

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

ISN=87695
-PD-ABIE-047

June 27, 1990

MEMORANDUM

TO: SER/OP/W/R, Ed Thomas
FROM: PRE/PD, Carrie Williams *CW*
THRU: PRE/PD, Mark Karns *7-9842*
SUBJECT: Contract Buy-in
Project: Privatization and Divestiture Project (940-0008)
Contractor: Scientex Corporation
Contract No: DPE-0008-C-00-5058-00

Description: Industrial Transition (INTRA) Lab Privatization

Attached is a copy of a PIO/T from Bolivia indicating their intention to buy-in to the subject contract. The PIO/T contains the necessary information, e.g. funding cites, scopes of work, estimated budgets, required for this extension.

This PIO/T is appropriate for the Privatization and Divestiture Project and will support the Agency's private sector initiative.

Mission:	Bolivia
PIO/T Number:	511-0577-3-80359
Appropriation No.:	72-1181021
BPC:	LDSA-88-25511-KG13
Obligation Status:	Implementing Document
Commencement Date:	8/1/90
Estimated LOE:	154 days(5 people)
Buyin	\$404,940
Core	<u>0</u>
Total	\$404,940

Attachment: a/s

cc: PRE/PD:MKarns
PRE/PD:CWilliams
PRE/DP:KSimpson
LAC/PS:AShapleigh
LAC/Desk:RNelson
AA/PRE Reading File
File: Project FSDP 940-0014 Buyins PIO/T-Bolivia (LAC Reg)
USAID/Bolivia

Drafter:PRE/PD:CWilliams:6/27/90:0006Q

Industrial Transition (INTRA)-LAB Privatization

AID 1350-1 (3-87)	AGENCY FOR INTERNATIONAL DEVELOPMENT	1. Cooperating Country BOLIVIA	Page 1 of 3 Pages
		2. P/O/T No. 511-0577 -3-80359	3. <input checked="" type="checkbox"/> Original or Amendment No. _____
*PIO/T	PROJECT IMPLEMENTATION ORDER/TECHNICAL SERVICES	4. Project/Activity No. and Title 511-0577 Industrial Transition (INTRA) LAB Privatization	

DISTRIBUTION	5. Appropriation Symbol 72-1181021		6. Budget Plan Code LDSA-88-25511-KG13			
	7. Obligation Status <input type="checkbox"/> Administrative Reservation <input checked="" type="checkbox"/> Implementing Document		8. Project Assistance Completion Date (Mo., Day, Yr.) 09-30-91			
	9. Authorized Agent AID/W		10. This PIO/T is in full conformance with PRO/AG No. 511-0577 Date 06-25-87			
	11a. Type of Action and Governing AID Handbook <input checked="" type="checkbox"/> AID Contract (HB 14) <input type="checkbox"/> AID Grant or Cooperative Agreement (HB 13) <input type="checkbox"/> PASA/RSSA (HB 12) <input type="checkbox"/> Other			11b. Contract/Grant/Cooperative Agreement/ PASA/RSSA Reference Number (if this is an Amendment)		
12. Estimated Financing (A detailed budget in support of column (2) is attached as Attachment No. B)						
Maximum AID Financing Available		A. Dollars	(1) Previous Total	(2) Increase	(3) Decrease	(4) Total to Date
				\$404,940		\$404,940
		B. U.S. Owned Local Currency				

13. Mission References

13A. Instructions to Authorized Agent
The purpose of this PIO/T is to authorize AID/Washington to negotiate a buy-in with FSDP prime contractor Price-Waterhouse. The contractor will provide technical assistance to the Government of Bolivia in the initial stages of the privatization of Lloyd Aéreo Boliviano.

14B. Address of Voucher Paying Office
**Controller's Office
 USAID/Bolivia
 APO Miami, Fl. 34032-0006**

15. Clearances - Include typed name, office symbol, telephone number and date for all clearances

A. The Project Officer certifies that the specifications in the statement of work or program description are technically adequate PS:JPatino PS:DLJessee	Phone No.	B. The statement of work or program description lies within the purview of the initiating office and approved Agency programs.	Date
C. PD&I:JVizcarra EXO/P:PKearnan	Date 6/29/90	ADP:Saranibar	
E. A/EXO:ECassal	Date 6/26	D. Funds for the services requested are available	Date 6/24/90
	Date 6/26/90	CONT:JRDavison	
16. For the Cooperating Country: The terms and conditions set forth herein are hereby agreed to		17. For the Agency for International Development A/DD:EKadunc	
Signature _____ Date _____		Signature G. Reginald van Raalte Date 6/26/90	
Title _____		Title Director	

*See HB 3, Sup. A, App. C, Att. B, for preparation instructions. Note: The completed form contains sensitive information whose unauthorized disclosure may subject an employee to disciplinary action.

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(3-87)

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20. Provisions for Logistic Support (Continued)

B. Additional Facilities Available From Other Sources N/A

 Diplomatic pouch PX Commissary Other (specify, e.g., duty free, entry, tax exemption)

C. Comments N/A

21. Relationship of Contractor or Participating Agency to Cooperating Country and to AID

A. Relationships and Responsibilities The contractor(s) will work under the general policy guidance of the USAID/Bolivia Mission Director and the technical guidance of the Chief of USAID/Bolivia Private Sector Office and/or his designee.

B. Cooperating Country Liaison Officials

C. AID Liaison Officials

David L. Jessee, Chief a.i. Private Sector Office

Julio Patiño, Project Coordinator, Private Sector Office

22. Background information (additional information useful to authorized agent)

N/A

23. Summary of attachments that accompany the PIO/T (check applicable boxes)

 A. Detailed budget estimate in support of increased funding (Block 12) Attachment B. B. Evaluation criteria for competitive procurement (Block 14A) N/A C. Justification for procurement by other than full and open competition or noncompetitive assistance N/A D. Statement of work or program description (Block 18) Attachment A. E. Waiver(s) justification(s), clearance(s), certification(s) (Block 19) (specify number Attachment C.

- 3'

18. Statement of work or program description for this project is described in Attachment No. A

18. Special Provisions

- A. Language Requirements (specify) Spanish 3-3
(If marked, testing must be accomplished by AID to assure desired level of proficiency.)
- B. Access to classified information will will not be required by technical specialists (Indicate level) _____
- C. Duty post(s) and duration of technical specialist(s) services at post(s) (months) La Paz, Bolivia
- D. Dependents will will not be permitted to accompany technical specialist(s)
- E. Geographic code applicable to procurement under this PIO/T is 000 899 935 941 Other (specify) Bolivia
(If other than authorized in HB 1, Sup B, Chap 5, Para 5A1d, attach waiver(s).)
- F. Salary approval(s) to exceed FS-1 salary ceiling are attached in process N/A.
- G. Cooperating country acceptance of this project (applicable to AID/W projects only)
 has been obtained is in process is not applicable to services required by PIO/T.
- H. Justification for use of external resources for consulting services is attached N/A.
- I. Clearance for procurement of ADP equipment, software, and services is attached in process N/A.
- J. OMB approval of any report to be completed by ten or more members of the general public under the statement of work is attached in process N/A.
- K. Participant training is is not being funded as part of this PIO/T.
- L. Requirement (contracts only) is recommended for small business set-aside SBA 8(a) Program neither.
- M. Other (specify): Medical clearance, see Attachment C.

20. Provisions for Logistic Support

A. Specific Items (insert "X" in applicable column at right. If entry needs qualification, insert asterisk and explain below in C. "Comments")

	IN KIND SUPPLIED BY		FROM LOCAL CURRENCY SUPPLIED BY		TO BE PROVIDED OR ARRANGED BY SUPPLIER	N/A
	AID	COOPERATING COUNTRY	AID	COOPERATING COUNTRY		
(1) Office Space	X					
(2) Office Equipment	X					
(3) Housing and Utilities						X
(4) Furniture						X
(5) Household Appliances (Stoves, Refrig., etc.)						X
(6) Transportation in Cooperating Country					X	
(7) Transportation To and From Country					X	
(8) Interpreter Services/Secretariat					X	
(9) Medical Facilities (Health Room)						X
(10) Vehicles (official)						X
(11) Travel Arrangements/Tickets					X	
(12) Nightwatchman for Living Quarters						X
(13)						
(14)						
(15)						

(OTHER SPECIFY)

PIO/T 511-0577-3-80359
~~Industrial Transition (INTRA)~~
~~(LAB Privatization)~~

(Attachment A)
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ATTACHMENT A

STATEMENT OF WORK

I. BACKGROUND

The Minister of Aeronautics and the President of Lloyd Aereo Boliviano (LAB) have requested technical assistance from USAID to conduct a feasibility study for the privatization of LAB. LAB is a "mixed" company, and, therefore, does not require a revision in the legal framework to move forward with privatization. This makes LAB a likely candidate to be the first, highly visible, national company to be privatized. Since the results of this privatization will have an important impact on the overall process, AID considers it to be important to provide to the GOB and LAB with qualified technical assistance. This would allow them to make informed choices regarding how to best privatize the airline, and provide them with the necessary background, that ultimately will also be requested by potential investors.

II. OBJECTIVE

To prepare a three-phase study for LAB and the GOB, that will present the necessary information to make informed decisions on how to proceed with privatization of the airline. A successful privatization of LAB will also strengthen the privatization process and create the possibility for a public share offering, that in the future would broaden ownership of capital and strengthen capital markets in Bolivia.

III. SCOPE OF WORK

The consulting team will perform the following tasks:

Phase One:

Audit of the airline's Financial Accounts: Examination and reformulation of accounting records to assure accounts are presented on a GAAP basis, sufficient for an international audience.

Phase Two:

- a) Examination of the Airline's Cost Effectiveness: This financial analysis, performed according to industry standards, will identify the strengths of the airline. The review will cover the following areas:

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(Attachment A)

~~Industrial Transition (INTRA)
(LAB Privatization)~~

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- Flight operations and scheduling, maintenance and engineering, subcontracts, reservations and other computerized systems, cargo services, ground operations, personnel and labor relations/labor loadings and costs food services costs, capitalization and finance, marketing and promotional expenses, administrative, financial and budgetary control and attendant reporting procedures, purchasing/stores/contractual arrangements/fuel, leasing, route profitability and tariff development.

b) Traffic Evaluation/Passenger Demand Study: This study will analyze in detail the growth potential of the airline at the domestic, as well as the international level and forecast route contribution statements. The projections will be performed for an eight to ten-year period.

c) Fleet Requirements Evaluation

Phase Three:

Preliminary Appraisal of Strategic Alternatives: Referring to data from the Fleet Requirements Evaluation and the Traffic Evaluation/Passenger Demand Study, the consultants will develop a model, adjust it and make financial projections. This appraisal will include aspects, such as changes in personnel, requirements of capital commitments for new aircraft and route expansion, etc.

IV. LEVEL OF EFFORT

This contract will require the following level of effort based on a six-day work week:

Phase One:

Financial Accountants (3), 2 local: 32 days each
1 U.S.: 30 days, one trip
Finance Specialist (2), 2 U.S., 30 days each, 3 trips

Phase Two:

Given the highly technical nature of this assignment, it is anticipated that some of the airline industry expertise required will have to be subcontracted from firms or individuals specialized in this area. However, there will be need for Project Oversight during this phase, performed most likely by the team leader.

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~~(LAB Privatization)~~

(Attachment A)

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Phase Three:

Financial Analyst: 20 days, 2 trips

Privatization Expert: 20 days, 2 trips

Strategic Planning/Privatization Specialist: 30 days, 2 trips

Senior Policy Advisor: 24 days, 2 trips

Investment Banker/Privatization Finance Specialist: 15 days, 1 trip

V. DELIVERABLES

Phase One:

Audit report of LAB accounts (on GAAP basis), performed by an AID approved firm.

Phase Two:

A comprehensive report analyzing: key determinants of LAB's cost effectiveness, traffic evaluation/passenger demand, and a fleet requirement evaluation.

Phase Three:

A report laying-out strategic alternatives for privatization of LAB which will include the design of a financial model that can be adjusted to make financial projections based on different sets of variables.

The findings of all three phases of study will be presented to USAID/Bolivia, LAB management and shareholders, and GOB officials. These three deliverables will form the basis for a prospectus that will be used to provide information for potential investors.

VI. CONTRACTING PERIOD AND START-UP DATE

AID/W is requested to negotiate this contract buy-in as soon as possible based on the scope of work (Phase One, Two, and Three) contained in this PIO/T. For Phase One, the estimated period of performance will extend for 60 days, for Phase Two, 90 days, and for Phase Three, 60 days.

The effective date will be the date of the signature on the contract buy-in.

The contractor should plan on providing the required technical assistance services on:

Phase One: August 1, 1990

Phase Two: October 15, 1990

Phase Three: August 1, 1990.

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~~(LAB Privatization)~~

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VII. LOCATION OF SERVICES

The primary location of services will be La Paz, Bolivia.

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 (LAB Privatization)

(Attachment B)
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ATTACHMENT B
PHASE I
SUMMARY BUDGET

	<u>Rate</u>	<u>Total</u>
1. Direct Labor - Price Waterhouse		\$26,558.10
2. Fringes - Price Waterhouse	11.0%	2,921.39
3. Overhead - Price Waterhouse	104.0%	30,658.67
4. Consultant Labor		0.00
5. Subcontracts		18,885.76
6. G & A	25.0%	15,034.54
7. Travel, Transportation & Allowances		13,444.00
8. Other Direct Costs		<u>5,184.91</u>
9. Total Cost		\$112,687.37
10. Fixed Fee - Price Waterhouse	5.0%	<u>5,634.36</u>
Total Cost plus Fixed Fee Rounded:		<u>118,300.00</u> =====

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 Industrial Transition (INTRA)
 (LAB Privatization)

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	<u>Number</u>	<u>Cost</u>	<u>Total Cost</u>
4. Travel, Transportation and Allowances			
a. RT DC/La Paz/DC	4.0	1,450.00	5,800.00
b. Per Diem La Paz	72.0	87.00	6,264.00
c. Ground Transportation	72.0	15.00	1,080.00
d. Terminal Costs (Prep & Enroute Exps)	4.00	75.00	<u>300.00</u>
Total TTA			<u>13,444.00</u> =====
	<u>Base</u>	<u>Number</u>	<u>Cost</u>
5. Other Direct Costs			<u>Total Cost</u>
a. DBA Insurance	24,183.20	3.99%	964.91
b. SOS Insurance	3.0	200.00	600.00
c. Communications Courier (cost/wk)	4.0	500.00	2,000.00
d. Reproduction (cost/wk)	4.0	250.00	1,000.00
e. Final Report Preparation	4.04	620.00	620.00
Total ODC			<u>5,184.91</u>
6. Total Cost			112,687.37 =====
7. Fixed Fee		5.0%	5,634.36
8. Total Cost plus Fixed Fee (Rounded)			118,300.00 =====

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 (LAB Privatization)

(Attachment B)
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ATTACHMENT B
PHASE II
ESTIMATED BUDGET

	<u>Rate</u>	<u>Total</u>
1. Direct Labor - PW		\$4,721.44
2. Fringes - PW	11.0%	519.36
3. Overhead - PW	104.0%	5,450.43
4. Consultant		0.00
5. Subcontracts		64,919.80
6. G & A	25.0%	2,672.81
7. Travel, Transportation and Allowances		34,722.00
8. Other Direct Costs		<u>18,959.98</u>
9. Total Cost		131,965.82
10. Fixed Fee - PW		<u>6,598.29</u>
Total Cost Fixed Fee (Rounded)		<u>138,600.00</u> =====

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 (LAB Privatization)

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ATTACHMENT B
(PHASE II)

ESTIMATED BUDGET

	<u>Total Days</u>	<u>In-Country Work days</u>	<u>Daily Rate</u>	<u>Total Cost</u>
1. Direct Labor - PW				
a. Project Oversight	16.0	8.0	295.09	<u>4,721.44</u> =====
		<u>Rate</u>	<u>Base</u>	<u>Total Cost</u>
2. Indirect Costs				
a. Base			4,721.44	
b. Fringes		11.0%		519.36
c. Overhead		104.0%		5,450.43
d. G & A		25.0%		<u>2,672.81</u>
				8,642.60 =====
	<u>Total Days</u>	<u>In-Country Work days</u>	<u>Daily Rate</u>	<u>Total Cost</u>
3. Subcontract Airline Consultants				
a.	58.0	46.0	295.09	17,115.22
b.	58.0	44.0	295.09	17,115.22
c.	52.0	44.0	295.09	15,344.68
d.	52.0	44.0	295.09	<u>15,344.68</u>
Total Indirect Costs	220.0	178.0		64,919.80 =====

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 (LAB Privatization)

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	<u>Number</u>	<u>Cost</u>	<u>Total Cost</u>
4. Travel, Transportation and Allowances			
a. RT/La Paz/?	10.0	1,500.00	15,000.00
b. Per diem La Paz	186.0	87.00	16,182.00
c. Ground Transportation	186.0	15.00	2,790.00
d. Terminal Costs	10.0	75.00	750.00
			<u>34,722.00</u>
			=====
	<u>Base</u>	<u>Number</u>	<u>Cost</u>
			<u>Total Cost</u>
5. Other Direct Costs			
a. DBA Insurance	54,886.74	3.99%	2,189.98
b. SOS Insurance	5.0	200.00	1,000.00
c. Communications Courier (cost/mo)	7.0	1,200.00	8,400.00
d. Reproduction (cost/mo)	7.0	650.00	4,550.00
e. Final Report Preparation	1.0	620.00	620.00
f. Computer Rental (cost/mo)	4.0	550.00	<u>2,200.00</u>
			18,959.98
			=====
6. Total Cost			131,965.82
7. Fixed Fee		5.0%	<u>6,598.29</u>
8. Total Cost plus Fixed Fee (Rounded)			138,600.00
			=====

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 Industrial Transition (INTRA)
 (IAB Privatization)

Attachment B
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ATTACHMENT B
(PHASE III)

SUMMARY BUDGET

	<u>Rate</u>	<u>Total</u>
1. Direct Labor - PW		\$21,836.66
2. Fringes - PW	11.0%	2,402.03
3. Overhead	104.0%	25,208.24
4. Consultant Labor		0.00
5. Subcontracts		29,070.00
6. G & A	25.0%	12,361.73
7. Travel, Transportation and Allowances		23,555.00
8. Other Direct Costs		10,226.88
9. Total Cost		124,660.55
10. Fixed Fee - PW	5.0%	<u>6,233.02</u>
Total Cost Fixed Fee (Rounded)		<u>130,900.00</u> =====

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Industrial Transition (INTRA)
(LAB Privatization)

Attachment B
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ATTACHMENT B
(PHASE III)

ESTIMATED BUDGET

	<u>Total Days</u>	<u>In-Country Work days</u>	<u>Daily Rate</u>	<u>Total Cost</u>
1. Direct Labor - PW				
a. Financial Analyst	20.0	16.0	295.09	5,901.80
b. Strategic Plan/ Privatization Spec.	30.0	26.0	295.09	8,852.70
c. St. Policy Advisor	24.0	18.0	295.09	<u>7,082.16</u>
Total DL	74.0	60.0		<u>21,836.66</u> =====

	<u>Rate</u>	<u>Base</u>	<u>Total Cost</u>
2. Indirect Costs			
a. Base		21,836.66	
b. Fringes	11.0%		2,402.03
c. Overhead	104.0%		25,208.24
d. G & A	25.0%		<u>12,361.75</u>
			<u>39,972.01</u> =====

	<u>Total Days</u>	<u>In-Country Work days</u>	<u>Loaded Daily Rate</u>	<u>Total Cost</u>
3. Subcontract - PW Jamaica/ SLH				
a. Privatization Expert	20.0	18.0	825.00	16,500.00
b. Investment Banker/ Priv. Fin. Spec.	15.0	12.0	838.00	<u>12,570.00</u>
Total Indirect Costs	35.0	30.0		<u>29,070.00</u> =====

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 (LAB Privatization)

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	<u>Number</u>	<u>Cost</u>	<u>Total</u>
4. Travel, Transportation and Allowances			
a. RT DC/La Paz	6.0	1,450.00	\$8,700.00
b. RT NY/La Paz	1.0	1,650.00	1,650.00
c. RT Jamaica/La Paz	2.0	1,675.00	3,350.00
b. Per diem La Paz	90.0	87.00	7,830.00
c. Ground Transportation	90.0	15.00	1,350.00
d. Terminal Costs	9.0	75.00	675.00
			23,555.00
			=====
	<u>Base</u>	<u>Number</u>	<u>Cost</u>
			<u>Total Cost</u>
5. Other Direct Costs			
a. DBA Insurance	35,,260.15	3.99%	1,406.88
b. SOS Insurance		5.0	200.00
c. Communications/ Courier (cost/mo.)		3.0	1,200.00
d. Reproduction (cost/mo)		3.0	650.00
e. Final Report Preparation		1.0	620.00
f. Computer Rental		3.0	550.00
			1,650.00
			10,226.88
			=====
6. Total Cost			124,660.55
7. Fixed Fee		5.0%	6,233.02
8. Total Cost plus Fixed Fee			130,900.00
			=====

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 Industrial Transition (INTRA)
 (LAB Privatization)

(Attachment C)
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ATTACHMENT C

PHYSICAL FITNESS

A pre-departure physical fitness examination of each employee shall include the following requirements: within 90 days of departure, each post-employment long-term U.S./expatriate employee and accompanying dependent should pass a complete medical examination including physical examination, chest X-ray, electrocardiogram (for persons 40 years of age or older), complete blood count, urinalysis, and tests for malaria, parasites and blood and vital capacity (plethysmography or spirometry). In addition, the employee must have a negative chest X-ray and no serious chronic physical or mental disorder. Any past history of pulmonary cardiovascular disease including hypertension should be considered as disqualifying.

For short-term technical assistance, the following apply:

The altitude of La Paz (13,400 feet above sea level) has a deleterious effect on the health of persons with pre-existing heart problems and/or respiratory infections. Individuals with angina pectoris, coronary heart disease, asthma, chronic bronchitis, or any history of heart attack, heart or lung disease, should have a thorough evaluation by their physician prior to traveling to La Paz. Persons with any respiratory infection, including bronchitis, or pneumonia should delay travel to La Paz until they are fully recovered.

USAID/Bolivia requires a doctor's statement declaring that short-term personnel are not afflicted by any of the above mentioned medical problems. If such problems exist, a full medical examination should be completed prior to departure for Bolivia.

Adjustment to the altitude usually requires only a few days. Personnel should, if at all possible, limit their physical activity during the first 36-48 hours after arrival in La Paz.

Infectious hepatitis, amoebic dysentery, bacillary dysentery, shigellosis, typhoid and typhoid are endemic in Bolivia. Yellow fever is present in tropical areas of Bolivia. The usual precautions concerning food and water should be observed and a yellow fever vaccine should be up to date prior to arrival in country. Yellow fever vaccine is recommended for all personnel traveling to tropical areas. Malaria pre-exposure prophylaxis (not the low-dose intradermal injection) is recommended for all personnel who plan to spend considerable time outdoors on foot. The Embassy Health Unit can advise personnel traveling to tropical areas concerning malaria prophylaxis on a case by case basis. The precautions and need for medication are determined by the duration of travel, the extent of exposure, and drug allergy history.

BEST AVAILABLE COPY