

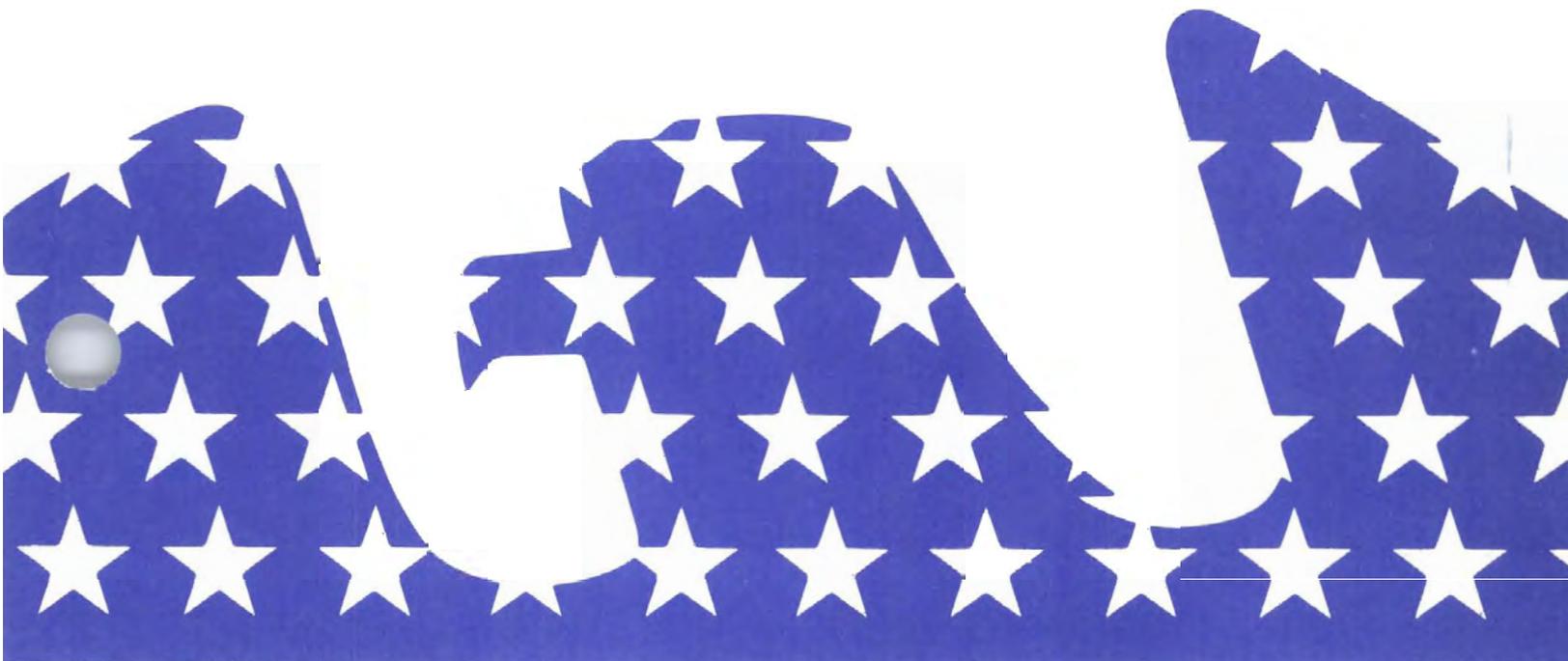
POLICY DETERMINATION

Agency for International Development

PD-14

June 16, 1986

Implementing A.I.D. Privatization Objectives



FM-AAQ-167

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A.I.D.

POLICY DETERMINATION

IMPLEMENTING A.I.D. PRIVATIZATION OBJECTIVES

1. Introduction. The Deputy Administrator, speaking for the Administrator, announced the following Agency objective for privatization at the International Conference on Privatization (February 17 - 19, 1986). He said:

"... To take advantage of the momentum generated by this conference, the Agency for International Development is setting a goal for itself. We have substantial staff and resources in about 40 countries. We will ask each of those missions to engage in discussions with their countries about privatization. Our goal will be for A.I.D. to be involved in an average of at least two privatization activities in each of these missions by the end of fiscal year 1987. Now I say average because we recognize that not all countries are going to be interested, but, clearly a number of countries are very excited..."

The Agency's privatization objective is based upon the pragmatic realization that the entrepreneur and the private sector are the most appropriate mechanisms for economic growth. A healthy independent private sector and secure individual economic freedoms also serve as a strong base from which to ensure that democratic institutions are brought into existence and remain free from centralized political control. Privatization of functions, activities, or organizations currently in the public sector should contribute to the achievement of these goals.

Implementation of the privatization objective must begin with the determination of which public activities are appropriate for the private sector. The appropriateness of public versus private sector should be determined on the basis of which sector is more likely to produce a higher level of economic efficiency, innovation, and incentive, and, therefore, the greater economic benefit. Experience has demonstrated that a private enterprise (rather than a wholly or partially state-owned enterprise

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or parastatal), operating in a truly open and competitive environment, is usually the more likely to meet goals of economic efficiency and growth.

The purpose of this Policy Determination is to provide (1) additional policy guidance on implementing A.I.D. privatization objectives and (2) information on sources of technical assistance for Missions undertaking privatization activities. This PD and the revised Private Enterprise Development Policy Paper (March 1985), which discusses the privatization technique of divestiture, should be used as companion documents in developing privatization plans and activities.

2. Definition. For the purposes of Agency policy, privatization is defined as the transfer of a function, activity, or organization from the public to the private sector. (Related activities discussed in Section 4B of this paper, but not falling within this definition, may be justified with reference to the revised Private Enterprise Development Policy Paper.) The major techniques for privatization, for the purpose of complying with this PD, are discussed in section 4A below. The term "privatization" is not synonymous with private enterprise. Privatization is an important and unique aspect of our private sector program in that it brings together policy reform, institutional development, and utilization of the private sector. Our private enterprise goals and program are described in the Private Enterprise Development Policy Paper.

3. Policy Guidance.

A. Existing Agency policy. Previous Agency policy guidance on privatization is contained in sections V.F. ("Parastatals and Government Authorized Monopolies") and V.D. ("Assistance to the LDC's Private Sector") of the revised Policy Paper on Private Enterprise Development (March 1985). The guidance in section V.F. of that policy paper is limited to the privatization technique of divestiture. Briefly stated, that guidance stipulates that "A.I.D. assistance to or through a parastatal should be given in the context of exposing the parastatal to market forces and scheduled divestiture of the government interest ... A.I.D. projects designed to improve parastatal performance must have identifiable benchmarks upon which substantive progress towards divestiture can be measured." The latter sentence is the ultimate condition upon which assistance is to be granted. In other words, the selected

benchmarks must represent substantive evolutionary progress in moving the parastatal towards market-based operations and divestiture in order to qualify for A.I.D. assistance.

Missions have, in the past, utilized technical or capital assistance to make state-owned enterprises (SOEs) more efficient, more responsive to market forces, or more attractive for buy-outs. It should be recognized, however, that enormous amounts of donor funds committed to help SOEs meet the goal of greater efficiency have been largely unsuccessful. There is no reason to believe that new A.I.D. resources will be better spent for that first goal unless the process is linked clearly to both making the SOE more responsive to market forces and actual divestiture. Therefore, the use of A.I.D. funds in a manner that only improves the capability of the parastatal to respond to market forces in the absence of true policy reforms (such as improving an SOE's accounting procedures as opposed to revising the tax code for all enterprises in a particular industry) does not comply with this policy.

The guidance in section V.D. deals with parastatal financial institutions and applies the privatization technique of partial divestiture. The guidance states that "A.I.D. funds provided to financial institutions should avoid introducing government ministries or parastatals into the on-lending approval process where such involvement does not now exist. Furthermore, such projects should seek to extract government ministries and parastatals from the process if they are now so involved." Based upon this guidance, the responsibilities of the parastatal financial institution would be separated into its purely public functions, which it would retain, and functions that can be carried out by the private sector, which are divested to the private sector.

B. Coverage and scope of new policy. This PD and its targets apply to the A.I.D. Missions listed below. Each of these Missions is directed to engage in discussions with its host country about privatization, with the objective of having at least two privatization activities in each Mission by the end of fiscal year 1987, and two new privatization activities every year thereafter. Although adherence to the guidance is not mandatory for non-Mission field operations (A.I.D. representatives, A.I.D. affairs offices, sections of embassies, and regional offices), it is hoped that those overseas operations will attempt to implement this guidance.

Missions Subject to Guidance

AFRICA

Botswana*
Burkina Faso*
Cameroon
Ghana
Kenya
Lesotho*
Liberia*
Malawi
Mali
Mauritania*
Niger
Senegal
Somalia
Sudan
Swaziland*
Zaire
Zambia
Zimbabwe

ANE

Bangladesh
Egypt
India
Indonesia
Jordan
Morocco
Nepal
Pakistan
The Philippines
Sri Lanka
Thailand
Tunisia
Yemen

LAC

Bolivia
Costa Rica
Dominican Republic
Ecuador
El Salvador
Guatemala
Haiti
Honduras
Jamaica
Panama
Peru
RDO/C

* These Missions are exempted from complying with the PD for FY 87. The application of the guidance to these Missions in FY 88 will be reviewed at a later date.

C. Short-term and Long-term reporting requirements. It is expected that privatization will become an integral part of each Mission's programming. Therefore, both short-term and long-term reporting requirements are described below.

(1) Overview. Missions may submit an overview of their plans for meeting the Agency's privatization objective in the 1987/1988 budget submissions due in June 1986. The overview should contain (a) your current privatization activities; and (b) your strategy and schedule to achieve the privatization objectives. Annex L of the ABS has been reserved for the overview. (Submission of an overview is optional.)

(2) Short-term. Missions are requested to submit detailed privatization plans in an amended Annex L by July 1. These plans should identify (a) short- and long-term targets of opportunity for privatization; (b) the Mission's proposed strategy for addressing privatization; and (c) a projected timeframe for achieving the goals of the privatization plan.

Missions may also wish to take this opportunity to develop their medium- or long-range privatization strategies. An essential first step towards framing a privatization program and determining priority actions would be to assess and lay out an overview of the relative role and influence of private and public sector institutions and organizations in individual countries. Some of the considerations listed in section 9 of this guidance would be important elements in these plans.

(3) Long-term. Following submission of the initial privatization plan in the 1988 ABSS, Missions are required to integrate their privatization plans into the regular reporting system for ABSS, CDSSs, and Action Plans.

4. Techniques for privatization.

A. Primary techniques for privatization. The successful privatization process, which depends upon the country strategy for privatization and the reasons privatization is being undertaken, involves selection and implementation of an appropriate privatization technique. Privatization can take a range of forms, some of which involve change of ownership status and transfer of decision-making authority from the public to the private sector (complete and partial divestiture) while others entail only the transfer of decision-making authority (contracting out and partial privatization). The major techniques for privatization, for the purpose of complying with this PD, may be classified as:

- (1) complete divestiture - in which an SOE is
 - (a) sold, operationally intact, to a private sector entity (such as another firm, individual investors, the firm's own managers or workers, or the general public through a stock offering or auction); or
 - (b) operationally terminated and liquidated, with its business operations halted and its assets sold off piecemeal. Complete divestiture is the preferred Agency approach to privatization of SOEs.

Liquidation should be considered as a positive form of privatization as it (a) relieves the recurrent cost burden of an unproductive asset on the host country budget; (b) ends the need for special subsidies or incentives for noncompetitive SOEs; and (c) contributes to a greater market allocation of resources.

(2) partial divestiture - in which (a) the host government enters into a joint venture with private investors (with the government retaining only a minority equity position that allows actual control to pass to private hands and the enterprise to operate as a private entity); or (b) responsibilities of the SOE are separated into purely public functions, which are maintained by or absorbed into the Government (such as setting quality control standards for agricultural products), and functions that can be carried out by the private sector, which are turned over (or "spun off") to the private sector (such as the sale of agricultural inputs that currently may be under the control of a ministry or government-owned or -controlled marketing board).

(3) contracting out of service delivery - in which the responsibility to provide certain public services (and, in some cases, ownership of the assets) is retained by the host government, but the implementation of certain functions (typically operation and maintenance of facilities and equipment) is delivered by private entities through such mechanisms as service contracting, franchise agreements, or lease, or reliance upon such instruments as a voucher system or regulatory and tax incentives.

(4) partial privatization - in which the Mission encourages reduction of the public sector role through privatization of (a) different activities in the SOE such as management (by hiring a private company to conduct management - e.g., in the U.S., many public hospitals have contracted out management to a private company), production (by contracting output and services), and finances (by requiring users to pay the real (unsubsidized) costs associated with provision of the product or service that they receive); or (b) entire subsidiaries of vertically integrated firms (such as fertilizer importation and retail distribution). Partial privatization should be viewed as a short-term or interim approach, and should be utilized as part of a longer-term process leading to complete divestiture within the life of the same particular privatization project or activity.

A variety of factors in the host country influence the country's privatization strategy as well as the privatization techniques chosen. These factors include the: (1) purpose for undertaking privatization;

(2) business climate; (3) commercial viability of public enterprises; (4) availability of capital (locally or internationally); (5) availability of local managerial and technical talent; (6) side effects (such as displaced labor); and (7) sociopolitical environment of the country.

B. Other options. Missions are encouraged to be innovative and realistic in developing their privatization projects. In those instances where the host government has stated that it is unwilling to divest SOEs to the private sector or transfer functions to the private sector, there are still options available to Missions to comply with this PD. One option is to encourage direct competition to the SOE by private firms by deregulation of markets. Another is to seek to change the policy environment to allow for competition by persuading the host government to (1) eliminate all market entry and protectionist barriers, subsidies, and other measures that reduce competition; (2) reduce government monopolies; and (3) force its SOEs to operate more like private entities in a free and competitive market environment.

Where there is no permitted private sector alternative and the SOE or parastatal is not likely to perform competitively or to be privatized, the Mission should seek to remove itself from those sectors of the economy in which such functions are non-competitive and exclusively public. They should shift to other sectors of the economy where A.I.D. may more effectively operate.

5. Policy conditions important for privatization.

Commitment to privatization, in any form, must be accompanied by the adoption of a policy environment that allows for competition and the operation of market forces in the sector in which the enterprise exists or an activity is performed. Economic activity must be open to competitive market forces (with no laws, regulations, or subsidies which would deter competition with what was the SOE). Governments must be made aware that if industries are protected from market forces, little will be gained from privatization.

Policy reform is essential for the success of all techniques of privatization. The policy conditions needed for privatization to be successful include (but are not limited to) market-based prices (and the concomitant removal of price controls); low, common tariff levels; prompt and fair enforcement of contracts; equal application of controls (in those cases where elimination of these

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factors is not feasible); equal access by all to credit and to foreign exchange (where exchange market manipulation is practiced); the elimination of protectionism; market-based interest rates; reform of employment or labor codes; and elimination of any other policies that would inhibit the emergence of lower-cost and, therefore, more efficient competitors. Reform of the legal framework, investment code, licensing procedure, and tax code are also critical to the success of privatization.

For example, for Employee Stock Ownership Plans (ESOPs) to be a useful divestiture tool, it is generally necessary to change a country's tax code. Changes in the legislative or administrative laws of a country may be needed to provide incentives for the firm's current owners to distribute stock shares to their workers and for the employees to purchase the stock. (ESOPs are encouraged as a method of transferring parastatals to private ownership in section V.F. of A.I.D.'s revised Private Enterprise Development Policy Paper.)

6. Divestiture and ownership issues. Private ownership and control of a firm are critical issues in privatization of SOEs. In some instances, it is possible for control of an enterprise to be transferred to the private sector without the transfer of ownership. These instances, in which ownership and control are divisible, through establishment of management contracts, should be viewed as short-term or interim approaches, and should be utilized as part of a longer-term process leading to complete divestiture. In that interim, the management of the SOE should be expected to exercise the same type of authority as the management of a privately-held firm. However, it is preferable for ownership and control to be transferred together whenever possible.

The new owners of a former state entity, and the managers employed by them, must have the right or freedom to undertake actions they deem important to respond to competitive conditions in a timely manner, including restructuring of the firm, altering the firm's product and its price, changing lines of activity, using subcontractors, and expanding some activities while closing down others. Other areas in which the owners should not be restrained are employment and compensation decisions, sourcing, production engineering, cost structure, financing, investment, and innovation. Such flexibility comes with private sector ownership and control. It is rare under public ownership.

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Preference for simultaneous transfer of both ownership and control is based on other considerations as well, including: (1) the tendency, where ownership remains with the public sector, or when clear title is ill-defined, for property assets to be undervalued by the private sector; (2) the possibility that the motivations of the firm's owners (the state) may still be more socially-oriented than profit-oriented and that this may lead to less efficient allocation of resources; and (3) the fact that public ownership might affect or distort the judgments made by the firm's managers on such critical issues as assessing political risk.

A critical issue associated with divestiture in LDCs is who is allowed to buy the SOEs. For a variety of political and social reasons many LDCs exclude certain groups from purchasing SOEs (especially foreign businesses, multinational corporations, and some local entrepreneurs of certain minority or ethnic groups). These people are often excluded by the political process, explicitly or implicitly, from the purchase of state enterprises. This issue is largely irrelevant in industrial countries, where the major issues are building a constituency for privatization and utilizing the appropriate sale mechanism.

There is some concern that these foreign-owned enterprises or local individuals or firms (who may already own or control a large share of the LDC's economy) will, in fact, purchase the parastatals and increase their control of the LDC economy. Their predominant role in the LDC economy and potential participation in the privatization process is, in the view of some LDCs, contrary to public policy.

Missions should encourage LDC governments to accept all potential buyers into the privatization process and not exclude any potential buyers on the basis of race, nationality, or economic position.

7. Private delivery of services. The conventional approach to providing many services is for government to collect the revenues needed to support the service and to deliver the service as well. The implicit premise in this view is that local public services are all "public goods" (i.e., goods or services that can only be produced and paid for collectively). Yet, most local public services have few attributes of true public goods. Most of them (including garbage collection, transit, and aspects of police and fire protection) have specific, identifiable users, who are the services' principal beneficiaries. To

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the extent that discrete beneficiaries or users can be identified, these services are viable targets for privatization. Moreover, even for services that are closer to being pure public goods, it is not at all clear that government must be the deliverer of the service.

Many national, state, and municipal governments are discovering that public services do not necessarily have to be delivered by government or paid for by taxes. Many studies have found that the services provided via privatization are generally produced more cost-effectively than services provided by tax-funded local monopolies. Privatization of public services offers governments a way to decrease the cost and improve the quality of services.

8. A.I.D. instruments and resources for implementing privatizations. Missions should encourage, where possible, the private sector (indigenous and other) to undertake the entire range of activities related to privatization without A.I.D. assistance. In those instances where that is not possible, A.I.D. has a variety of instruments available for privatization. These instruments are technical assistance that prepares an SOE for divestiture or assists a public organization in achieving private delivery of its services, and financial assistance in the form of loans and grants.

A. Technical assistance. Preparing a country privatization strategy (and, therefore, preparing SOEs for divestiture and public organizations to privatize their services) is a complex task. Therefore, the technical assistance needs associated with privatization may cover a wide range of topics. Some of these include: (1) sector- or industry-specific analyses, including financial, agricultural, industrial, transport, service industries, etc; (2) enterprise-specific analyses, including organization, production processes, finance, audit, marketing, personnel, restructuring, etc; (3) policy/legal/regulatory analyses; (4) project design, implementation, and evaluation related to privatization; or (5) determining the appropriate brokerage mechanism for the sale of SOEs.

B. Financial assistance. A great deal of risk and expense are involved in financing privatizations, and Missions should proceed with care. A.I.D.'s financial assistance for privatization is limited to loan and grant activities (as described below). Consistent with A.I.D.'s revised Private Enterprise Development Policy Paper and the Foreign Assistance Act, A.I.D. will not take an equity position in a private enterprise.

Missions should encourage the private sector to undertake the entire privatization financing package without A.I.D. assistance. If a Mission decides to participate in providing loan funds for privatizations, it should: (1) maximize its catalytic role in stimulating private capital by minimizing the percentage of loan funds it contributes to financing the privatization; and (2) direct the bulk of its capital assistance towards assisting the private sector purchaser, as opposed to the government seller, in the transaction. A.I.D.'s involvement in this type of privatization financing should be designed to maximize private sector participation in this activity.

There may be instances when some grant assistance could be provided to a buyer to cushion a burdensome covenant imposed upon him by the seller for political purposes (such as a requirement to continue all current employees for a limited time). As execution of the covenant may be considered a grant from the buyer to the seller, an off-setting A.I.D. grant to the purchaser may be appropriate. In such instances, A.I.D. should first encourage the seller to accept a lower sale price as a condition for acceptance of the covenant and only as a last resort provide a one-time, directed grant to the purchaser. (For example, if the purchaser must provide job retraining to X number of employees as a condition of the sale, and the privatization depends upon the acceptance of that requirement, A.I.D. may consider providing the funds for the training.) Missions should investigate such cases as they arise and identify these issues when they submit their privatization activities to AID/W for approval. Missions should not develop a broad-based project that provides for grant assistance in anticipation of instances such as those described above. The availability of such funds may distort market forces and private sector decisions in privatization.

C. Resources for privatization. Sources of technical assistance is found in the Annex to this PD. Resources additional to OYB levels will not be made available for privatization. We recognize, therefore, that some Missions will have to adjust or amend existing priorities and programs to meet the new Agency privatization objective. (This should not present an obstacle to Missions that have already initiated privatization efforts.) It is assumed that Missions will make funds available to support privatization from all appropriate accounts.

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9. Conclusion. All too often governments have tended to see divestment as a simple process of announcing a willingness to sell and finding a suitable buyer at the price the government was willing to accept. One of the more difficult tasks facing Missions will be to convince governments that privatization is not a process in which only one side sets the terms, and it may be a long, slow and often frustrating activity.

In formulating and implementing privatization plans and activities, Missions should be aware of the following considerations:

- The process of privatization is essentially political although economic forces may prompt it. Prior understanding of the local political situation, the power bases, and the sources of influence must be achieved before explicit proposals for privatization are laid before the government. Missions should develop a conceptual dialogue with the host government, be understanding of the political risks the host government will be taking on when it embarks upon privatization, and be able to suggest ways of mitigating these risks.
- Privatization plans are more likely to be seriously considered by political decision makers if they contain a variety of options rather than a single course of action.
- Before embarking on privatization a government must have a clear idea of its objectives for the program and why it is being undertaken. Countries may engage in privatization for a variety of reasons, such as to generate immediate cash income, immediate foreign exchange, or future cash income; settle foreign debt; encourage industrial development; encourage foreign investment; improve or create efficiency of operations; develop capital markets; or pursue a free market philosophy.
- Governments tend to be most sensitive to the fiscal and employment aspects of privatization. It becomes important, therefore, to design options which will reduce the subsidy burden without seriously undermining current levels of employment.
- Any strategy for privatization must take into account the groups whose interests may be harmed if

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divestment is successful. These may include labor groups and current managers of the firm, bureaucrats whose positions and power may be eliminated, political groups that favor public enterprises, local private enterprises that will suffer competition if the sale is to non-nationals, and enterprises which are protected from competition through their relationship with the public institution. A divestment program must include strategies to deal with these opposing groups.

ANNEX

AID/W offers a variety of services to provide USAIDs with the technical assistance and information needed for achieving successful privatizations. These include privatization services available in PPC, PRE, S&T, and Africa bureaus, as discussed below; the briefing book and background papers prepared for the International Conference on Privatization, which have been pouched to all Missions; and the report on the conference, which will be made available to Missions later this year.

A. Agency-wide Resources - PPC. In addition to providing policy guidance on privatization and working with PRE, PPC offers a variety of independent assistance to Missions in their efforts to assist with country divestment and privatization plans. PPC has available a privatization specialist who will respond to requests from Missions for advice on proposed privatization projects. He will apply the experience of other countries to the specific problems faced by the requesting Mission. Missions in Honduras, Indonesia, Jamaica, Mauritania, the Philippines, R/DOC, and Thailand are among those that have received assistance. PPC assistance was discussed in 1985 STATE 224591. For additional information, please contact L. Gray Cowan, PPC/PDPR.

PPC also has several studies on privatization and divestment available for distribution to Missions upon request. These include "Divestment and Privatization of the Public Sector, Case Studies of Five Countries" L. Gray Cowan (December 1983), "The Private Provision of Public Services and Infrastructure" by Steven H. Hanke (May 1984), and "Privatization of Municipal Services in Sub-Saharan Africa" by Dr. Ian Marceau (October 1985).

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Shorter studies are also available to Missions on specific aspects of the privatization and rationalization process such as management contracting, business analysis, problems faced by LDC governments in privatization planning and the contract plan, as well as case studies of individual country plans (such as Tunisia, Malaysia, Thailand, and the Philippines).

PPC is having prepared a technical assessment on privatization and divestment techniques which will be completed later this year.

B. Agency-wide Resources - PRE. PRE is currently contracting for assistance to Missions in policy dialogue with host governments, strategy development for divestiture and privatization, and technical assistance for the beginning stages of privatizing specific organizations. The PRE contract with Analysis Group, Inc. and its Center for Privatization will provide assistance over a two year period primarily through short-term consultancies in a wide range of specialties. This contract is discussed in 1985 STATE 386291. For additional information, please contact Paul Haire, PRE/PPR.

That PRE contract is designed to provide assistance in developing and implementing strategies and projects for the divestiture and privatization of state-controlled enterprises. This assistance may include sector or industry specific analyses in the agricultural, industrial, and financial sectors or in service industries. Enterprise specific analyses including organization, production processes, finance, audit, marketing, personnel, and restructuring may also be provided, as can general analyses of the policy, legal or regulatory environment. Help with policy dialogue on utilizing private sector alternatives to state ownership and strategy development for divestiture and privatization plans can be supplied.

PRE will also manage the Agency's Privatization Fund, which is currently being developed. Additional information on the Fund will be made available when its operating guidelines are established.

C. Agency-wide Resources - S&T. S&T has available a variety of technical resources that can be used to assist Missions in developing different aspects of their privatization plans. A few of these are summarized below. Please contact Mike Farbman, S&T/RD/EED, for additional information.

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The Employment and Enterprise Policy Analysis project (Harvard, Michigan State Univ. and Development Alternatives, Inc., contractors) has a buy-in provision under which short- and long-term TA is available to analyze sectoral and macro-policies that may affect privatization efforts.

An S&T/RD cooperator, the Industry Council for Development, has substantial experience working with USAIDs in designing action plans, assisting in political and interest group consensus-building, and assisting directly the process of privatization/commercialization of LDC seed industries.

S&T/RD supports RSSAs and PASAs with the U.S. Department of Labor (DOL) through which assistance in analyzing labor markets and/or strengthening labor market institutions may be obtained. The array of labor redundancy, ESOP, retraining, and similar employment issues that accompany some privatization efforts may be addressed through DOL assistance.

The Local Revenue Administration Project (LRAP) has supported national tax reform programs aimed at improving the environment for the private sector in several countries over the past four years. It has a buy-in mechanism under which Mission funds can be used to support tax reform programs and carry out applied research through September 1987. (Please contact Ken Kornher, S&T/RD, for more information on this project.)

A new FY 1987 activity will provide mission support and applied research in government reforms to foster private sector development. S&T/RD is especially interested in working with missions on feasibility and implementation of "contracting out" of construction, maintenance, or other public services to increase the role of the private sector and improve economic efficiency. Pending an FY 87 RFP, S&T/RD can accommodate some mission-funded TA requirements under an existing project (Performance Management).

D. Additional Resources for Africa Missions. In addition to accessing agency-wide sources of assistance, Missions in Africa have available several sources to obtain technical and financial support for privatization. A major source for East Africa Missions is the IQC set up in 1985 by REDSO/East with a group of companies led by Coopers and Lybrand in Nairobi. Others in the IQC group are Morgan Grenfell Bank, Arthur D. Little, and Technoserve. There

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is a very limited amount of funding in this IQC so Missions will need to utilize their own funding.

In addition, the Africa Bureau Private Enterprise Fund, managed by AFR/PRE, can provide limited funding for short-term business consultant services. Consultants are obtained through existing umbrella contracts with two consulting firms (one of which, Equator Bank, offers specialized banking services) should they be required. This same contract also has a buy-in provision which allows Missions to acquire services using their own funding.

E. Private Sector Resources. Although Missions are encouraged to avail themselves of the privatization services offered by AID/W, there are myriad resources available for privatization in the U.S. and LDC private sector. Many management consulting firms, accounting firms, investment banking firms, and other private enterprises offer assistance in the various aspects of privatization. These firms maintain specialists in the areas noted in Section 8A of the PD. Business, trade, and membership organizations are also sources of information. Missions should utilize these resources as well.



M. Peter McPherson

June 16, 1986
Date