Studies and a B.A. from Carleton College.

Heidi Anderson, Task Manager--Ms. Anderson, a Senior Consultant with Price Waterhouse's Financial Management Unit, has experience in the areas of institutional strengthening and restructuring, internal control, financial management, and operational reviews. She holds a B.A. in International Studies and International Development from the American University.

Sheila Stanton, Task Manager--Ms. Stanton, a PW/IPG Senior Consultant, has experience in reviewing privatization plans and operational results, financial analysis, and analysis of products, marketing, and management approach. She holds an M.B.A. from the University of Columbia and a B.A. from Georgetown University.

COUNTRY: EASTERN EUROPE
PROJECT NAME: PRIVATIZATION OF CHILD CARE FACILITIES
DELIVERY ORDER: 034

DESCRIPTION OF PROJECT:

Price Waterhouse/International Privatization Group (PW/IPG) is to analyze the need for child care services in Eastern and Central Europe and determine the feasible privatization alternatives available. Private child care facilities will be examined as a business opportunity for women entrepreneurs in Central and Eastern Europe and PW/IPG will present a plan of action outlining procedures and steps to be followed in cases where privatization is deemed viable. The plan of action will include pilot programs and recommendations for A.I.D. within the context of the agency's existing programs.

STATUS: In progress
Start Date: September 28, 1992
End Date: March 31, 1993

Activities this Quarter:

None.

Findings and Recommendations:

None to date.

Issues Arising this Quarter:

None.

Activities Planned for Next Quarter:

A PW/IPG team will travel to Bulgaria after completing a brief review of existing documents that focus on child care in Eastern and Central Europe. During field visits, the team will define the changing character of child care needs, evaluate existing public child care services, determine the capital, operating costs, and professional skills necessary to offer various types of child care, identify legal and regulatory procedures to be followed when establishing a child care facility, visit and assess newly established private child care centers, and survey the opportunities for establishment of private child care. The team will conduct interviews with government officials, directors of public and private child care centers, representatives of state-owned enterprises with child care

facilities, training entities, financing institutions, legal counsel, parents, and UNICEF representatives.

In its project action plan the PW/IPG team will identify alternative scenarios for the provision of child care (under private, public or mixed arrangements) that best meet the needs of the community; recommend legal, regulatory and institutional measures to ensure provision of high quality child care (public and private); suggest training programs for future child care providers; present several pilot project arrangements to experiment with public-private partnerships in child care; recommend financing mechanisms for the establishment of private child care facilities; and identify areas in the field of child care which require further attention.

Key Staff:

Michelle Siren, Project/Task Manager--Ms. Siren, a PW/IPG Senior Manager, specializes in international marketing and strategic planning and participates in PW/IPG's practice development activities, including project design, contract negotiations and marketing activities in Eastern Europe and the New Independent States. She holds an M.B.A. and a B.A. from George Washington University.

Margarita Fernandez, Task Manager--Ms. Fernandez, a PW/IPG Senior Consultant, has experience in privatization and financial sector development projects including the privatization of public services, bank training, and financial restructuring. She has an M.A. from the Johns Hopkins School of Advanced International Studies and a B.A. from Carleton College.

Marianne Bloch, Task Manager--Ms. Bloch is an early childhood specialist who focuses on preschool education and teacher training. She is currently a Professor of Early Childhood Education at the University of Wisconsin-Madison and she has traveled worldwide as a consultant reviewing child care and education programs. She holds a Ph.D. in Child Development from Stanford University.

COUNTRY: POLAND, HUNGARY, CZECHOSLOVAKIA
PROJECT NAME: REVIEW OF PRIVATIZATION PROJECT
DELIVERY ORDER: 035

DESCRIPTION OF PROJECT:

USAID and the World Bank are collaborating on parallel evaluations that will summarize the experience and performance of Central European countries in the privatization of their state-owned enterprises (SOEs). For the A.I.D. Europe Bureau, the results will be useful in focusing scarce resources allocated to privatization technical assistance and training. They will also serve as the basis for the planned Phase II evaluation of A.I.D.'s support and encouragement of privatization programs in the region. In addition, the evaluations will facilitate the transfer of the initial lessons learned by policy makers in the countries more advanced in their privatization efforts (Poland, Hungary, and Czechoslovakia) to other post-communist countries at an earlier stage in the process.

Five separate evaluation teams will be fielded--two by the World Bank and three by USAID. USAID has contracted Price Waterhouse/International Privatization Group (PW/IPG) to carry out the three USAID evaluations which will analyze:

- 1) Voucher or mass privatization (including the Czechoslovak mixed voucher/sales deals).
- 2) Internal Privatizations (generated principally by management and workers) and innovative techniques for the decentralization of privatization decision-making.
- 3) Corporate governance of SOEs not yet privatized.

STATUS: In progress
Start Date: September 4, 1992
End Date: January 31, 1993

Activities this Quarter:

PW/IPG prepared detailed overviews of the macroeconomic, legal, and privatization environments in Poland, Czechoslovakia, and Hungary. The Corporate Governance team began field work assessing the management, performance, and ultimate resolution (acquisition, bankruptcy, liquidation, etc.) of SOEs not yet privatized, including loss-making ones, in Poland, Hungary and Czechoslovakia. The study is to analyze the "corporate governance" of these enterprises and identify constraints, institutional barriers, or program design characteristics that have inhibited the privatization of SOEs and allowed loss-making ones to remain in operation.

Findings and Recommendations:

None to date.

Issues Arising this Quarter:

None.

Activities Planned for Next Quarter:

Corporate Governance--The PW/IPG Corporate Governance team will continue the work begun in the third quarter.

Voucher Privatization--The Voucher/Mass Privatization team will assess and analyze the voucher/mass privatization programs in Czechoslovakia and Poland. For Poland, the team will analyze the mechanics and functioning of the Mass Privatization Program (MPP) and voucher privatization programs and evaluate the likely impact these programs will have on creating market-based economic structures and incentives and on related issues such as social equity, economic stability and enterprise management. In the case of Czechoslovakia, the team will evaluate the first wave of voucher privatization and assess how the separation of the Czech and Slovak Republics will affect the future of the voucher privatization program and cross ownership (i.e. Czech or Slovak ownership of shares in enterprises in the other republic).

The principal objectives of the team are to:

- 1) Analyze the design of the MPP and voucher privatization programs;
- 2) Evaluate the merits of seeking to immediately create private shareholding via mass privatization as opposed to a more gradual or traditional privatization methods;
- 3) Evaluate the adequacy of regulatory safeguards designed to prevent abuses, anti-competitive practices and problems such as asset stripping, etc.;
- 4) Identify any political constraints or impediments to mass privatization of SOEs in Poland; and
- 5) Discern any "lessons learned" from Polish and Czechoslovakian mass privatization and other innovative techniques used that may be illuminating to other countries embarking on (mass) privatization programs.

Assessment of Internal Privatization--The internal privatization team will assess issues related to spontaneous, "self" and other innovative privatization techniques in use in Poland, Hungary and Czechoslovakia. "Innovative techniques" means privatization by

other means than the traditional share-offerings and private sales, and includes management/employee buy-outs and takeovers, ESOPs, "self" privatization, and partial or complete liquidation.

Integral to the team's work will be comparing and contrasting the positive and negative aspects of these innovative or non-traditional approaches to privatization, and the team will seek to determine what controls are in place to avoid abuses.

As part of its evaluation of internal/innovative privatization in Czechoslovakia, Poland, and Hungary, the team will address issues pertaining to management/worker buyouts, lease arrangements and employee/management takeovers, basing the findings in part on the experiences of firms that will be visited in the field.

Key Staff:

Jim Waddell, Project Director--Mr. Waddell, PW/IPG Executive Director, has extensive experience in Central and Eastern European privatization. He holds an A.B.D. Ph.D. in Economics from Georgetown University, an M.A. in Economics from Georgetown University, an M.S. in Industrial and Labor Relations from Cornell University, and a B.A. in Economics from the University of Virginia.

Michelle Siren, Project Manager--Ms. Siren, a PW/IPG Senior Manager, specializes in international marketing and strategic planning and participates in PW/IPG's practice development activities, including project design, contract negotiations and marketing activities in Eastern Europe and the New Independent States. She holds an M.B.A. and a B.A. from George Washington University.

Corporate Governance Team

David Kochav, Task Manager--Mr. Kochav is an Economic and Financial Consultant with the Israeli bank group, Bank Leumi, with experience in industrial restructuring, privatization, and financial sector and institutions. As a staff member of the World Bank, he worked on the industrial and financial sectors in Eastern Europe and China. With thirty years of experience in industrial policy and finance, he has extensive knowledge of corporate governance issues. He holds an M.A. in Economics and Statistics from the Hebrew University in Jerusalem.

Kevin McDonald, Privatization Specialist--Mr. McDonald is President of ITCA Europe Ltd. in Warsaw, where he works on project restructuring and private sector development. He holds a Master of Management degree from the Kellogg Graduate School of Management at Northwestern University and a B.A. from Vanderbilt University.

Voucher Privatization Team

Ira Lieberman, Task Manager--Mr. Lieberman is President of LIPAM, an international consulting firm, and a Senior Advisor to the World Bank on mass privatization. With over 25 years of experience in consulting, he has gained extensive knowledge of Central and Eastern European privatization and undertaken a variety of worldwide consulting and advisory assignments. He has a Ph.D. in Political Economy from Oxford University, an M.B.A. in Finance from Columbia University, and a B.A. from Lehigh University.

Internal Privatization Team

Jeremy Colman, Task Manager--Mr. Colman, PW/Czechoslovakia Partner-In-Charge of Corporate Finance, has experience in restructuring, mergers and acquisitions, and financial planning and monitoring. This experience includes over seven-and-a-half years in privatization, including advising SOEs on their privatization and restructuring in Czechoslovakia, Poland, and Eastern Germany. He holds an M.S.C. from London University and an M.R. from Cambridge University.

Paul Elicker, Privatization Specialist--Mr. Elicker, an independent consultant, has undertaken numerous assignments with a variety of international organizations and private sector firms on privatization in Central and Eastern Europe. Formerly a CEO of SCM Corporation, he gained valuable experience in mergers and acquisitions, manufacturing operations, liquidations, and buy-outs. He holds an M.B.A. from the Harvard Business School and a B.A. from Yale University.

Paul Sacks, Privatization Specialist--Mr. Sacks, President of Multinational Strategies, Inc. (MNS), a leading consulting firm on international business risk management, has over ten years of experience in capital markets development, trade and project finance, and international lending strategies. Under his direction, MNS has recently undertaken a series of privatization and investment projects in Eastern Europe. He holds a Ph.D. and an M.A. in Political Science from the University of California at Los Angeles and an A.B. from the University of Rochester.

Country Experts

Michal Mejstrik, Czechoslovakia--Mr. Mejstrik, Acting Director of the Center for Economic Research and Graduate Education, is responsible for international cooperation and corporate finance. A native of Czechoslovakia, he has extensive knowledge of Czechoslovakian privatization. He holds a Ph.D. from the Institute of Economics in Prague and M.A. in Economics from the Prague School of Economics.

Ladislav Venys, Czechoslovakia--Mr. Venys, Director for the Center for Democracy and Free Enterprise and President and CEO of the Anglo-American Business Institute in Prague, has been closely involved in all aspects of the privatization process in Czechoslo-

vakia. He holds a Ph.D. and M.A. from Charles University in Prague and an M.A. from Syracuse University.

Jay Madigan, Poland--Mr. Madigan is an Advisor to the Polish Minister of Privatization on policy and practice for the privatization of small and medium-sized firms. Having worked with foreign investors and the Government of Poland, he has extensive knowledge of Poland's privatization program. He holds an M.P.A. from the Kennedy School of Government at Harvard University and a B.A. from Xavier University.

Janos Szomburg, Poland--Mr. Szomburg is a Professor at the University of Gdansk and his research interests include capital market building, ownership changes, and the transformation of real socialism into a market-oriented economy. As the author of the original Polish privatization program, he is one of the leading authorities on Polish privatization. He holds Ph.D. and an M.A. in Economics.

Januzs Dabrowski, Poland--Mr. Dabrowski is a Assistant Professor at the Warsaw School of Economics. His research interests include alternative ownership in SOEs, workers' self-management within SOEs, and the transformation of the centrally planned economy into the market-oriented economy. He holds a Ph.D. and an M.A. in Economics.

Peter Kurz, Hungary--Mr. Kurz is Senior Associate at John S. Hanna Associates. He has 22 years of experience in international banking, general management, marketing and business development with specific skill in project finance, international trade services and leasing. He holds M.A. from the University of Florida and a B.A. from Princeton University.

COUNTRY: NEW INDEPENDENT STATES
PROJECT NAME: PRIVATIZATION PROGRAM INITIATIVE
DELIVERY ORDER: 036

DESCRIPTION OF PROJECT:

Four of the New Independent States (NIS)--Russia, Kazakhstan, Kyrgyzstan, and Uzbekistan--requested USAID assistance to help them begin privatization programs. Requested assistance ranges from developing privatization strategies, policies, and legislation, to preparation of assets for transfer, to completion of privatization transfers.

Price Waterhouse/International Privatization Group (PW/IPG) is to perform four major tasks in this project:

- 1) Develop an overview of the status of privatization focusing on the activities of donors and other institutions promoting privatization, the status of the host country's privatization initiatives, action steps that will lead to a privatization program and transactions, and asset selection and identification.
- 2) Develop pre-implementation plans that will consist of providing advisory assistance to government officials, drafting terms of reference, preparing strategy papers, providing general consultation on selected matters such as public relations, transparency, general strategy, policy and legislation and providing on-the-job training for privatization staff.
- 3) Implement the action plans by bringing assets or services to the point of transfer sale, contract, lease or another form of privatization.
- 4) Assist in the transfer or sale as a transfer agent for selected assets or assist federal governments with selected intermediaries.

STATUS: In progress
Start Date: August 28, 1992
End Date: May 31, 1993

Activities this Quarter:

Three teams were sent out to determine the recommended privatization programs for Russia, Uzbekistan and Kyrgyzstan during September. Each team prepared a report outlining the primary issues on privatization and recommending a plan of action for immediate USAID assistance under this contract.

Russia--PW/IPG work performed in Russia is to assist the State Committee of the Russian Federation for the Management of State Property (GKI). Three major sectors have been identified for privatization and transaction-related assistance: paper, food processing, and soaps/cosmetics. In each sector, PW/IPG will evaluate up to 10 enterprises for privatization and potential foreign investment. In this quarter, PW/IPG began analysis of enterprises in all these sectors.

Uzbekistan--PW/IPG commented on the privatization laws, reviewed the existing government privatization program and made recommendations for improvements, and developed recommendations for future USAID assistance.

Kyrgyzstan--PW/IPG reviewed the existing government privatization program and made recommendations for improvements, conducted preliminary sector assessment that included enterprise visits, and developed recommendations for future USAID assistance.

Findings and Recommendations:

None to date.

Issues Arising this Quarter:

None.

Activities Planned for Next Quarter:

Russia--To assist USAID in preparing privatization programs, strategies and implementation plans for on-going transactions and future privatization work, PW/IPG will provide profiles on the paper, food, and soap/cosmetics sectors to GKI for dissemination to potential foreign investors. Based on the experience of researching and preparing the sector profiles, PW/IPG will make recommendations to USAID on future privatization assistance required by Russia.

PW/IPG will select a team that can advise on corporate restructuring in the oil and gas industries.

Nine advisors will be provided to the GKI for a period of three months. The nine specialists include a senior privatization specialist, a legal privatization specialist, a communications privatization specialist, an investment privatization specialist, an institutional privatization specialist, and four institutional strengthening and privatization specialists to assist with the voucher privatization system.

Uzbekistan--No activities planned under this buy-in.

Kyrgyzstan--Tim O'Neill, PW/IPG team leader, will meet with USAID and World Bank representatives to continue to define privatization programs and activities.

Key Staff:

Jim Waddell, Project Coordinator--Mr. Waddell, PW/IPG Executive Director, has extensive experience in Central and Eastern European privatization. He holds an A.B.D. Ph.D. in Economics from Georgetown University, an M.A. in Economics from Georgetown University, an M.S. in Industrial and Labor Relations from Cornell University, and a B.A. in Economics from the University of Virginia.

Richard Downer, Project Manager--Mr. Downer, PW/Jamaica Partner in charge of Management Consulting, has extensive experience in the privatization of SOEs including the development and implementation of privatization strategies at the government and state-enterprise level. Mr. Downer is a graduate of McGill college in Canada and is a Chartered Accountant.

Tim O'Neill, Team Leader--Mr. O'Neill, a consultant in international corporate finance, was a Director of PW/IPG's Czechoslovakian project and has extensive experience in Central European privatization. Mr. O'Neill leads the PW/IPG assistance in Kyrgyzstan.

Bill Mako, Team Leader--Mr. Mako, a PW/IPG Senior Manager, was a Director of PW/IPG's Czechoslovakian project and has extensive experience in Central and Eastern European privatization. He is leading the PW/IPG work performed in Uzbekistan and holds an M.P.P.M. from the School of Management at Yale University and a B.S. from Georgetown University.

David DeOrio, Advisory Consultant--Mr. DeOrio, a PW/IPG Manager, has extensive privatization experience with the UNDP in numerous countries, including Poland and New Zealand. He holds a D.Phil in Economics from Oxford University, an M.P.P. from the Kennedy School of Government at Harvard University, and an A.B. from the University of Michigan.

COUNTRY: WORLDWIDE (AFRICA)
PROJECT NAME: ASSESSMENT OF PRIVATIZATION POTENTIAL AND
RELATED GOVERNANCE ISSUES
DELIVERY ORDER: 037

DESCRIPTION OF PROJECT:

At the request of the Office of New Initiatives in A.I.D.'s Africa Bureau (AFR/ONI), Price Waterhouse International/Privatization Group (PW/IPG) will provide privatization assistance to up to 12 African countries. The project will focus on regional assessments on privatization activities and related governance issues in the subject countries. A key attribute of the buy-in is flexibility, as scopes of work will be tailored to specific country needs. Recommendations from analyses conducted will be presented to relevant senior government officials and are intended to serve as a departure point for specific USAID privatization support to these countries. This project will be implemented jointly with Abt Associates, subcontractor to the Privatization and Development Project.

STATUS: In progress
Start Date: September 25, 1992
End Date: September 24, 1993

Activities this Quarter:

Several meetings were held with AFR/ONI and PRE staff prior to the final contracting of the delivery order. The purpose of these meetings was to review requests from missions for assistance and develop a preliminary list of initial countries to be targeted.

Findings and Recommendations:

None to date.

Issues Arising this Quarter:

None to date.

Activities Planned for Next Quarter:

PW/IPG and AFR/ONI will collaborate to decide which countries will receive privatization assistance.

Key Staff:

Mara Fellouris, Project Task Manager--Ms. Fellouris, PW/IPG's Africa Regional Manager, has broad experience with privatization, including related financial, institutional and training issues. She has an M.B.A. from the Monterey Institute of International Affairs and a B.A. from Mount Holyoke College. Ms. Fellouris will coordinate the implementation of the buy-in.

Jim Waddell, Project Coordinator--Mr. Waddell, PW/IPG Executive Director, has extensive experience in Central and Eastern European privatization. He holds an A.B.D. Ph.D. in Economics from Georgetown University, an M.A. in Economics from Georgetown University, an M.S. in Industrial and Labor Relations from Cornell University, and a B.A. in Economics from the University of Virginia. Mr. Waddell will serve as project partner for the engagement.

David Gordon, Privatization Specialist--Mr. Gordon, Senior Policy Analyst at Abt Associates, specializes in international economic development. He has a Ph.D. in Political Science from the University of Michigan and will serve as lead analyst and project manager on behalf of Abt Associates.

COUNTRY: CAPE VERDE
PROJECT NAME: PRIVATIZATION ASSISTANCE
DELIVERY ORDER: 038

DESCRIPTION OF PROJECT:

The Government of Cape Verde (GOCV) is committed to the economic liberalization of the country and has identified privatization as a strategy through which this goal can be achieved. Pursuant to the preliminary Privatization Assessment Study conducted by Price Waterhouse/International Privatization Group (PW/IPG) performed for USAID under an earlier buy-in, PW/IPG has been contracted to assess the labor displacement impacts of a privatization program in Cape Verde. The findings will be used by the GOCV to gain an understanding of the employment/unemployment consequences of the proposed privatization program in order to inform the policy makers and the public, as well as serve as a basis to launch a public relations campaign prior to the actual privatization program.

PW/IPG has also been contracted to assist the GOCV in performing a diagnostic study of the Hotelmar enterprise, a majority state-owned hotel, and provide analysis contributing to the valuation of the company.

STATUS: In progress
Start Date: September 28, 1992
End Date: May 10, 1993

Activities this Quarter:

No activities this quarter.

Findings and Recommendations:

None to date.

Issues Arising this Quarter:

None.

Activities Planned for Next Quarter:

The labor redundancy and displacement study will analyze the macroeconomic environment and labor market development and trends. The redundancy assessment will project a quantitative measurement of the likely displacement impact of the country's privatiza-

tion activity, and the strategy recommendations will provide policy-makers with alternatives for addressing this issue based, in part, upon the findings of the macroeconomic analysis.

For the Hotelmar, PW/IPG will conduct field work and then prepare the draft report. Issues to be covered include:

- Analysis of the macroeconomic environment of Cape Verde;
- Analysis of the tourism industry;
- Enterprise analysis (financial and operational);
- Value assessment; and
- Alternative privatization methods and recommended strategy.

Key Staff:

Andrew Cao, Project/Staff Manager--Dr. Andrew Cao, PW/IPG Director of Research & Training, has extensive experience in privatization projects and is actively involved in projects in Asia and Africa. He holds a Ph.D. in Finance and International Business from George Washington University, an M.B.A. and M.A. from the American University, and a B.S.B.A. from Indiana University.

Stephanie Francis, Privatization Specialist--Ms. Francis, a PW/IPG Staff Consultant, has been involved with a number of privatization projects and implementation issues. She holds a B.A. in Economics from the Wharton Business School at the University of Pennsylvania.

COUNTRY: MOROCCO
PROJECT NAME: PRIVATIZATION ADVISORY SERVICES II
DELIVERY ORDER: 039

DESCRIPTION OF PROJECT:

The Government of Morocco (GOM) has embarked on an ambitious privatization program which initially included 75 enterprises and 36 hotels. Privatization laws were passed in 1989 and in 1991, and the two principal entities overseeing the privatization process, the Valuation Authority and the Transfer Commission, were appointed. Preparation for divestiture is currently underway for several enterprises and hotels.

Price Waterhouse/International Privatization Group (PW/IPG) technical assistance to the ongoing Moroccan privatization program includes the provision of a long-term advisor and short-term, project-specific technical assistance. The long-term advisor provides services in training, information systems, research, external relations, management, and assistance to short-term projects. The short-term technical assistance provides support to specific projects involving privatization transactions and additional support for training activities.

This is a continuation of the activity started in Delivery Order No. 1.

STATUS: In progress
Start Date: September 30, 1992
End Date: September 30, 1994

Activities this Quarter:

The project was contracted with USAID in late September so work has not started.

Findings and Recommendations:

None.

Issues Arising this Quarter:

None.

Activities Planned for Next Quarter:

Activities will be a continuation of activities initiated under Morocco Privatization Advisory Services (Delivery Order 001) and will include the following:

- After having issued a valuation and sales strategy report and a Draft Prospectus in September for the privatization of CTM-LN (an intercity bus service), PW/IPG will release a Final Prospectus for the company to the Ministry of Economic Affairs and Privatization in English, French and Arabic.
- Obtain feedback from senior GOM government officials on ESOP recommendations. The resulting final report will elaborate on those implementation methods that the GOM feels are most applicable to the Morocco's privatization environment.
- The long-term advisor will present the final draft of a report examining the evolution of the Casablanca Stock Exchange to Ministry officials for comment.
- The PW/IPG Morocco Country Manager will visit Morocco in November to work with USAID and host-country personnel to develop a work plan for the buy-in.

Key Staff:

Alfred Saulniers, Long-term Advisor--Dr. Saulniers, a PW/IPG Senior Manager, has experience in advising foreign governments in economic reform programs. He holds a Ph.D. in economics from the University of Wisconsin and is affiliated with the University of Michigan, the University of Texas, and the University of Wisconsin. Mr. Saulniers provides advisory services to the Ministry of Commerce, Industry and Privatization.

Mara Fellouris, Project Task Manager--Ms. Fellouris, PW/IPG's Africa Regional Manager, has broad experience with privatization, including related financial, institutional and training issues. She holds an M.B.A. from the Monterey Institute of International Affairs and a B.A. from Mount Holyoke College. Ms. Fellouris coordinates the implementation of all activities under the buy-in.

Dennis Mykytyn, Management Consultant--Mr. Mykytyn, a PW/IPG Manager, has over 13 years experience in developing and implementing innovative capital financing programs for public sector clients in the areas of transportation, utility systems, solid waste management, public/private partnerships, and general capital programs. He holds a Masters of City and Regional Planning from the Kennedy School of Government at Harvard University and a B.A. from Harpur College. Mr. Mykytyn served as team leader on the CTM-LN engagement.

Richard Dangay, Financial Analyst--Mr. Dangay, a PW/IPG Senior Consultant, specializes in financial analysis of privatizing companies. He is proficient in financial market issues and policies and participated in capital market studies which Price Waterhouse conducted in Morocco. He holds an M.B.A. from The American University and served as lead analyst on the CTM-LN engagement.

Ben Porter, Industry Specialist--Mr. Porter, a PW/IPG Senior Manager, has experience in providing financial and technical expertise to a number of bus companies throughout the U.S. He holds an M.S. in Transportation Engineering from the University of Washington and he conducted an in-depth analysis of CTM-LN operations and the bus industry.

PW/Morocco

Aziz Belkasmi--Mr. Belkasmi is a partner of PW/Morocco. He is the partner responsible for the CTM-LN audit conducted by PW/Morocco and he provided technical oversight to the CTM-LN engagement.

Mr. Khalfaoui--Mr. Khalfaoui is a Senior Manager for PW/Morocco who conducted many of the Morocco firm's major audits. He is a Fellow of the Arab Society of Certified Accountants. Mr. Khalfaoui directed the CTM-LN audit and provided technical input to the PW/IPG engagement.

Ismael Farih--Mr. Farih is a financial analyst with PW/Morocco. He holds an M.B.A. from California State University in San Diego and served as financial analyst on the CTM-LN engagement.

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Buy-in Activities

D.O. #	Country	Project Name	Start Date	Budget	End Date	Spent 09/30/92	Remaining \$0.00
	Morocco II	Priv. of Public Services Seminar	CANCEL	\$0.00	CANCEL	\$0.00	\$0.00
1	Morocco I	Priv. Advisory Services	05/31/91	\$894,165.00	09/30/92	\$546,083.20	\$348,081.80
2	Bolivia I	Private Prov. of Public Services	05/28/91	\$149,316.00	COMPLETE	\$147,677.72	\$1,638.28
3	Phil I	GOP Asset Privatization	07/03/91	\$667,400.00	12/31/92	\$467,395.67	\$200,004.33
4	ENE-Turkey	Priv. Assistance/Training	CANCEL	\$195,545.00	CANCEL	\$1,800.58	\$193,744.42
5	Sri Lanka	Project Assessment and Impact	09/06/91	\$124,960.00	COMPLETE	\$124,584.36	\$375.64
7	Pakistan	Telecommunications	09/01/91	\$65,127.00	COMPLETE	\$48,327.59	\$16,799.41
8	Czech II	Slovak Technical Assistance	08/29/91	\$1,699,347.00	12/31/92	\$1,562,752.14	\$136,594.86
9	Czech I	Czech Technical Assistance	08/29/91	\$1,689,820.00	08/31/92	\$1,597,295.06	\$92,524.94
10	Poland I	Privatization Support Services	09/11/91	\$2,204,486.00	COMPLETE	\$2,204,486.00	\$0.00
11	Armenia	Privatization of Social Services	09/30/91	\$41,841.00	COMPLETE	\$41,841.00	\$0.00
12	Phil II	Philippines National Oil Company	10/25/91	\$247,380.00	11/30/92	\$192,171.61	\$55,208.39
13	Czech III	Municipal Waste Collection	11/08/91	\$280,388.00	09/30/92	\$253,095.01	\$27,292.99
14	Bolivia II	Technical Support to the GOB	11/13/91	\$1,149,984.00	09/30/93	\$1,014,628.90	\$135,355.10
15	Cape Verde	Privatization Program Assistance	11/14/91	\$68,373.00	COMPLETE	\$68,373.00	\$0.00
16	Indo- H.O.	LT and ST Tech. Assis. to GOI	12/09/91	\$2,173,060.00	09/30/94	\$425,317.20	\$1,747,742.80
16	Indo- WP	First Year Workplan	02/12/92	\$70,821.83		\$66,499.79	\$4,322.04
16	Indo- B/B	Boo/Bot Seminar	02/12/92	\$55,433.00		\$48,523.86	\$6,909.14
16	Indo- Train.	Training Needs	05/01/92	\$31,100.74		\$30,308.51	\$792.23
16	Indo- BBII	Boo/Bot II	05/01/92	\$29,003.74		\$27,068.45	\$1,935.29
16	Indo- MIS	Mgmt. Info System	05/27/92	\$39,882.97		\$40,707.93	(\$824.96)
16	Indo-PFP	Pension Funds Priv.	07/01/92	\$35,117.84		\$29,452.67	\$5,665.17
16	Indo-SOE	SOE Restructuring	07/08/92	\$26,055.75		\$21,835.91	\$4,219.84
17	Gambia	Privatization of Ground Nuts	01/17/92	\$36,220.00	COMPLETE	\$34,382.67	\$1,837.33
18	Tunisia	Support to the GOT Priv. Program	01/28/92	\$13,291.00	COMPLETE	\$13,291.00	\$0.00
19	Phil III	Priv./Impl. of Metro Transit	02/04/92	\$262,165.00	12/31/92	\$238,870.27	\$23,294.73
20	Mozambique	Private Sector Road Transport	02/28/92	\$114,564.00	09/10/92	\$97,140.05	\$17,423.95
21	Phil IV	Privatization of Power	03/20/92	\$183,233.79	09/30/92	\$128,193.64	\$55,040.15
22	Nicaragua	Technical Assistance - CORNAP	03/20/92	\$1,048,413.51	03/31/93	\$373,967.03	\$674,446.48
23	Ecuador	Privatization Assistance	06/01/92	\$359,339.14	12/31/92	\$124,712.72	\$234,626.42
24	Gambia II	Privatization of Ground Nuts	04/23/92	\$126,525.48	09/30/92	\$117,676.60	\$8,848.88
25	Zimbabwe	Telecommunications Conference	08/13/92	\$388,055.00	02/13/93	\$43,822.87	\$344,232.13
26	Guatemala	Highway Privatization	07/09/92	\$50,338.00	09/30/92	\$45,288.45	\$5,049.55
27	Poland II	Glass Sector Privatization	06/26/92	\$1,415,430.16	12/31/92	\$1,227,547.70	\$187,882.46
28	Phil V	Priv. of Mining Companies	06/17/92	\$71,408.00	09/30/92	\$32,125.35	\$39,282.65
29	Burundi	Privatization Assistance	06/15/92	\$338,974.00	12/31/92	\$139,770.56	\$199,203.44
30	Mongolia	Priv. of Housing Sector	07/20/92	\$375,757.00	10/30/93	\$4.55	\$375,752.45
31	Tunisia II	Air Tunisia	06/15/92	\$165,232.23	09/29/92	\$42,477.60	\$122,754.63
32	Bolivia III	Pension Fund Privatization	08/12/92	\$1,523,911.00	06/30/93	\$202,201.61	\$1,321,709.39
33	East. Eur.	Priv. and Women Entrepreneurs	08/28/92	\$189,020.59	12/31/92	\$7,964.91	\$181,055.68
34	East. Eur.	Priv. of Child Care	09/28/92	\$98,698.11	03/31/93	\$0.00	\$98,698.11
35	East. Eur.	Review of Privatization Program	09/04/92	\$314,775.60	12/31/92	\$11,686.24	\$303,089.36
36	NIS-S.O.	NIS- Status Overview	09/30/92	\$1,417,864.00	05/31/93	\$91,771.16	\$1,326,092.84
36	NIS-S.S.	NIS- Sector Studies					
36	NIS-M.A.	NIS-Mission Assistance					
36	NIS-GKI	NIS-GKI Support					
36	NIS-E.S.	NIS-Energy Sector					
37	Africa	Privatization Strategy	09/25/92	\$695,746.00	09/24/93	\$0.00	\$695,746.00
38	Capu Verde	Privatization Assistance	09/28/92	\$147,192.72	05/10/93	\$0.00	\$147,192.72
39	Morocco II	Privatization Assistance	9/30/92	\$1,592,398.00	09/30/94	\$0.00	\$1,592,398.00

Actual:	\$22,867,160.20	\$11,933,121.14	\$10,934,039.06
Potential:	\$0.00		
Total:	\$22,867,160.20		

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Core Activities

Activity Number	Project Name	Start Date	Budget	Spent 09/30/92	Remaining
999	Home Office	12/20/90	\$5,358,497.06	\$1,700,153.40	\$3,658,343.66
TO 1	NY/Morgan Stanley	02/04/91	\$2,871.54	\$2,299.68	\$571.86
TO 2	Guidelines	02/01/91	\$12,630.30	\$12,218.69	\$411.61
TO 3	Prague	02/25/91	\$6,062.00	\$5,464.74	\$597.26
TO 4	NY Conference	02/20/91	\$2,572.71	\$2,430.53	\$142.18
TO 5	Mining Conf.	02/20/91	\$2,084.34	\$2,226.56	(\$142.22)
TO 6	Int'l Comp. Conf.	04/04/91	\$3,124.49	\$2,328.59	\$795.90
TO 7	Prague	03/11/91	\$0.00	NONE	\$0.00
TO 8	Manila Visit	03/16/91	\$9,987.81	\$10,303.49	(\$315.68)
TO 9	OECD - Paris Conf.	04/03/91	\$6,312.89	\$4,608.72	\$1,704.17
TO 10	Int'l Priv. Conf.	04/14/91	\$4,733.02	\$1,351.36	\$3,381.66
TO 11	NY - Con. Interviews	04/24/91	\$2,263.88	\$377.41	\$1,886.47
TO 12	London/Lisbon	06/23/91	\$16,555.46	\$21,920.80	(\$5,365.34)
TO 13	UNDP Collaboration	04/17/91	\$1,169.90	\$1,663.78	(\$493.88)
TO 14	Bolivia Program	04/29/91	\$3,833.92	\$3,876.59	(\$42.67)
TO 15	Proj. Dev. & Design	05/14/91	\$15,141.78	\$14,046.15	\$1,095.63
TO 16	Case writing visit	05/28/91	\$2,653.96	\$2,876.63	(\$222.67)
TO 17	Slovene Oversight	06/18/91	\$12,754.04	\$36.05	\$12,717.99
TO 18	Case writ. workshop	07/08/91	\$183,269.94	\$117,064.71	\$66,205.23
TO 19	Fr, Mor, Pol, Czech	07/08/91	\$22,291.91	\$20,400.06	\$1,891.85
TO 20	Indo/Phil	07/18/91	\$10,948.76	\$4,633.69	\$6,315.07
TO 21	Poland Project Dev.	09/01/91	\$7,306.27	\$11,675.94	(\$4,369.67)
TO 22	Thail. WB/IMF Meet.	10/13/91	\$5,081.81	\$408.32	\$4,673.49
TO 23	Hungary OECD Conf.	11/14/91	\$5,682.30	\$0.00	\$5,682.30
TO 24	New York Seminar	11/05/91	\$1,221.40	\$0.00	\$1,221.40
TO 25	PAD Computer Network	12/20/91	\$16,098.90	\$14,463.11	\$1,635.79
TO 26	UNDP Conf. Ecuador	01/20/92	\$4,447.02	\$1,743.82	\$2,703.20
TO 27	Recon. Mission-Tun.	02/28/92	\$5,126.86	\$7,095.29	(\$1,968.43)
TO 28	Priv. Newsletter	03/03/92	\$1,100.00	\$1,149.67	(\$49.67)
TO 29	EBRD Annual Mtg.	04/09/92	\$3,914.23	\$0.00	\$3,914.23
TO 30	Adams Smith Conf.	05/15/92	\$13,121.55	\$20,420.20	(\$7,298.65)
TO 31	Speechwriter	CANCELLED			
TO 32	UNDP Expert Group Mtg.	07/09/92	\$6,712.41	\$5,432.27	\$1,280.14
TO 33	Grenada Assistance	09/07/92	\$14,555.74	\$17,208.03	(\$2,652.29)
TOTAL:			\$5,764,128.20	\$2,009,878.28	\$3,754,249.92

OBLIGATED FOR TO'S:	\$405,631.14
SPENT ON TO'S:	\$309,724.88
% OF TO'S SPENT	76.36%
Obligated for Core	\$5,358,497.06
Spent on Core:	\$1,700,153.40
% OF OB. SPENT ON CORE	31.73%
Total Obligation:	\$5,764,128.20